Management Discussion

Sudhir Menon - Executive Director, (Finance) and Chief Financial Officer, Torrent Pharmaceuticals Ltd

Thank you. Good evening and welcome to Q1 FY27 earnings call of Torrent Pharmaceuticals Ltd. Consolidated revenues of Rs 4,921 crores, up by 55%, while operating EBITDA at Rs 1,664 crores was up by 61%. Operating EBITDA for the quarter stood at 33.8%. The merger of JB with Torrent Pharmaceuticals Ltd has been completed with effect from 8th of July, appointed date being 21st January 2026. During the quarter, the underlying JB business reported revenues of Rs 1,201 crore, up by 10% YOY, with operating EBITDA of Rs 424 crore and EBITDA margin of 35.3%, registering an improvement of more than 6%.

Uh, JB India branded business grew at 13% for the quarter. International business grew by 12%. Torrent Pharmaceuticals Ltd base business revenue grew by 17% for the quarter. Operating EBITDA for the quarter was Rs 1,240 crores, up 20%, with margins now at 33.3%. India business reported strong growth of 19%, while Brazil revenues grew up by 27%. On the generic business side, US business grew by 36%, which includes certain one-time opportunities, while Germany revenues were up by 3%. Leverage, uh, that is net debt to EBITDA, stands at 2.07.

Considering underlying EBITDA of the combined company. I will now hand over the call to Aman for update on India business. Thanks, Sudhir. I'll actually first start with JD. Following the operational reset executed in Q4, we have seen a healthy recovery in business performance during Q1 FY27, with the India RX business growing at 13% and the international business including CDMA growing at 12%. The overall business integration is progressing well, with policies and practices now largely aligned with that of the base business in all territories.

With the completion of the merger process in July, we have now already initiated the next set of integration activities. While this will not have an impact anything close to what was seen in Q4, there could be a minor and transient impact in revenues in some territories until the integration is completed over the next 2 to 3 quarters. For instance, we have started merging certain brands and divisions in the India business from JB to Torrent Pharmaceuticals Ltd post the merger. Usually this process takes a few months to complete, after which the sales trajectory returns back to normal if executed well.

In the international business, we are evaluating portfolio rationalization in certain territories of lower margin and lower priority products, similar conceptually to what we did with the India trade generics business. In order to help enable further network optimization. We believe for the full year FY27, double-digit revenue growth for India's- JBE India RX business should still be possible given the robust underlying trends seen in Q1 of an uninterrupted quarter, and the international business should also recover post the changes implemented.

The JBE CDMO business continues to do well and there is no further integration involved here. Consequently, we believe that high single-digit to low double-digit constant currency growth for the full year should be possible. Overall, cost synergy realizations are tracking ahead of plan, and the realization should further increase quarter on quarter from here, which should help offset any potential revenue weakness that we may see due to the explained reasons. And hence, there should not be any impact at the EBITDA level for the JV business for this year.

Most importantly, I would like to highlight that we have not cut any essential cost whatsoever that can hinder business growth. Moving on to the base business, Torrent Pharmaceuticals Ltd's

India-based business revenues for Q1 were Rs 2,157 crores, registering a growth of 19% versus the IPM growth of 12% as per the AISB PharmaTrack dataset. The high growth was delivered as a result of an overall increase in IPM growth new launch performance and volume growth acceleration from field force expansion.

The Curation business continued its strong growth trajectory, growing at 34% in Q1, driven by OTC ad spends and field force expansion. We are undertaking further field force expansion in the Curation business in this financial year given the positive outcome. We are hopeful that the business should continue with a similar high growth trajectory for the rest of the year. On the chronic front, Torrent continues its market outperformance and has achieved a significant milestone in the cardiac segment, as Torrent with JV now ranks first in the cardiac market.

The cardiac market is the largest and amongst the fastest growing markets in the IPM. Our combined field force strength at the end of Q1 was 9,400, with base business strength at 7,200 and JV strength at 2,200. The combined PCPM stands at just over Rs 10 lakhs, with scope for further improvement from here on as well. JG's field force attrition is now down to 16% in the month of June compared to nearly 30% pre-acquisition. On semaglutide, following the strong start, our semaglutide franchise in India recorded Q1 market share of 36% for the oral and injectable combined.

As per the PharmaTrack dataset. Even with one more competitor entering the oral market, we were able to hold on to 94% market share in the month of June. The recent unforeseen supply-related issue with our manufacturing partner for the injectable product is an unfortunate temporary setback. However, we have already secured an alternate supply source for the product and are hopeful that all Samalex SKUs should be back in the market by the end of August. While there will be loss of sales from these SKUs in July and most of August, we remain hopeful that we should be able to recover our market share quickly due to the early established brand equity.

