February 25, 2025

BSE Limited
Corporate Relation Department
PhirozeJeejeeboi Towers,
Dalal Street,
Mumbai – 400001.
Scrip Code: 524404

National Stock Exchange of India Limited
Listing Department
Exchange Plaza, C-1, Block-G,
Bandra-Kurla Complex,
Bandra (East), Mumbai – 400051.
Symbol: MARKSANS

Subject: Transcript of investor(s)/analyst(s) meet – Q3FY2025 Financial performance and Strategy update

Dear Sir/Madam,

Pursuant to Regulation 30 read with Para A of Part A of Schedule III of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, kindly find enclosed the transcript of the investor(s) / analyst(s) meet for Q3FY2025 financial performance and strategy update held on February 12, 2025.

The above information is also available on the website of the Company i.e. http://www.marksanspharma.com/investors-meet.html

We request you to take the aforesaid on records.

Thanking you.

Yours faithfully,
For Marksans Pharma Limited

HARSHAVARDHAN PANIGRAHI

Digitally signed by HARSHAVARDHAN PANIGRAHI
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Harshavardhan Panigrahi
Company Secretary

Encl: As above

"Marksans Pharma Limited

Q3 FY25 Earnings Conference Call"

February 12, 2025

MANAGEMENT: **MR. MARK SALDANHA – FOUNDER, CHAIRMAN AND MANAGING DIRECTOR**
MR. JITENDRA SHARMA – CHIEF FINANCIAL OFFICER

MODERATOR: **MR. BINO PATHIPARAMPIL – ELARA SECURITIES INDIA PRIVATE LIMITED**

Moderator: Ladies and gentlemen, good day, and welcome to Marksans Pharma Q3 FY25 earnings conference call hosted by Elara Securities India Private Limited. 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 touch-tone phone. Please note that this conference has been recorded.

I now hand the conference over to Mr. Bino Pathiparampil from Elara Securities India Private Limited. Thank you, and over to you, sir.

Bino Pathiparampil: Hi. Good evening, and good morning to all of you. This is Dr. Bino Pathiparampil from Elara. Welcoming you all to Marksans Pharma Q3 FY25 earnings conference call. We have today with us Mark Saldanha, Founder, Chairman, and Managing Director; and Mr. Jitendra Sharma, Chief Financial Officer of Marksans Pharma.

Before I hand over the call to the management, please note that certain statements made by the management in today's call may be forward-looking. These reflect management's best judgment and analysis as of today. The actual results may differ materially from the current expectations based on a number of factors that affect the business. We will begin the call with opening comments from the management, followed by the Q&A session. I hand over the call to Mark. Over to you, sir.

Mark Saldanha: Thank you, Bino. Welcome, everyone, and thank you for joining us in our Q3 & 9M FY25 earnings conference call. We sincerely appreciate your interest and continued support for the company. I'm pleased to report another strong quarter with an all-time high quarterly PAT. This strong performance was driven by the sustained 12th successive quarters of double-digit revenue growth.

Our revenue grew by 16.3% year-on-year in Q3 FY25, led by a continued strong performance in the U.S., followed by U.K., which has improved during the quarter. The U.S. market continued to grow strong, reflecting the strategic focus. It grew by 37% year-on-year, more than double of the overall company growth rate. U.K. & Europe performance improved both year-on-year and on a sequential basis. However, Australia & New Zealand was soft due to seasonality impact, while the Rest of the World was impacted by continued geopolitical turmoil.

We expect the performance to improve in the coming quarters. Improvement in product mix and softer input price helped in gross margin expansion over the previous years. However, investments in the acquired facility and increased freight costs compared to the last year put pressure a bit on the margin. Nevertheless, we delivered a strong EBITDA and an all-time high PAT of INR 105 crores in Q3 FY25.

The acquired manufacturing facility is ramping up as per plan and will help in boosting growth further in the coming quarters. We remain focused on our strategic pillars for growing the company in the coming years. Expanding our business with new product launches and ramping up our new facility will help us achieve our next milestone of INR 3,000 crores of revenue. With this, I would like to turn this over to Jitendra to update on the financials.

