## Management Discussion

**Nitin Agarwal - Analyst, DAM Capital Advisors**
Thank you. Uh, good afternoon everyone. A very warm welcome to IPCA Labs Q2 FY27 earnings call hosted by DAM Capital Advisors Limited. On the call today, we have representing IPCA Labs management, uh, Mr. A.K. Jain, Managing Director, and Mr. Harish Kamath, Corporate Counsel and Company Secretary. I'll hand over the call to Mr. Jain to make the opening comments and we'll open the floor for questions. Please go ahead, sir.

**Ajit Kumar Jain - Managing Director, IPCA Laboratories Ltd**
Thanks, Nitin, and DAM Capital for organizing this call. Today's hearing call and discussions and answers given may include some forward-looking statements based on our current business expectations. This must be viewed in conjunction with the risk that pharmaceutical business face. Our actual future financial performance may differ from what is projected and perceived. You may take your own judgment based on information given during the call. Our domestic formulation business for Q2 FY27 has delivered growth of around 14% to our- and it has reached to around Rs 1,157 crore as against Rs 1,019 crore in Q2 FY26.

Met September 2026, IPCA's rank remains 16. S&P IQ [Foreign Speech] our market share has improved to around 2.11 percent from as against 2.09 percent in September 26. top six brands of IPCA are featuring amongst the top top 300 brands of the industry. Out of the top out of top six brands, Zerodol SP is the t As against 11th in the Q2 FY26. Zerodol as an umbrella brand has crossed Rs 1,500 crore sales as per IQVI in September 2026. It has become the 4th largest brand in IPM. As per IQVI, the On chronic segment, mid-September 2006, IPCA has achieved a growth of around 20% as against IPM growth of around 17%.

And as per IQVIA, the acute segment, IPCA has achieved a growth of around 11%. We are at par with the overall market growth there in acute segment, largely because are some of the portfolio like antimalarials and antibacterials are- antimalarials are declining, antibacterials is having very marginal growth, and even cough and cold is having very low growth. On export formulation business, on standalone basis, IPCA has grown by 32% in Q2 FY27 to around 600 Rs 53 crore as against Rs 493 crore in FY- Q2 FY26.

Our promotional branded business in ROW markets has delivered growth of 19% for Q2 FY27 to around Rs 172 crore against Rs 145 crore in Q2 FY26. Generic market excluding tender on, uh, has delivered around 36% growth in Q2 FY27 to around Rs 364 crore as against Rs 268 crore in Q2 FY26. Institutional generic business has delivered growth of around 45% for the quarter, and API has delivered a growth of around 6% for the quarter. Our consolidated, uh, Q2 FY26 business has grown by around, uh, 14% to around Rs 2,910 crore.

As against Rs 2,557 crore. For Q2 FY27, we continue to see significant price increase on inputs, logistic cost, shipping cost, and even fuel and your energy cost. In spite of all these factors, overall consolidated EBITDA margins has improved to around 22.97% in Q2 FY27. As against 21.68% in Q2 FY26. Standalone EBITDA margin of IPCA has improved to 26.61% in Q2 FY27 as against 25.46% in Q2 FY26. Having given the broad numbers, now I'll request participants to ask questions.

## Questions & Answers

**Operator**
Thank you very much. We will now begin the question and answer session. Anyone who wishes to ask a question may please press star and 1 on their touchtone telephone. If you wish to remove yourself from the question queue, you may press star and 2. Participants are requested to use handsets while asking a question. Ladies and gentlemen, we'll wait for a moment while the question queue assembles. The first question is from the line of Sayan Mukherjee from Nomura. Please proceed with your question.

**Saion Mukherjee - Analyst, Nomura Co Ltd**
Yeah, hi, good evening. Uh, Mr. Jain, we wanted to check on, uh, ZeroDoll franchise. Uh, what's the kind of growth you are seeing and If you can split between volume and price increase in this, and what's the headroom to grow this franchise? What would be the key drivers and any competitive pressures that you might be seeing in the market?