Further, this has no impact on our oral brands or the reusable SKUs. With Rs 50 crores of combined sales registered in Q1, we were well on track to achieve our Rs 250 crore target for the year in absence of the supply issues. Torrent Pharmaceuticals Ltd. And while this setback will affect our near-term sales, we believe it should not materially derail the overall leadership trajectory of the brand for the rest of the year. We would, however, like to wait for one more quarter to provide a revised objective for the franchise after observing the recovery trajectory.

Going forward, we expect our overall India-based business to continue outperforming the market growth. Our focus during FY27 will be to continue improving our market share in focused therapies. Improving field force productivity in the expanded divisions, and continue scaling up of the Qurecia business. I'll now hand over to Mr. Sanjay Gupta for an international- the international update on the international business. Thank you, Aman. We'll start with our branded generics market of Brazil. Based on internal sales, Q4 constant currency revenues were at Brazilian reais 147 million, registering a 3% year-on-year growth.

IQVIA data show Q1 market growth at 4%, with Torrent growing at 19%. This was aided by the strong performance of top brands and recent launches, primarily Rosewater Cat and Agitimates. The generics division of Torrent Pharmaceuticals Ltd. Is also contributing to strong growth and represents about 22% of sales in this quarter. During the quarter, we undertook a one-time channel inventory reduction in response to channel requests for extended credit periods amid rising interest rate costs, which led to a primary sale which is inferior to our growth of our secondary sales.

Secondly, sales continue to reflect underlying demand momentum as reflected in the ICVR data. In the US, we registered constant currency revenues of $44 million, up by 23%. Growth is coming from

our new launches where we have achieved our target market share as well as certain one-time opportunities. In Germany, our business registered a constant currency revenue of ?29 million, down by 9%. The growth continues to be impacted by supply disruption at third-party suppliers and lower tender uptake during the quarter.

With that, I would like to conclude the opening comments and open the call up for questions.

Operator
Thank you very much. We will now begin the question and answer session. Anyone who wishes to ask questions may press *1 on your touchtone telephone. If you wish to remove yourself from the question queue, you may press *2. Participants are requested to use handsets while asking questions. Ladies and gentlemen, we will wait for a moment while the question queue assembles. The first question is from Kunal Damesha from Macquarie. Please go ahead.

Questions & Answers

Sudhir Menon - Executive Director, (Finance) and Chief Financial Officer, Torrent Pharmaceuticals Ltd
Hi, good evening. Thank you for the opportunity and congratulations on good set of numbers. First one on the profitability of JB Pharma business, which is coming out to be exceptionally strong. So is it largely the function of the cost synergies that we, uh, we were envisaging, uh, or, uh, there is some, you know, let's say because the CDMO business is up meaningfully, there is some operating leverage also kicking in? And from a full-year perspective, how should this 35%+ number look like for JB Pharma?

Yeah, I would say the margin improvement is largely because of the cost synergies being implemented sooner than expected. Maybe a minor part of it could be because of the operating leverage, but it's largely because of the cost synergies. And I'm sorry, for the rest of the year, I think margins from here- because the steps that we took for the cost synergy realization, they were started in Q4, continued in Q1. So this is just the beginning of the realization that's happening. So I think every quarter there should be some incremental improvement.

I can't comment on how much because we're also reinvesting some part of it into the business in each territory, but certainly the margin trajectory should improve from here. So, and so then, uh, you know, our first year synergy target of 90 crore, uh, it seems that we are well ahead of the tracking ahead of this target, right? So would you like to update, uh, the target for us? Uh, we can't share what the exact number may look like, but certainly if it's going to be above 90, it's definitely going to be above 100.

But because, as we mentioned, there are going to be some changes further in some territories, uh, we don't know what the top line impact is going to be. It's not going to be significant, but as a result, we'd rather refrain from giving that exact synergy number for the year. But certainly, yes, it's much higher than the 90 crores. Sure. And second question on Brazil, uh, you know, we mentioned that there's some channel inventory correction, and, uh, I, I might have missed it. Have we shared the- what's the exact impact in this quarter?

And do we expect that to come back in Q2? Like, should we be back to the normalized growth rate in terms of constant currency in Q2? Correct. So we expect the normalized growth rate to come back., to again mid-teens level growth, as reflected in the H2 data. And this impact, I mean, without the internal inventory correction, our constant currency sales would have grown by between 15 to

18%. 15 to 18%. Okay, so there is a meaningful impact. And, and, uh, lastly, any update on, uh, our semaglutide filing in Brazil?

Yeah, it is still with the regulator. So we've- the regulator has taken upon itself to expedite all semaglutide approvals, and we recently saw 5 approvals come day before yesterday. So we are optimistic that the regulator will also consider our application favorably, but I don't have any precise guidance to give you. So there's nothing pending from regulator for us to kind of answer or anything? No, it's an ongoing dialogue, but the regulator has all the options in front of us. So I, I don't want to tell you how many months it will take, but I would guess that it will take months and not years.