Jitendra Sharma: Thank you, sir. In Q3 FY25, our operating revenue stood at INR 682 crores, an increase of 16.3% year-on-year compared to INR 586 crores in the same quarter last year. Revenue from U.S. & North American markets stood at INR 353 crores, an increase of 37.1% on a year-on-year basis, driven by the new product launches and increased market share. U.K. & EU formulation business grew by 2.6% year-on-year to INR 258 crores. We witnessed mixed demand trends in this market.

Australian & New Zealand markets recorded revenue of INR 47.2 crores, down by 2.8% year-on-year, affected by seasonality. The Rest of the World recorded revenue of INR 24.1 crores in Q3 FY25, affected by geopolitical issues. Gross profit was at INR 384 crores, up 22.4% year-on-year. Gross margin expanded by 279 basis points from 53.5% to 56.2% in Q3 FY25.

This was driven by a better product mix and lower raw material prices. We recorded EBITDA of INR 138.8 crores in Q3 FY25, an increase of 4.3% year-on-year. The EBITDA margin for the quarter stood at 20.4%. The reduction in EBITDA margin by 234 basis points was primarily due to the addition of new employees at the Teva facility and increase in freight costs.

Profit after tax was at INR 105.1 crores compared to INR 83.0 crores in Q3 FY24, an increase of 26.6% year-on-year. EPS for the quarter was at INR 2.3. The R&D spend for Q3 came in at INR 11.8 crores, which was 1.7% of the consolidated revenue.

Now talking about the nine-month financial performance. In 9M FY25, our operating revenue stood at INR 1,914 crores, an increase of 18.4% compared to INR 1,617 crores in the same period last year. The U.S. & North American market recorded revenue of INR 908 crores, up 34.9% on a year-on-year basis and contributing 47.4% to the total revenue. U.K. & EU markets grew by 6.4% year-on-year to INR 756 crores, contributing 39.5% of the revenue.

Australian & New Zealand markets recorded revenue of INR 176 crores, an increase of 13.4% on a year-on-year basis. The Rest of the World recorded revenue of INR 74.3 crores. Contribution from these 2 markets stood at 9.2% and 3.9%, respectively.

Gross profit was at INR 1,096 crores, up 29.1% year-on-year. Gross margin increased by 475 basis points to 57.2% in 9M FY25. EBITDA for the period was at INR 403 crores, an increase of 15.5% year-on-year. EBITDA margin stood at 21.0% compared to 21.6% in 9M FY24.

The drop in margin is primarily due to the investments in the acquired facility and an increase in freight costs. Profit after tax was at INR 292 crores compared to INR 237 crores in 9M FY24, a growth of 23.0%. EPS for the nine months was INR 6.4. In the 9M FY25, the cash from operations came in at INR 131 crores. The capex during the period was INR 129 crores, which is in-line with our plan to scale up the acquired facility.

We spent INR 34.5 crores in R&D in 9M FY25, which amounts to 1.8% of the consolidated revenue. We continue to remain debt-free and the cash balance stood at INR 669 crores as of 31st December 2024.

With this, I would like to open the floor for questions and answers. Thank you very much.

Moderator: Thank you very much. First question is from the line of Agastya Dave from CAO Capital. Please go ahead.

Agastya Dave: Congratulations on fairly decent set of numbers. Sir, I had 2 questions. One is the quarterly fluctuation in the EBITDA margins. Is there something you would like to call out which happened during this quarter or probably happened last year same quarter, which is effectively giving an optical decline of 300 basis points, around 250 basis points in EBITDA margins?

Jitendra Sharma: This is Jitendra here. So, mainly if we see the expenses which we have incurred during Q3 in this year against the last year same quarter, there was increase in employee cost and also in the freight cost, which was a major contributor to this reduction in the EBITDA margin.

Agastya Dave: So the employee cost, I understand completely, sir, freight is still the problem sir, continuing, sir? There is still no resolution on that side?

Jitendra Sharma: No, it has started coming down. So, I think that impact you should see in this quarter, in Q4. I think this will no longer be a drag on EBITDA from this quarter onwards. And the employee cost also, I think as revenue grows, it will be again no drag on EBITDA from next 1 or 2 quarters.

Agastya Dave: Any headwind or tailwind from the raw material costs?