**Ajit Kumar Jain - Managing Director, IPCA Laboratories Ltd**
Overall, for let's say April to September, if you look at our pain segment has grown by around 14% from 1,000 internal numbers From Rs 1,206- from Rs 1,065 crore to around Rs 1,216 crore. So we have this continuously growing at 14% for the first half of the current year. And in fact, in the second quarter, this quarter of the current financial year, on pain segment, we have grown by around 16%. Yeah, the overall pain segment has delivered a number of around Rs 628 crore from Rs 543 crore. So we have recorded almost around 16% growth.

So on continuous basis, both our portfolio of rheumatoid arthritis and osteoarthritis, which includes Xerodol and all rheumatoid arthritis products, that has- they are continuously performing and continuously growing in the range of around 14 to 15% kind of range. So we have absolutely no concern on that. And in fact, from current Rs 1,500 crore of Umbrella brand, we are looking, uh, similar kind of growth to continue for next, uh, 3-4 years. Yeah,

**Saion Mukherjee - Analyst, Nomura Co Ltd**
Thanks. Uh, you know, how much of the growth of, say, 14 to 16% would be volume-led?

**Ajit Kumar Jain - Managing Director, IPCA Laboratories Ltd**
Volume growth may be around almost around 8 to 8 to 9%, and price growth may be around 4 to 4, 4.5% here.

**Saion Mukherjee - Analyst, Nomura Co Ltd**
And do you expect the volume growth momentum to sustain?

**Ajit Kumar Jain - Managing Director, IPCA Laboratories Ltd**
Yeah.

**Saion Mukherjee - Analyst, Nomura Co Ltd**
Okay. And so one other question was on growth and margin guidance, so if you can reiterate Numbers, any any fresh look you have for FY twenty seven, and how should we think about the margin?

**Ajit Kumar Jain - Managing Director, IPCA Laboratories Ltd**
Whatever guidelines we have given earlier, that will stand. Yeah, in earlier quarters we have given that earlier quarter we have given guidance that overall growth guidelines was almost around thirteen twelve to thirteen percent, which was revised to fourteen to sixteen percent. So That would remain. And consolidated EBITDA margin guidelines was from 22% to 23%, that will also stand.

**Saion Mukherjee - Analyst, Nomura Co Ltd**
And sir, what is your- we are not revising the guidelines. Okay, okay. Yeah, I know, sir. And what is the medium-term EBITDA expectation, uh, let's say over the next 2-3 years? So where do you see EBITDA consolidated sector,

**Ajit Kumar Jain - Managing Director, IPCA Laboratories Ltd**
Every year we should be improving by by almost around 1 percent to 1.25 percent of EBITDA on consolidated basis, and IPCA EBITDA will go by almost around 1.5 percent standalone EBITDA. Anders, okay

**Operator**
Thank you. thank Participants who wish to ask questions may please press star and 1 at this time. The next question is from the line of Shashank Krishna Kumar from MK Global. Please proceed with your question.

**Shashank Krishnakumar - Analyst, Emkay Global Financial Services Limited**
Hi, thanks for taking my question. Uh, so I think this quarter for Unichem, uh, QOQ, we saw sharp gross margin uptick. Um, if you could just share what drove that and whether this is a figure that we can work with going forward as well. And also for Unichem, also are we sticking with their earlier guidance of 10% top-line growth and around 13% margins?

**Ajit Kumar Jain - Managing Director, IPCA Laboratories Ltd**
Let's see, Unichem has delivered almost around 11.3%, 11.3% kind of EBITDA margin in current quarter. I think overall Because of freight increase, the freight was significantly increased in this particular quarter, and the freight numbers has almost around Rs 30 crore extra has gone in this quarter. If you look at the other expenditure of Unichem, that has moved from Rs 142 crores to Rs 189 crores. So there is an increase of almost around Rs 47 crore in other expenses. Out of which almost Rs 31.2 crore is only increase in the freight expenses.

It's all because of significant increase in the, uh, increase in overall freight cost and also overall little increase, let's say, your air shipment has also gone up because of overall time the shipping lines are taking to deliver the goods and all that. So some of the consignments are- was to be sent by air and all. So air percentage of overall has gone up almost in this quarter to around from 5-6% to around 25%. So that has taken almost around Rs 30 crore out of this freight expenses, out of EBITDA that has gone, and that has resulted in little lower EBITDA margin.