But that's a, that's a, I mean, that's my perception rather than any definite comment from the regulator. Sure, thank you and all the best.

Operator
Thank you. The next question is from Neha Montoria from Bank of America. Please go ahead.

Neha Manpuria - Analyst, Bank of America
Yeah, thanks for taking my question. Um, I think you mentioned that as you, uh, integrate the portfolios of JD and Torrent, um, you know, we could see some impact in, I think, the second and third quarter before they normalize. Could you give us some color in terms of what you're exactly, you know, mentioning here? I think you mentioned cardiac as being one of the areas. If you could just give us some color as to why we should see this impact during the integration process,

Sudhir Menon - Executive Director, (Finance) and Chief Financial Officer, Torrent Pharmaceuticals Ltd
Please. Yeah, because if say a mid to large size brand in JB has been built by JB field force and launched by JB over and kind of grown over the years, if you move that to a Torrent division with Torrent reps, the reps would not know all the territories and prescribers and so on immediately. So there's a very robust process that we follow for brand transfer which minimizes any such, uh, you know, loss of knowledge transfer. But we've seen in all the past acquisitions that there is usually some kind of transition impact that comes across because of this reason, but it usually is, uh, it comes back to the normal growth trajectory very fast.

Neha Manpuria - Analyst, Bank of America
Okay, so our assumption is that by the end of this year, by fourth quarter, we should see normalization of any transition impact.

Sudhir Menon - Executive Director, (Finance) and Chief Financial Officer, Torrent Pharmaceuticals Ltd
That's right. Since we got the merger approval in July, we implemented this immediately in July. We were expecting the merger to probably happen a bit later, so it would happen a bit later. But since, I mean, it's a positive that it's happened right now, so we'd rather get this completed within this year itself.

Neha Manpuria - Analyst, Bank of America
And an extension of that, you know, as you think about revenue synergies you know, post this integration is done, etc., given that we're already guiding to good double-digit growth, could you throw some light on the likely, you know, revenue synergies that we can see as an integrated

business, you know, in India? And, you know, what, what could be the areas that you could think about from the revenue synergy perspective?

Sudhir Menon - Executive Director, (Finance) and Chief Financial Officer, Torrent Pharmaceuticals Ltd
Yeah, we'd still like to mention that revenue synergies, uh, we are only comfortable starting from next year because there's going to be all these changes happening this year. But we still continue to believe that there is a good potential for revenue synergy because of the cross-sell potential, the knowledge transfer, and the combination of the field force together. All of that put together, it's certainly possible in the cardiac and gastro brands and segments. But we'd rather wait for the full integration to complete and then give a better sense on that.

Neha Manpuria - Analyst, Bank of America
And my last question is on the, you know, margins. Given that we have finished, you know, completed the merger 6 months, nearly 6 months ahead of plan, Subir, is it fair to assume that this, you know, the 3-year timeline that we had and, you know, we are going ahead of plan from the cost synergies, the year 3 target can actually be achieved in year 2 itself? And I think we had manufacturing synergies were not included in this number. So, you know, could we quantify that if you have a handle on that?

Sudhir Menon - Executive Director, (Finance) and Chief Financial Officer, Torrent Pharmaceuticals Ltd
No, I think manufacturing is being taken in the second phase, Neha. But yes, I mean, the 3-year picture which we had given you earlier, the synergy realization could be much faster than that given that we are 6 months ahead of the initially perceived merger. So things should speed up fast, Neha.

Neha Manpuria - Analyst, Bank of America
Okay, so it's fair to assume that the margin we were expecting for JV in year 3 is now possible in year 2 itself? Would that be a fair assumption?

Sudhir Menon - Executive Director, (Finance) and Chief Financial Officer, Torrent Pharmaceuticals Ltd
I don't know, you'll have to wait for one or two quarters more for me to give you a better guidance, but the way things are moving on, it's looking positive for us. Yeah,

Neha Manpuria - Analyst, Bank of America
All right. Okay, got it. Thank you so much, sir.

Operator
Thank you. The next question is from Damyanti Kirai from HSBC. Please go ahead.

Neha Manpuria - Analyst, Bank of America
Hi, uh, thank you for the opportunity. My first question is on some of the types for India and Brazil market. So starting with Brazil, while you are waiting for Anvisa to come back on your filing, we are seeing like some players coming ahead of you. So, uh, and we understand, uh, there are more pilots for this product. So, uh, how do you see this opportunity, whether this will be still meaningful or it will be more competitive than what you initially anticipated?