Mark Saldanha: No. The raw material cost is now quite stable. Obviously, it has over time softened. So, we don't expect any increase right now on the raw material per se. We do see a bit of stability arising out there. But like Jitendra said, our employee cost because of the new facility will have a slight drag till operational leverage kicks in.

Agastya Dave: That is completely understandable. Sir, the second question is a hypothetical one. I wanted to understand the setup of the distribution channel in the U.S. and how the pricing mechanism is working out, especially for you guys? The hypothetical part of the question is that there is a lot of talk about the government there imposing universal tariffs on all pharma imports?

So, I'm assuming that if they actually do it, then we'll also be impacted. But I also think that a lot of it will be passed on to the end user. So how exactly does the pricing pass-through mechanism work in the distribution channel that we have today? What kind of lag can we expect if there is a price pass-through?

First of all, can we do a price pass-through? Will the market absorb it? How exactly will it work out? For the portfolio of products that we have, are there any local competitors there who can become more competitive with respect to our offerings if there is a completely irrational import duty imposed on our products?

Mark Saldanha: So presently, India does not have any tariffs being imposed. It is on China right now. That said and done, we really don't know what will come tomorrow. It's a very valid question. So technically, if it is more, if all countries or all major suppliers to the U.S., whether it's raw material or finished product, if tariffs are levied, I think it is fair to say that the price will be passed on.

There will be a time lag that may be depending on the inventory being held at old prices, so you are looking at possibly a 6-month time lag to pass it on to the retailers or to the clients. But it will be a higher possibility if it is uniformly, if there is no advantage per se. So, there are local manufacturers in the U.S.

We have a factory in the U.S., but we import all our ingredients from different parts of the world, including China. And obviously, now that China tariffs have been effective, so technically, anything that comes in from China, the cost will go up by whatever 10% if we do continue getting it from China and if we don't get any price reduction on those materials to compensate the tariff.

So, what's going to happen is, obviously, the cost is going to go up and that cost will have to be passed on to the retailers. But that's where India comes into play. If India does not have any tariffs, then India becomes more advantageous. But we also have our own manufacturing capabilities in India.

So, we are in a good spot right now where we can leverage both our capabilities to negate any tariff implications. But if tomorrow, there is tariffs on all countries, then literally whether you make it in U.S., whether you make it in China, whether you make it in India, it's not going to matter, the cost will go up and that cost will have to be passed down.

Agastya Dave: Now the plans that you had with respect to U.S. that growth was is expected to come in in the future as well and is supposed to become a sizable market for us. So, all those sales, were you planning to sell everything by making in U.S. or something was supposed to be exported from India? How are you planning the manufacturing and supply setup?

Mark Saldanha: So, all our distribution happens from U.S., but the manufacturing happens both from U.S. as well as India and India contributes a substantial amount of manufacturing support to U.S. So technically, we do have a balance, and we do manufacture a lot in India, while we also manufacture in the U.S. also. So, obviously, we will leverage low-cost manufacturing base, which is India, and that will always be our focus point of manufacturing more in India and shipping out into the U.S.

Moderator: The next question is from the line of Aditya Pal from MSA Capital Partners.

Aditya Pal: Congratulations to the team for a great set of numbers. So, if I were to just say that the reason that EBITDA margin has decreased this quarter and obviously, Jitendra sir highlighted during the introduction call, so can I say that because our revenues from the Europe and U.K. market, maybe U.K. market didn't turn out to be as good as we expected?

And a subpart of this would be that now that we have close to 34 products being filed in U.K. do we see growth acceleration coming from this market and this is what will increase our EBITDA margin of the Teva facility?

Mark Saldanha: Yes. So, there are 2 sets of questions out here. So basically, we are very bullish on the U.K. market and it's very difficult to analyze it on a quarter-on-quarter basis. Definitely, the season in

U.K., the winter was not all that great in U.K. It was a warm winter, you could put it this way. So, there was a bit of a seasonality part in the U.K. leading to softening of the number. But that said and done, we are very bullish on U.K. We have a growth plan of doubling our revenue within the next 5 to 7 years in the U.K. also.