Otherwise, uh, Let's say that European business has done well. The Brazil, till now they were incurring losses for first 2 quarters of the current financial year. That, that has started delivering now the profits. In time to come, Brazil business will also move up. So if situation normalizes, the margins can move up. But if your freight and all this cost energy cost and remains high maybe it may remain between 11 to 13 percent kind of thing EBITA margin

**Shashank Krishnakumar - Analyst, Emkay Global Financial Services Limited**
And the GM that we saw this quarter is sustainable right close to 58 percent

**Ajit Kumar Jain - Managing Director, IPCA Laboratories Ltd**
Maybe one and two percent here and there very because input costs

**Shashank Krishnakumar - Analyst, Emkay Global Financial Services Limited**
Are fl Uh, both, uh, for IPCA which is getting booked in Unichem and the Unichem portfolio this quarter?

**Ajit Kumar Jain - Managing Director, IPCA Laboratories Ltd**
Overall, overall, let's say US, uh, in dollar terms, if you look at overall portfolio growth is almost around 9%, and IPCA's portfolio is, let's say, value growth is almost around 74%. In dollar terms. So I think Epcard portfolio is, I think for the quarter has given almost around $5.8 million of sale, and Unichem's portfolio is almost around, has become, uh, $38.5 million for the quarter.

**Shashank Krishnakumar - Analyst, Emkay Global Financial Services Limited**
Got it, sir. Thank you, that's helpful. All the best.

**Operator**
Thank you, sir. The next question is from the line of Rashmi Shetty from Dawlat Capital. Please proceed with your question.

**Rashmi Shetty - Analyst, Dolat Capital**
Yeah, thanks for the opportunity, sir. On the institutional business, you earlier guided, uh, you know, Rs 3,300 crores for this year, and we have already done Rs 236 crores in first year. You feel that it will be lumpy and in second half sales will be pretty low, or you are upgrading the guidance for that

**Ajit Kumar Jain - Managing Director, IPCA Laboratories Ltd**
Institutional business? Normally we don't give any kind of, let's say, very aggressive guidelines because of, by nature of this business itself, we wish to be very conservative. This year, because of, let's say, when guidance was given, I think overall, I think in first quarter, significant amount of shipment which was to go in last financial year Because of non-availability of ships and other things, those businesses got shifted in the first quarter of the current year. That shipment was almost around Rs 25 crore.

But in second quarter also, we have grown good in this financial year, and trend would continue, but we don't expect this kind of growth.

**Rashmi Shetty - Analyst, Dolat Capital**
Okay, so as of now, we should maintain that Rs 300 crores number for the full year?

**Ajit Kumar Jain - Managing Director, IPCA Laboratories Ltd**
It will certainly exceed because, say, what this Rs 25 crore was never taken into account on guidelines.

**Rashmi Shetty - Analyst, Dolat Capital**
So

**Ajit Kumar Jain - Managing Director, IPCA Laboratories Ltd**
Maybe it may become Rs 325, Rs 330, Rs 340. But, uh, overall we don't expect this business to grow significantly. It may come down also next year, uh, here and there. Yeah,

**Rashmi Shetty - Analyst, Dolat Capital**
Got it, got it, sir. And sir, on the, uh, on the branded business front, uh, we still maintain that 15% growth. So in generics and branded business, we should expect a little soft quarter in H2, right, to achieve the guidance?

**Ajit Kumar Jain - Managing Director, IPCA Laboratories Ltd**
My business is going good on generics. We are delivering good growth overall. And branded business, let's say, overall in the first half of the current year has given growth of almost around 22%, except one particular geography where West Asia shipment not happening in time has given some kind of decline in that business a little bit by 3%. But overall, all other market has grown very well, in fact. So we maintain our guidelines of 15 to 16% growth overall in here.

**Rashmi Shetty - Analyst, Dolat Capital**
Okay. And sir, on the, uh, bookkeeping question, uh, on the interest part, uh, part, y'all have repaid, uh, some debt, right, on the long-term borrowing? Uh, and the interest cost was still high in Q2. Uh, if you can explain related to that, and how should we see the run rate in Q3 and Q4?