Sudhir Menon - Executive Director, (Finance) and Chief Financial Officer, Torrent Pharmaceuticals Ltd

So, uh, we are used to competitive launches in Brazil. So, I, I mean, this is, uh, this is kind of a normal phenomenon. And, uh, we saw 5 approvals recently, out of which 4 come out of a single company, right? So it's not very unusual. And, uh, so what I would say is that as long as we are not very far behind, uh, we are confident that we'll be able to capture, let's say, a double-digit market share. As we have done and demonstrated many times in the past. But, you know, so I can only rely on my track record and my strength with the physician community, for which I'm confident.

But again, I don't know how many more approvals are coming, right? So I'm just pushing for my approval so that I can launch ASAP. I'd just like to add that, yes, I mean, given our historical strength in Brazil and our position, especially in the chronic and cardiac diabetes segment. We would have been keen to have the first mover advantage, but unfortunately that's lost, and we admit that's a bit of a miss from our side.

Neha Manpuria - Analyst, Bank of America

Sure. And in India, while your supplier has run into some supply issues, and you mentioned this is all transient and everything should be back on track by August. But nonetheless, when we look at the broader markets which are available through secondary data provider, it seems like the semaglutide market has plateaued now after initial ramp-up. So how do you see the overall market moving from here on after the initial big jump? I think there has been some signs of plateauing. Flatten there.

Sudhir Menon - Executive Director, (Finance) and Chief Financial Officer, Torrent Pharmaceuticals Ltd

So it's not surprising actually that this has happened. The first month there was, because of all the intensity of promotion and the general awareness about semaglutide, probably there was a lot more trials that were happening at the prescription level, which probably would have led to some drop-offs, which is not unexpected in such a category being an injectable. The product also does come with its side effects. Unless you are, you know, you're really the right patient for the product, you're likely to discontinue the product as well.

And of course, there could have been some element of overstocking that may have happened out of anticipation of the channel for higher demand. Honestly, this is not a- it's not a concern from here going ahead. I think gradually it should improve month on month from here, is what we believe. We're already seeing traction in the month of July as well in the market. So, and especially in our case, I think the oral has continued to do well, which probably means that the oral drop-offs are not as high as what we expected.

So as long as we get the injectable back on time, I think we should be in a reasonably strong position as earlier.

Neha Manpuria - Analyst, Bank of America

So you mentioned, uh, 250 crore kind of number for yourself, uh, but at the market level, how big that can be, uh, if we look at the current scenario?

Sudhir Menon - Executive Director, (Finance) and Chief Financial Officer, Torrent Pharmaceuticals Ltd

I would say probably 700-800 crore type of market, maybe slightly bigger, uh, is what it looks like for the first year.

Neha Manpuria - Analyst, Bank of America
Sure. Uh, my second, my last question is on India business. So 19% growth, and that has been very strong trend. So first, if you can split across the growth drivers, volume, price, and new launches, and specifically, how do you see the momentum continuing on the volume and new launches part, given we are seeing higher than historical numbers there for the market in general?

Sudhir Menon - Executive Director, (Finance) and Chief Financial Officer, Torrent Pharmaceuticals Ltd
Yes, so the PharmaTrack data shows 19% for the base Torrent Pharmaceuticals Ltd. Business as well for the quarter. The makeup of that is 5.1% volume, 7.7% price, and around 6% new products. This is versus 2% volume of the market, 5.8% price of the market, and 3.8% new product growth in the market. Uh, the IPM growth has picked up this quarter, and it's likely to continue for the rest of the year, but we can't say exactly, uh, what the market growth is going to be. So as long as this market growth continues, I think our trajectory should be similar, uh, assuming the semi-glutide situation is, is back to the normal trajectory.

Then it could be similar.

Neha Manpuria - Analyst, Bank of America
Just a clarification, uh, we understand the contribution on new product side has largely come from semaglutide, but the volume has also, I guess, grown very meaningfully for Torrent Pharmaceuticals Ltd as well as for the IPM in general. So what could be leading to that?

Sudhir Menon - Executive Director, (Finance) and Chief Financial Officer, Torrent Pharmaceuticals Ltd
It's difficult to pinpoint because it's just a one-quarter phenomenon. So if you wait a couple of more months or quarters, we can get a better sense. But certainly there is a higher than expected uptick in the market volumes.

Neha Manpuria - Analyst, Bank of America
Okay, thank you. I'll get back to you.

Operator
Thank you. The next question is from Abdul Kader Puranwala from ICICI Securities. Please go ahead.

Sudhir Menon - Executive Director, (Finance) and Chief Financial Officer, Torrent Pharmaceuticals Ltd
Yeah, thank you for the opportunity. Uh, so my first question is with regards to the semaglutide You know, so based on our experience in India and in Brazil, if you could, you know, help us understand that in your opinion, how much time would Torrent Pharmaceuticals Ltd take to settle down on the market share and whether in the next, you know, 3 to 4 months, what is the kind of competition intensity you see in India as well as in Brazil? So just to clarify, we've not launched in Brazil. Obviously, we are tracking what's happening in Brazil, but we have not launched, so it's hard to comment.