So, we do see U.K. being also a potential growth driver after the U.S. So, we have a robust product pipeline, which is awaiting approvals plus what is being filed and plus what is being developed. So, we have an exhaustive pipeline out there. U.K. is a much more mature market compared to the U.S. So, we do see that revenue getting unfolded as and when approvals do come in play.

With regards to the Teva plant, it has to evolve. We still do believe it will do INR 800crores odd or INR 800+ crores odd. But it is a process. First is obviously get the plant operational to the level we want. Then the second step is to increase the capacity. And the third step is to get all the variations in place so that the increased capacity can be utilized.

We can't skip the process because we can't go and get the business or get the variation before the capacity is there. Otherwise, you will not be able to deliver the service needed out there. So, it is a process that one has to go through. Until then, in the pharma industry, you invest today, you see returns later. So out here, you have to get your team ready, you have to have your headcount, you have to have highly qualified people.

You have to invest, you have to do the training. And so, you have a gestation of 6 months out there before you actually see optimization or operating leverage happening once they come on board. So, there will be a time lag. I'm not saying this quarter, you will see what we want to see. But definitely, from the next quarter, you will probably see much better.

Aditya Pal: Fair enough. So, in terms of Teva, right? Teva, are we on the operational front, operational expenses that is employee benefit expenses and other expenses that we've invested in Teva. Are we done with that process? Or do you see that there will be a slight bit more ramp-up in our employee benefit expenses, which is today it's INR 88 crores odd. Do you see this ramping up furthermore? This is the run rate along with somewhat bonuses and increases that should be given?

Mark Saldanha: 80% of the employment investment is already done in terms of people. I don't see a big variation in people. From a capex point of view, there is still a small percentage which is left in capex to get us to what we want to achieve. But that once we achieve the next milestone of hitting INR 50 crores odd, then we will talk of doing INR 80 crores odd.

So today, we are doing maybe INR 30 crores odd on a month-on-month basis, which is INR 360 crores odd in a year. That's our run rate. And we want to now hit INR 50 crores odd, which will be INR 600 crores odd. And then we talk of INR 80 crores, which will be basically INR 1,000 crores odd a year.

Aditya Pal: If I can just slip in one last question. So just wanted to understand more from a longer-term perspective. So now we have 4 plants, cumulative capacity would be INR3,500 crores odd of revenue generation. And we plan to achieve INR 3,000 crores odd of revenue milestone by FY26. And then that is the capacity. Then there's an entire Europe market that we were planning to tap. So, from a longer-term perspective, how do we look at the company? One is from the capacity once we at INR 3,000 and the other is from a geographical point of view.

Mark Saldanha: Yes. So basically, from revenue point of view, obviously, we no longer talk of INR 3,000 crores. We are already working towards the INR 4,000 crores mark, the business model and the strategy. Our growth drivers will still be the top 2 countries that we talk about always, that's U.S. and U.K. From a geography point of view, we are working on Europe.

So, we are in dialogue with companies, but that, I think, should be more from a medium to long-term outlook. There is no short-term outlook in Europe per se. So immediate revenue drivers will be the 2 markets that we're already strong in and getting stronger. But from a medium to long-term, you will see Europe contributing and you will see doubling our revenue in the markets that we are already doing well.

Aditya Pal: Understood. So, from now once we achieve INR 3,000 crores in FY26, do we see capacity being constrained because as you rightly highlighted, right, that pharma business is a long gestation period business. Even if we start a greenfield or brownfield project, it takes its own time for either the plant to stabilize or to get these regulatory accreditations. So now because once we achieve INR 3,000 crores, there might be some capacity constraint that we might face in the shorter time period, not from a medium to long-term perspective?

Mark Saldanha: So, we do see our present capacity taking us beyond INR 3,000 crores and probably closer to INR 4,000 crores odd. But the question is by the time we start crossing INR 3,000 crores and we talk of INR 4,000 crores, our business model will take shape to go to the next level already. So that's where eventually, we would need to look at capacity infrastructure again to support the growth beyond the INR 4,000 crores odd.

So, it's not that we wait for us to achieve INR 3,500 crores or INR 4,000 crores and then look at our facility. Because obviously, then our target will be INR 5,000 crores, right? So, we would have to probably look at a facility maybe mid of next year, you could say, or towards the end of next year to take us beyond INR 4,000 crores odd.