**Ajit Kumar Jain - Managing Director, IPCA Laboratories Ltd**
Our interest cost in Q2 has also come down. It's not gone up because last year we have paid our entire foreign currency debt which was outstanding in books because we were carrying the cash in books. So we, before this, around the time then the rupee depreciation started, we thought it couldn't- that let us pay every, all, all dollar loans in books. So right now we have only very small borrowing of around Rs 155 crore or so on, on rupee term loan, which probably at the year end would be- we will close by around Rs 70-75 crore.

I think that, that's the balance going to remain at this And practically we are debt-free company because we are carrying almost around Rs 700 crore cash in books and debts are hardly any. That debt also we are not paying because that debt is contracted at a very low rate compared to the current market rates of what we are realizing on deploying money in mutual funds and all. So, so we are not prepaying that debt.

**Rashmi Shetty - Analyst, Dolat Capital**
Correct I understood what I meant was that this twelve crore run rate you know which we have done in last two quarters this number should decline in H2 right because of the debt or

**Ajit Kumar Jain - Managing Director, IPCA Laboratories Ltd**
Or it would decline or it would decline or

**Rashmi Shetty - Analyst, Dolat Capital**
Okay thank you sir that's it from my

**Operator**
Thank you ma'am I Participants who wish to ask questions may please press star and 1 at this time. The next question is from the line of Nitin Agarwal from DAM Capital Advisors. Please proceed with your question.

**Nitin Agarwal - Analyst, DAM Capital Advisors**
Thanks, sir. Just a couple of questions from my side. So on the, uh, if you can give us a little more color on how the UK and the Europe business have, uh, UK, Europe, and the Australia business have This quarter in the first half?

**Ajit Kumar Jain - Managing Director, IPCA Laboratories Ltd**
Yeah, I'll give the numbers. Yeah, overall generics-wise, if you look at, uh, in Q2, European business has grown by around 23%. Australia-New Zealand has grown by around 24%. US has grown by 31%. Canada has grown by 45%. South African business has grown by 46% overall. So most, most businesses in Benelux have done well.

**Nitin Agarwal - Analyst, DAM Capital Advisors**
Yeah. And the UK, we had some issues here every now and then. So those businesses now stabilized for the UK?

**Ajit Kumar Jain - Managing Director, IPCA Laboratories Ltd**
UK is- my portfolio is growing. Last financial year we were facing a lot of problem in Because of, let's say, our earlier kind of portfolio was just very, very old products, maybe genericized, 15-20 years old, and those products were selling below cost in the market. So last year in Europe, in UK, we have UK portfolio, we have suffered in the overall, I think, in the whole of the year, maybe around 2.5 million kind of loss in UK. But because of that kind of scenario, there are lots of disturbance in UK market today, uh, that a lot of products are going in short supplies and all, and prices are returning back because situation of selling product at lower price cannot continue for long.

So that has changed, and the Europe are European subsidy, yeah, this UK subsidy has also delivered profit in this year, and UK overall business is moving up now.

**Nitin Agarwal - Analyst, DAM Capital Advisors**
And then on our subsidiaries, you can give us an update on how the various subsidiaries done.

**Ajit Kumar Jain - Managing Director, IPCA Laboratories Ltd**
Let's say except one subsidiary which is Piska, all subsidiaries have done well and they are all, all in profits here. Okay, this guy will still take some little more time because there are good order positions on their API side. And so maybe I think by next financial year the things will start improving there. Okay, thank

**Saion Mukherjee - Analyst, Nomura Co Ltd**
You, sir.

**Operator**
Thank you, sir. Ladies and gentlemen, to ask a question, please press star and 1 now. Participants who wish to ask questions may please press star and 1 at this time. As there are no further questions from the participants, I now hand the conference over to management for closing comments. Thank you, and over to you, sir.

**Harish Kamath - Corporate Counsel and Company Secretary, IPCA Laboratories Ltd**
Yeah, thank you, madam. Having answered all the questions, I think we can close this con call. Thank you everyone for participating in this con call. Thank you.

**Operator**

Thank you, sir. On behalf of TAM Capital Advisors Limited, that concludes this conference call. Thank you all for joining us, and you may now disconnect your lines. Thank you.