In India, again, we ourselves ended up facing an unforeseen situation, so it's still- when the market forms, things are fairly unpredictable. But as long as the supply situation remains the same for us and the competition, there's no additional bottlenecks that come up, my sense is that the market share should not change materially, materially from here. Okay, okay, understood. And so for the

base business, would it be possible to share what would be your constant currency growth this quarter? For which country?

Uh, uh, for Torrent Pharmaceuticals Ltd on a consolidated level, uh, that is excluding maybe- what would be your

Abdulkader Puranwala - Analyst, ICICI Securities
Constant currency growth?

Sudhir Menon - Executive Director, (Finance) and Chief Financial Officer, Torrent Pharmaceuticals Ltd
Oh, uh, we don't look at it from that perspective, but any specific geography you want, we can, we can call that out.

Abdulkader Puranwala - Analyst, ICICI Securities
Okay, I can see that in the presentation.

Sudhir Menon - Executive Director, (Finance) and Chief Financial Officer, Torrent Pharmaceuticals Ltd
Yeah, yeah, yeah, yeah. Sanjay has already called out, because if you look at Brazil, Germany, US put together, and add India as well, that contributes almost 85% of our business. So that, that's the 3 geographies which Sanjay has indicated. I think pretty should give you the color. Okay,

Abdulkader Puranwala - Analyst, ICICI Securities
Okay. And, and so anything on the margins, uh, you know, we would like to call out in terms of your guidance for the full year? Are we reiterating or Can we cover on margins for the full

Sudhir Menon - Executive Director, (Finance) and Chief Financial Officer, Torrent Pharmaceuticals Ltd
Year? So Abdul, as you know, July 8th, the merger happened for us, and now there is a system integration, business integration, which has already been triggered. So I would like to wait for one more quarter till the combined entity settles before I can try and give you some guidance for the full year.

Operator
Sure, sir.

Sudhir Menon - Executive Director, (Finance) and Chief Financial Officer, Torrent Pharmaceuticals Ltd
All right, thank you.

Operator
Thank you. The next question is from Shyam Srinivasan from Goldman Sachs. Please go ahead.

Sudhir Menon - Executive Director, (Finance) and Chief Financial Officer, Torrent Pharmaceuticals Ltd
Yeah, thank you for the opportunity and good evening. Just one again on the semaglutide opportunity in India. I'm not sure whether our earlier guidance was for annualizing Rs 250 crores, so maybe I thought it was Rs 200. So is there an upgrade? That is one. And when I look at the split of oral versus injectable, has that changed from there? If I recollect, that number was 30% oral. Given

how well you're doing on oral, has there been an upgrade there in terms of how you look at the relative between the two segments?

So we had shared 200 to 250 last quarter, and what we had mentioned in the opening remarks was that given the trajectory in Q1 before the supply issue of 50 crores, and the expectation is that every quarter it would gradually increase, and hence it would have been very close to that 250 crore number. But given now that we're faced with the situation, that's definitely not going to be possible. But we would rather wait for another quarter to see how our relaunch of the, the loss SKUs, how quickly they can regain share, and then we can get back with what the annual number could be.

That's helpful. And when we now use these other alternate API source from an injectable perspective, I presume, what is our current share? I The combined share of 36% includes oral plus injectable. So just want to understand how we are just faring on the injectable part of the, uh, on these, on the presentation. And you know what gives us the confidence that, you know, with an alternate API we'll be still able to maintain our share, let's assume. So the, the brand that is affected, and specifically the SKUs that are affected was about 20% of the total monthly contribution.

And API is not really the reason why, I mean, whether a brand can regain share or not. I think as long as the API is approved and kind of has gone through the whole trial with the company that's registered the product, it shouldn't really make a difference. Got it, got it. That's helpful. Just the last question on JB Pharma. We've guided to getting back- getting full on a console basis, I think double-digit growth for that. So versus where we are today, so what are the steps that we need to kind of keep monitoring, uh, from a perspective- you talked about attrition coming lower on JB.

So just want to understand what are the kind of leading or the milestones that we are looking forward to in the next 6 9, 12 months that, you know, will help us put on that specific path of higher growth in JB? I would say for the next 6 months, the focus will be largely on ensuring that the merging of the divisions and transfer of brands from JB to Torrent goes smoothly. We would want to spend most intensive effort on ensuring that each territory, each rep, and each kind of the chain of the field force is fully in grip of what's being handed over.

And if that's fairly smooth for the rest of the year, then- I'm sorry, by the end of the year, after that is when we would start looking at further growth initiatives. You can't really execute both at the same time because that would lead to a bit of over-ambition. Got it. Yeah, thank you and all the best.