Moderator: The next question is from the line of Bino Pathiparampil from Elara Capital Securities.

Bino Pathiparampil: Mark, off-late we have heard in bits and pieces from large Indian players about a renewed focus in the OTC space. Are you seeing any increased competition from larger Indian players?

Mark Saldanha: Sorry, I didn't get you, Bino. Did you say retail players or? I didn't get you. Could you repeat it again?

Bino Pathiparampil: Yes, sure. Off late, the large Indian pharma companies, some of them have indicated a renewed focus on the OTC segment in the U.S. So, are you facing any increased competition from the larger Indian pharma players in the U.S. market?

Mark Saldanha: Well, I mean, this is not a market that we've invented. So, we can't say it is like it is something very normal or we've invented. It's been there. There are bigger players than even Indian companies out there. There have been Indian companies. So, I don't think anything has changed and I don't think anything will change at least in the near future as to how it operates.

We obviously have an added advantage. We are one step ahead of the industry. So, we have that advantage to our side. But nevertheless, like I said, it's a nature of the beast, right? So, it's not something that concerns us right now.

Bino Pathiparampil: Understood. Second, coming to M&A, you were, I believe, open to looking at some small bolt-on acquisitions in new geographies, especially Continental Europe. Anything coming around on that?

Mark Saldanha: We are in dialogue with 2 companies right now as we speak. They are very initial set of dialogues. We are far away from any due diligence or putting pen to paper. But again, it's difficult. Many times, we've gone down the road, we've even gone to a due diligence stage, and pen didn't come to paper for whatever reasons.

So, it's got a bit more difficult to bridge the expectation gaps in M&As. So, we are still optimistic. We still work towards achieving those objectives, but we are very conservative in our approach so that we ensure that the shareholders get their return on investments.

Bino Pathiparampil: Understood. One last question for Jitendra. Our depreciation and amortization expense has come down Y-o-Y. Why has it happened despite the Teva facility ramping up?

Jitendra Sharma: Yes, Bino. See, when we acquired Teva facility, we got the valuation done like as per the requirement. And then basis the remaining life of the few assets, which we got in acquisition, there was accelerated depreciation we had to provide in the initial quarters. And subsequently, now it has normalized.

So that's why you see a bit of lower depreciation in this quarter. Now of course, as we are doing more capex, eventually, it will go up only. So, I think it is because of the accelerated depreciation based on the remaining life of the few acquired assets from Teva. The depreciation was high during previous quarters.

Moderator: The next question is from the line of Deepesh from Maanya Finance.

Deepesh: My question was actually a reverse of what the first participant had asked. Firstly, who is the major competition in our OTC segment in U.S.? And if there are no tariffs levied on India, will that give Marksans a greater advantage over its competitors abroad?

Mark Saldanha: Well, yes and no, because most of the players do originate from India. Like Bino mentioned, there are players originating from India. So, we are at level 3. But India always gives us a low-cost manufacturing base advantage, and we leverage that out when needed. If tariffs do come into India, then I guess level fields for everybody.

And that's where we have to then look at the cost implications and then work on passing those cost implications down if we don't get any price advantage. So presently, it is not there on the horizon, but we never know how politically things change very rapidly. So, we always hope for the best. Did I answer your questions?

Deepesh: Yes, you can continue. I mean, if you want to add on anything?

Mark Saldanha: No, no, I'm fine. I mean, I just try to club both your questions and give you a single answer. So, I'm just trying to figure out.

Jitendra Sharma: If there are no tariffs on Indian products, then definitely, India will have that edge, to answer your question.

Deepesh: Right. I was trying to understand that whether Marksans will get a better edge than other companies. But since you said that most of the competition is from India, but again, just modifying this question, since we have a manufacturing facility in U.S.A, is it possible for us to ramp up this facility if need be? Because, I mean, Trump being Trump, he can get up in the morning and just announce some tariffs.

And I mean, he's going to meet Mr. Modi maybe in this week or maybe tomorrow. And looking at him, he might just remember, okay, I import a lot of drugs from India. So let me put tariffs. So, if that kind of thing happens, can we expand our American facility? Or can we have a significant advantage? I mean, can we use that as an advantage for our company?