Operator
Thank you. The next question is from Pankaj Dibrewal from Ikigai Asset Managers. Please go ahead.

Sudhir Menon - Executive Director, (Finance) and Chief Financial Officer, Torrent Pharmaceuticals Ltd
Yeah, good evening. Congratulations, Aman Sudeep, for a great execution once again. My question just is on the international business. So when we look at, for example, the US piece, please correct me if I'm wrong, the absolute revenue levels are virtually the same as it was in FY '14 in USD terms. How should we see the trajectory going forward for US as we move ahead? And Germany also, we have seen market share loss over the last 4-5 years. From about 7% to 5%. I'm sorry to

Operator
Interrupt you, Pankaj, but your voice is very low. If you're on a hands-free, request you to use the handset.

Sudhir Menon - Executive Director, (Finance) and Chief Financial Officer, Torrent Pharmaceuticals Ltd
No, I am on the normal phone.

Operator
All right, can you please speak a little louder? Yes, better.

Sudhir Menon - Executive Director, (Finance) and Chief Financial Officer, Torrent Pharmaceuticals Ltd
So the second question is on the Germany side, where the market share has declined over the last 4-5 years. Various challenges have been there. Can you throw some light on how do we see Germany picking up this year and next year? And last question is, you know, you have executed extremely well when we look at acquisitions, Indian markets. What's the, you know, vision for the next 3 years? Where do you think Torrent will focus on incrementally going forward? These are my 3 questions. Thank you. So I, I will start with the international business.

So essentially, we don't look at like the battle that we fight is by country, right? So each country has its specific dynamics and specific issues. So on the branded side, which are markets like- for us it's Russia, Philippines, Mexico, Brazil- we are doing very well and much ahead of the underlying market growth. On the generic side, the two big markets we have are US and Germany. US has been stable and this year we would be a profitable entity in the US, which was unlike what it has been in the last 5 years.

So considerable progress has been made on the bottom line through cost savings and through efforts to bring in more launches, which are still modest. But, you know, last- I would say we've launched 17 products in the last 30 months, and they contribute roughly about 20-25 million to sales, and which compensates largely, uh, the price erosion that has taken place. Or, um, and so, so US is, I would say, on a stable trajectory, and it will only get better from here, both in terms of top line and in terms of bottom line contribution to Torrent.

And at least it will not subtract from the bottom line contribution. The real challenge we face are in Germany. So the Germany, the challenge is twofold. One is, uh, I would say, uh, linked to the fact that our prominent supplier, which contributes, uh, that this is about 10 to 15% of our revenue, that supplies has been out of business. And so that is hurting us a lot. Secondly, despite making a lot of efforts in saving costs and reducing our costs and making ourselves more competitive, we still find ourselves sometimes outbid by our peers in the tender process.

So I would I would say that journey is not finished. So we have to kind of tighten our belts and work better on cost optimization in order to win more tenders. So I can't say we are out of the woods in Germany. I would say right now we are, you know, still in the middle of the woods. But other than Germany, I would think the rest of the places we have a clear line of sight, and I would say we look in over an extended period of time, we've been making progress.

Operator
Thank you, Sanjay. On the last question,

Sudhir Menon - Executive Director, (Finance) and Chief Financial Officer, Torrent Pharmaceuticals Ltd
Capital of- uh, it's a question of capital allocation from here. I mean, I would say it's, uh, you know, still very early days in JB. We're hardly 6 months into the acquisition. Uh, we'd rather wait for at

least another 12 months, maybe 18 months, for getting our own comfort that things have gone as plan and smoothly. And after that, yes, definitely there'll be opportunities which we start looking at again. And as we grow in scale, the opportunities also change in nature, and we keep evaluating whatever comes our way.

And, uh, regardless, I think we would not want to be above, say, 3x or 3.5x net debt-to-EBITDA for whatever opportunity we consider. So we'll wait for JB to happen, and then we'll see how to look at the next strategic options. Is it fair to say that the next big capital allocation could be international rather than domestic? Our preference is that if we have the same size opportunity in front of us in India versus international, regardless of how big or small, it will always be India first. Uh, so I mean, which right now there's no major kind of opportunity that's on the horizon on the Indian market side.

So in absence of that, yes, we may look at some mid-sized international acquisitions as well. Great, thank you, Aman. Thank you, Sudhir. Thank you, Sanjay, and wish you guys all the best. Extremely happy with the execution you guys have done over the last few years. Thank you.

Operator
Thank you. The next question is from Vivek Agarwal from Citigroup. Please go ahead.

Sudhir Menon - Executive Director, (Finance) and Chief Financial Officer, Torrent Pharmaceuticals Ltd
Yeah, uh, thanks for the opportunity. So if I look at the gross margins in the base business, so it looks like you have done close to 78% gross margin, which is significantly higher than I think your previous trajectory. Just want to understand, uh, what has drove the improvement in gross margin at a time when there is some kind of cost inflation as well because of the Torrent Pharmaceuticals Ltd, etc. How sustainable this, uh, and how sustainable basically this margin trajectory? If you can help us understand.

Thank you. So Vivek, I think last year we were doing around 76, 76.5 is what I recall as the gross margin for the base business. And every year two factors definitely play out on the improvement of gross margin, which is the price increases, which we take every year, and that starts from typically April. That's point number one. Point number two, uh, India business has exceedingly done well, and overall the branded business contribution has been higher compared to the previous year at 76% versus 74% historically, which we've had, plus some amount of forex which is playing positive.

I think all three put together We've improved our margins. So is it sustainable in the base business, 70-78% kind of growth margin level? So I can say definitely, if last year was 76, 76.5, any- anything up to 77 is looking definitely sustainable. Uh, beyond that, as I said, there are other factors which have played out which is contributing to the understood. Now, a related question here is that you are able to, uh, the overall EBITDA margin again in the base business around 33.3%, right? So, and the significant increase in OpEx around 32% if you put together employee and other expenses.

So where, for example, these, uh, sharp increase in this expenses going towards So Vivek, again, the forex factor plays out on the expenses side also, right? I mean, the expenses also looks a little inflated because of the forex. That's one. And secondly, as quarter one, typically we in the branded businesses, we spend is higher compared to rest of the quarters, and that's the reason why you see quarter spend a little higher. Understood. So how one should look at your EBITDA margin trajectory in the base business?

From year on, let's say, over the next 4 quarters. So this is a guidance since the last 2 years has been at least a 0.5% improvement, right? So if you look at the improvement which has happened in

quarter 1, it's 0.5 to 32.8 which we had registered last year. I understood, thank you. One more question on revenue synergies. Although you talk about cost synergies, and good to see that, uh, are tracking ahead of guidance. So any possibility that if you can talk about revenues? No, we just mentioned in one of the earlier questions that we'd rather wait for the integration to complete and then we can get a better sense of the revenue synergies.

Thank you, sir. That's from my side.

Operator
Thank you. The next question is from Rahul Jiwani from Torrent Pharmaceuticals Ltd. IIFL Capital, please go ahead.

Sudhir Menon - Executive Director, (Finance) and Chief Financial Officer, Torrent Pharmaceuticals Ltd
Yeah, hi sir, thanks for taking my question. So on this organic India growth of 19%, if we X out the Sema contribution as well, then X out Sema, our organic business would have grown roughly 16% for the quarter, which is a significant acceleration from our previous trajectory of around, let's say, 12.5-13% growth. So, ex of Sema, what is helping us to, let's say, drive better growth in the India business? So are there any specific Torrent Pharmaceuticals Ltd related factors, or it is just an acceleration in the overall IPM group as well?

Certainly the IPM growth acceleration has played a big role here, but there are certain Torrent-specific factors as well, one being the Q ratio portfolio which has now Torrent Pharmaceuticals Ltd, a pretty sizable part of the portfolio, and that's growing at 34%. So I don't know the exact numbers, but I'm sure that's adding incrementally, uh, you know, quite a meaningful way to the overall growth profile. And second, it's a culmination of all the expansion done over the last 2-3 years, which we are continuing to pursue as well.

Uh, that has led to some of the larger brands grow much faster, and when that happens, the overall growth profile improves. So that- those 2-3 factors have led to this Okay, and I was looking at my numbers ex of Q ratio as well. So Q ratio obviously did 34% growth for the quarter, but ex Q ratio, our base organic business excluding Sema again is showing a 15-16% trajectory. So maybe my Q ratio is helping, it's the base brands also which would have helped to some extent. Yeah, you're right, because the top- so we now have actually I believe 28 brands above 100 crores.

Uh, apart from 3, 4 of them which are mature products and growing single digits, all have grown quite well. Some of the top 10 brands have grown 20% plus. So, and then these are all in the expanded divisions and regions. So when the top 10 brands are growing at such a pace, that changes the overall growth profile. Now, I don't know how sustainable which is- it's, uh, probably expansion-led. It could be, uh, for the rest of the year it may continue. Will it continue for next year? I don't know yet, but certainly that's helped us.

Sure, sir. And these 10 brands growing north of 20%, this you are talking about your own base portfolio ex-JB? That's right, yeah. Okay, so, so, and how would, let's say, JB's brands would have grown, particularly on the cardiac side, for the quarter? Uh, as per the usual trajectory, uh, some may have been slightly slower, some slightly faster. So average net, uh, growth trajectory has been around the same as earlier, uh, of the cardiac, gastro, all of the brands. Okay. And we talked about the rep expansion for the Q Ratio business, but I think overall India level, uh, let's say what kind of rep additions we are targeting this year versus this combined rep number of 9,000.