Mark Saldanha: So basically, you've got to understand when tariffs are put in play, and it depends on how they put sweep-in tariff. Let's take, for example, China, right? So, they put sweep-in tariffs on China that anything and everything, even what you send by courier has a tariff implication. So basically, now our U.S. plant imports material from Europe, from India. A lot from India, a lot from China, some from Europe.

So technically, all the cost will go up because the raw materials originate from countries which have tariffs. So, the cost will go up if you make it in U.S. And that said and done, the finished product cost will also be tariff to that level. So, there is no escaping in terms of cost implications. We just hope that we can leverage that advantage being in the low-cost manufacturing base to our advantage. I'm hopeful that India would not be levied with tariffs. And that way, we can have a balancing act.

Deepesh: Right. Because these are uncertain times. So, if we can have opportunities for our company in this, it will be great. Also, I just wanted to understand, we are trying to double our low-cost manufacturing in India from INR 8 billion to INR 16 billion. When is that going to happen?

Mark Saldanha: That's already happening, right? So Teva has achieved its first objective, which we had kept as INR 30 crores odd of revenue. And now the next milestone is INR 50 crores odd and then INR 80 crores odd. So, we have achieved the first objective. So, we have broken it down to 3 phases. First phase is complete, we are in the second phase, and then we have to look at the third phase.

Deepesh: Okay. And if I can squeeze in one question, that what is the capacity utilization of all the plants right now?

Mark Saldanha: Teva, our utilization is very low, maybe 20% odd. I would be surprised if it's 20% odd, it's low. So, because we have increased capacity, our utilization is low. But that gives us a potential of growth, right? So, we are working towards utilizing that capacity to fuel our growth to our next milestones.

Deepesh: What about the rest of the plants?

Mark Saldanha: Rest of the plants are at 70% odd.

Deepesh: What is the maximum they can go if you can just answer that?

Mark Saldanha: I would like to say 85%.

Moderator: The next question is from the line of Hiral Nandu from Kalpvruksh Capital.

Hiral Nandu: Congrats for a good set of numbers. My one question on tariff has already been asked and answered by you in the previous participant question. The second question, broadly, I would like to understand in the last 10, 12 years of our journey, we had a peak margin of around 25% and PAT level 18%. So, when do we see we reaching towards that goal in near future or in what time frame can we have it?

Jitendra Sharma: Again, difficult to answer this question. So, we are at around 21% right now. And it all depends. I think as sales are growing, we are experiencing operating leverage benefit kicking in, and that definitely will help us to improve our margin. So, it will depend on the overall market situation and our market share. So, giving timeline is difficult.

Hiral Nandu: But is there a possibility that was one of the case with some, I guess, some surprise gain or that margin is still achievable or possible with whatever condition remaining favourable and all. So, can we expect, we going back to that margin at some point in time with some positive scenarios and all?

Jitendra Sharma: See in business, definitely, it is possible. Again, very difficult to give timeline. We cannot give any specific commitments on these kinds of numbers.

Moderator: Next question is from the line of Chirag Shah, an individual investor.

Chirag Shah: First of all, I'd like to thank you for the tremendous value that you have added to the investors over the last three to four years. Most of the guidance and vision which you set for us, you have exceeded them. I have two questions. One, on a longer-term, how do you envision this company now by 2030?

On the large goals that you are working towards. And other one is more short-term. You've targeted INR 3,000 crores by March 2027, but you'll be INR 2,600 crores by the end of this year.

So, are you going to revise that target because the target, short-term target looks very small? Those are the two questions.

Mark Saldanha: Well, I'll maintain my target. Nothing is small in this industry. We face geopolitical uncertainties on a daily basis, like one of the investors said – it depends on which side the president wakes up. But we will maintain the target of INR 3,000 crores odd. But we no longer talk of INR 3,000 crores now. Internally, our team is already working on the next milestone, which is INR 4,000 crores. So, when we talk of 2030, I would like to see beyond that, if you ask me my frank opinion. But it's difficult to give a number right now because that makes it a statement. But we would like to keep our next goal after INR 3,000 crores to a next milestone of INR 4,000 crores and then go on to INR 5,000 crores.

Chirag Shah: Yes. And how does new lines of offerings come into your larger term goals and a little bit light on the API goals that you had set yourself?