400 reps. So we will add in the base business, uh, strength, but it's not going to be fresh expansion.

It's going to be restructuring from the JV divisions. And in fact, even with additions in the base business MR strength, the total number of MRs, uh, it is going to reduce, uh, which, uh, already since the integration has started in July, we expect that Q1 to the MSN should be closer to 9,000. Okay. And what do you think this number could be by the end of the year? End of the year, uh, we haven't charted out yet, but it probably will be around the same, maybe slightly less.

Okay, sure, sir. And for last question from my end, obviously you are not commenting in terms of how the cost synergy target would- in terms of the cost synergy guidance which we have given earlier. But if you can just quantify what was the benefit of, let's say, the cost synergy number sitting in JB's EBITDA margins this quarter. So, so out of this 35% margins for JB, what would have been the contribution from the cost synergy number? Uh, Rahul, I think a better way for you to calculate yourself is, uh, take the base EBITDA number of JD which was there last year, and then historically see organically what kind of improvement happens for JD margin.

Anything above that is an indication of cost synergy. Okay, sure, sir.

Operator
Yeah,

Sudhir Menon - Executive Director, (Finance) and Chief Financial Officer, Torrent Pharmaceuticals Ltd
That's it from my side. Thank you.

Operator
Thank you. Before we take the next question, a reminder to participants that you may press star and 1 to join the question queue. Ladies and gentlemen, to ask questions, please press star and 1. The next question is from Tishar Manudhane from Motilal Oswal Financial Services. Please go ahead.

Abdulkader Puranwala - Analyst, ICICI Securities
Yeah, thanks for the opportunity. So first, on the industry level, India prescription type growth last few months the growth has been encouraging, uh, even in the chronic therapies as well as acute therapy. So what's changed, you have witnessed, if at all, to drive the industry-level growth? And so how sustainable that is?

Sudhir Menon - Executive Director, (Finance) and Chief Financial Officer, Torrent Pharmaceuticals Ltd
Yeah, it's, uh, again, just been a quarter of this, uh, kind of increased growth. So let's see how long it sustains, and then we can get a better sense on what's is really driving it. Right now there's multiple factors, we can't tell which one is driving the, the biggest incremental impact. So maybe next 2-3 quarters we can get a better sense.

Abdulkader Puranwala - Analyst, ICICI Securities
Okay, because it is also driven by volumes and not just, let's say, price and new launches. So existing base portfolio also growing by volume. So is it like shift from TradeGenetics to again RX population has not changed much over last 5 months. So just trying to understand what is driving the ITM group.

Sudhir Menon - Executive Director, (Finance) and Chief Financial Officer, Torrent Pharmaceuticals Ltd

So we'll get a better sense using our own numbers and understanding after we see maybe one more quarter, two more quarters of data. What you mentioned could be one potential reason, but I personally don't think so. Uh, so let's see, we will give more feedback on this in the coming

Abdulkader Puranwala - Analyst, ICICI Securities
Quarters. And just, uh, a lot of discussions are happening with respect to Semaglutide for Brazil market, but just the way it happens, let's say in India also, like one can use the marketing authorization of the other company. So is that the way possible for Torrent Pharmaceuticals Ltd in the Brazil market? While we might have wait for our own approval, but you could use market authorization and start marketing the product?

Sudhir Menon - Executive Director, (Finance) and Chief Financial Officer, Torrent Pharmaceuticals Ltd
Yeah, in theory it is possible, but so far we've not been successful in finding a suitable partner. So this is called distributor type arrangements where you become a distributor of another company. So, so as of today we don't have a concrete proposal.

Abdulkader Puranwala - Analyst, ICICI Securities
And again, just one more on this. So is it because of Dr. Reddy's issue where the approval process stopped?

Sudhir Menon - Executive Director, (Finance) and Chief Financial Officer, Torrent Pharmaceuticals Ltd
No, so we have not never commented upon our partner, and I can tell you that it is not Torrent Pharmaceuticals

Abdulkader Puranwala - Analyst, ICICI Securities
Ltd.

Operator
Thank you very much. We'll take that as the last question. I would now like to hand the conference over to the management team for closing comments.

Sudhir Menon - Executive Director, (Finance) and Chief Financial Officer, Torrent Pharmaceuticals Ltd
Thank you very much for joining the call today and for following Torrent. I, as team, stand by to answer any further questions. Thank you.

Operator
Thank you very much. On behalf of Torrent Pharmaceuticals Ltd., that concludes this conference. Thank you for joining us, ladies and gentlemen. You may now disconnect your lines.