Mark Saldanha: The API goal will play and the API integration will be a part of our strategy like we have always said. It is not going to be and we are not an API company to believe that it's going to make our foundation on or create a foundation on, but it will just help us to basically leverage during uncertain times.

Obviously, nobody expects to go through a core phase again, and we hope that we never see those days. But we just want to be, we just want to cross our T's and dot our I's when that is confirmed. But in terms of our growth strategy, our growth strategy is pretty much crystal clear. Obviously, U.S., like we no longer talk of INR 200 million now we talk of INR 300 million odd.

We are working towards INR 300 million and then we will obviously revise our goal before we reach the end of the year. So, the same way for U.K., we have a business model to double our revenue. It may take 5 years, 7 years. So, if you try to put all these pieces in from where we are today, obviously, we are looking at a different number if everything unfolds the way we want it to unfold.

Moderator: The next question is from the line of Dhruv Maheshwari from Perpetuity Ventures LLP.

Dhruv Maheshwari: I just had a small question. What were the freight costs for the quarter?

Jitendra Sharma: Well, for the quarter, freight costs will be in the range of approximately INR 40 crores odd.

Moderator: The next question is from the line of Agastya Dave from CAO Capital.

Agastya Dave: Thank you very much for allowing me the follow-up. Sir, there has also been a lot of volatility in fx. So how are you handling the cross currency moves which are happening? And have you changed your hedging policy in any way? Or are you running everything open? Because as of now, net-net, we should be a net beneficiary of it, but I'm not sure. I just wanted to know your comments and your views also on it.

Jitendra Sharma: So, our major revenues are coming in U.S. Dollar and in GBP. So, we have seen a lot of volatility in forex rates off late. So, as a policy, we definitely do some forward setting of our revenue in foreign currency. But as a percentage for U.S. Dollar, we keep it very small because we see Rupee will have a depreciating trend. So by and large, our U.S. Dollar exposure, we keep it open. And the GBP, definitely, we see more volatility. And that's where we have a bit higher forward sales on GBP. So broadly, we follow this policy.

Agastya Dave: So final question. So, excluding the possibility of tariffs and the currency fluctuation, how are the realizations moving? What kind of drop have you seen Y-o-Y in this quarter for your product basket? Has it still mid to slightly high-single-digits or has it changed?

Jitendra Sharma: So, we haven't seen any drop as such. No, there is no drop in our realizations.

Agastya Dave: So absolutely nothing. On a like-to-like basis, it would be at zero?

Jitendra Sharma: No, no, I couldn't understand your question. Can you repeat it?

Agastya Dave: So your product basket, the prices of your products, have this fallen y-o-y for this quarter?

Jitendra Sharma: No, there is no change actually, no pricing. There is a usual pricing pressure on Rx, which we keep getting on our Rx basket of product. But as such, there is no reduction or drop in prices on account of tariffs. As such, there is no movement.

Agastya Dave: Excluding any tariffs or excluding any forex volatility, have you seen any price?

Jitendra Sharma: No, it is business as usual for us, though there is volatility in forex market. But on our overseas business pricing, there is no impact on that.

Moderator: The next question is from the line of Rohan from Prad Capital.

Rohan: So, my first question is that we have an other income of around INR 28 crores this quarter, which seems much higher than normal. So, what does it include?

Jitendra Sharma: So other income has 2 broad components. One is interest and the other is the foreign exchange gains. So, during the quarter, we definitely had a better foreign exchange gain. And of course, we have a good amount of interest income also.

Rohan: Sir, could you quantify the foreign exchange gain?

Jitendra Sharma: Foreign exchange gain during the quarter was in the range of INR 9 crores to INR 10 crores.

Rohan: Understood. And sir, in your presentation, when you explained the gross profit margin sequentially, you said that margin declined primarily due to product mix. So, what is it in the product mix this quarter that caused the decline? Is more U.S. slightly margin dilutive? Is there any more color on the product mix?

Jitendra Sharma: So, in Q2, we had a bit high gross margin, which was at 59%. And I think at that time itself, we were very clear, we had given a guidance that these margins are not sustainable. So, I think those margins are now becoming more at a level that will be more sustainable.

Rohan: Okay. So, the Q3 margins of around 56%, we should be in the ballpark of this number going forward?

Jitendra Sharma: Yes.

Moderator: The next question is from the line of Hardip Dhodi, an individual investor.

Hardip Dhodi: Sir, I have a very basic question. I have heard a lot of these analysts on the business channels mentioning that CDMO is a big opportunity for Indian pharma companies. So now I want to know where does our company fall into? Would we classify ourselves as a CDMO player, sir?

Mark Saldanha: No. I don't think we are classified as that.

Moderator: The next question is from the line of Nirali Shah from Ashika Institutional Equities.

Nirali Shah: Just one question on new products that we are planning to launch. What kind of therapy are we looking at in that? And we are not giving any breakup on therapy-wise for a quarter-on-quarter basis. So, it would be really helpful if I could get that, which therapy are we targeting?

Mark Saldanha: So it is into pain, it is into digestive therapies. So, we have a bit of a cough & cold and allergy. So, it's pretty broad-based, it's not one therapy that we are focusing on, but it is more diversified into the areas that we already are into. So, we don't give a breakup therapy-wise. There's so much data we've already given. But maybe annually, we basically give up the segments that contribute the maximum to us.

Nirali Shah: So, the new products are into the top 3 therapies that we are targeting pain, cough & cold analgesic, all the new products are targeting the top 3 of the therapies?

Mark Saldanha: Yes.

Moderator: The next question is from the line of Deepesh from Maanya Finance.

Deepesh: Just a quick question. I think we have around INR 650 crores to INR 660 crores in as a cash balance. What are we going to do to deploy this to get the same ROE that our business is getting? Secondly, I think you mentioned something that you're going to look at a new project or a new company, a manufacturing facility once you increase your targets to INR 4,000 crores. Are we looking for anything?

Mark Saldanha: Yes. So, the answer to your question, are we looking at targets? We're always looking at targets, and we are in dialogue and we are exploring, and that's where cash reserves are needed because when we find something interesting, we need to have the capability of closing that possibility. So obviously, these are always capital-intensive assets that we look at.

So technically, you need to have deep pockets where that is concerned. So definitely, we are looking at increasing capacity by the end of next financial year. That may be organically or inorganically. Most likely, we would love to do it inorganically. And M&A is another thing that we are also exploring. So, all put together, I think that's where our reserves need to be intact.

Deepesh: So, will we be building a war chest by raising fresh capital in terms of a QIP or a preferential for the next foreseen expansions or acquisitions?

Mark Saldanha: No, I don't think so. I think we have the reserves. We've kept reserves for that, cash reserves for that, and I don't think we need it right now.

Deepesh: That will suffice for the next acquisition?

Mark Saldanha: We are hoping. We don't do some crazy acquisitions. Our history will say that we've never gone into some big-ticket deals. We are not averse to it, but we try to avoid any risk or you could say we do a risk mitigation to see that there is no devaluation on what we acquire. So, our approach to M&A is a bit different than most of the Indian companies.

Deepesh: Okay. And the promoter holding is around 43%. Do you think that or you're comfortable with that or do you want to increase this promoter holding?

Mark Saldanha: I didn't get you. Do I want to -

Deepesh: Increase this? I mean, you hold around 43.8%, right? So, are you planning to increase this stake in the near future?

Mark Saldanha: I've not given much thought, honestly, on that, and I will explore it at a different time. But right now, I'm not giving much thought to that.

Deepesh: Because there have been some open market transactions from Sandra, but I mean, in that way, I just wanted to know whether the promoter wants to increase his skin in the game or?

Mark Saldanha: Well, like I said, I've not given some thought, and Sandra, I mean, she's free to buy from the market if she wants to buy. So, it's not strategic buying. So technically, when we do give it a thought, we will go and acquire something from the market.

Moderator: As there are no further questions from the participants, I now hand the conference over to the management for closing comments. Over to you, sir.

Mark Saldanha: Thank you all for taking this time and interest in our company and totally appreciate all the support and the good wishes for the company. Have a great evening and be safe. Take care. Cheers.

Moderator: Thank you. On behalf of Elara Securities India Private Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines. Thank you

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Note: This document has been edited to improve readability

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