Management Discussion

Krishnakumar Vaidyanathan - Executive Director & Chief Operating Officer, Eris Lifesciences Ltd
Thank you. Good afternoon, everybody, and welcome to our Q1 results presentation. To get us going, our domestic formulations business clocked a revenue growth of 14% in the quarter, with seven out of 10 therapies delivering double-digit growth rates. Our key franchises, including insulin and our semaglutide brand Sundae, have all posted strong performances in Q1. Our consolidated revenue has grown by 13% year-on-year in Q1. Profit after tax has expanded by 14% to 15%. The details of the results and the presentation have already been made available to you. Without further ado, we can switch to our questions and answers.

Operator
Ladies and gentlemen, we will now begin the question-and-answer session. [Operator Instructions] The first question comes from Dr. Harith Ahamed. Please go ahead.

Questions & Answers

Harith Ahamed - Analyst, Avendus
Thanks for the opportunity. When I look at the domestic branded formulations performance, we are seeing underperformance as you have disclosed in the OAD and cardiac segments. Especially in cardiac, what exactly is driving this underperformance? And in both these segments, by when can we expect growth to catch up with IPM levels?

Amit Bakshi - Chairman & Managing Director, Eris Lifesciences Ltd
Yes. Look, there is a slide at the end where we talk about four to five things which we are doing. We expect in the next two quarters cardiac will be close to the market growth. Where have we gone wrong? We have been trailing in hypertension. A large part of our cardiology is hypertension, and that is where we are trailing a bit. We have already started efforts of getting across the line. I think we should start seeing it from this month itself once the data comes in, in terms of progress. It seems that in two quarters we should be there. There are largely two products which we are getting on track.

Harith Ahamed - Analyst, Avendus
In terms of entering the non-represented insulin analogs market, which you highlighted as a priority, how should we think about timelines for launch of insulin aspart, degludec, and some of the combination products?

Amit Bakshi - Chairman & Managing Director, Eris Lifesciences Ltd
A little bit of detail here. We have already taken two engineering batches and one PV batch of these analogs at our Bhopal unit. The DS has been made by our Levim Lifetech, and the DP has already been taken. Engineering batches have been taken. We have taken three engineering batches: one is recombinant human insulin, one is degludec, and one is the combination with degludec.These will now go through the process, very likely to file it for the next phase in this current quarter, and then it will go through the regular regulatory process. Aspart is something which should happen earlier. We got stuck on something that I think we have sorted. I think aspart should be there in this year, probably in the calendar year itself, much earlier than that, and the rest would all be pushed off to next year.

Harith Ahamed - Analyst, Avendus
Okay. Last one with your permission. You were alluding to the product mix impacting our margins for the quarter. But when I look at the gross margins on a sequential basis, there has been a fairly sharp decline. I was wondering if there is anything other than just the product mix that is impacting gross margins, maybe something on the raw material side, any adverse movements?

Krishnakumar Vaidyanathan - Executive Director & Chief Operating Officer, Eris Lifesciences Ltd
Harith, when you say sequential, I assume you are talking about Q1, Q2, Q3, Q4, that way, right?

Harith Ahamed - Analyst, Avendus
Yeah, yeah. So 4Q to 1Q, there's been a sharp decline.

Krishnakumar Vaidyanathan - Executive Director & Chief Operating Officer, Eris Lifesciences Ltd
Domestic formulations gross margin has been in a 76% to 77% band for all four quarters of last year. What you see in Q1 of this year is a departure.

Harith Ahamed - Analyst, Avendus
Yeah. So trying to understand the reasons for that.

Amit Bakshi - Chairman & Managing Director, Eris Lifesciences Ltd
I would suggest that we will largely be in this range for at least one more quarter. This has largely happened because of the product mix change. If you see on the same slide where you see the growth rates, you see the insulins and the biologics are catching up. This will remain like this; we assume this will remain like this, which is very heartening for the organization because in the last couple of years, we tried to get both the engines working. We thought last year itself this engine will overpower and get us to 12% to 13% growth, which didn't work out. Biologics and insulin will remain in this trajectory. It might even go up because once we start the production next month in Bhopal, wherein we have got the licenses, our ability to maneuver on a lot of things goes up.

Consider Q2 also to be in the same vicinity of the gross margins. By Q3, we will see that the gross margin starts improving, and in Q4, there is a fair chance of us coming back to where we started with, more or less. Do remember, we are getting into a therapy where gross margins will not essentially decide the EBITDA margins. If you look at the organization level, we are reporting 35% EBITDA DBF and 74% gross margin. Between EBITDA and gross margin, we have 39%, right? The same in biologics could be as low as 20%. Today when we sit here, our insulins would be at 30% to 31%. It could be more, but it would surely be 30% to 31%, and the gross margins are much lower.

Two things: one is that when we move to Bhopal, gross margin will start improving. Number two, in biologics, the mid portion is not generally as big as the other domestic branded because the biggest reason is that the YPMs are very high. Our biologics business would have a YPM of INR15 lakhs, INR16 lakhs, going to that vicinity. That is how it plays out.

Harith Ahamed - Analyst, Avendus
Okay, understood. That's all from my side. Thanks a lot.

Amit Bakshi - Chairman & Managing Director, Eris Lifesciences Ltd
Thank you.

Operator
[Operator Instructions] The next question comes from Nilay Parekh. Please go ahead.

Nilay Parekh - Analyst, Perpetuity
Sir, hello? Yes. My question is regarding Swiss Parenterals. This business is growing quite lower than what was anticipated. Can you give us some sort of clarity on the bottom for this growth, how we are going to ramp it up now, and some full-year guidance for Swiss Parenterals?

Amit Bakshi - Chairman & Managing Director, Eris Lifesciences Ltd
Good question, Nilay. Yes, you are right that growth is softened in Q1, and there is some remediation work happening in that facility. We really don't feel as of now that we will be impacted to a large level when it comes to the revenue side. On the EBITDA side, we might have a hit of a couple of hundred basis points because of the remediation work happening. That is the reason we have asked for one more quarter to put down everything together.My visibility as of today is we really don't see a huge impact; we don't promise any growth over last year. Growth could be in the same vicinity as we are today, or it could be even lower, but it will be in that zone from neutral to low single-digit growth. Margins might compress a couple of hundred points. If we get through what we are planning to do, it might improve in Q4. Right now, this is the visibility, but by the end of Q2, we will be able to give you a clear-cut answer.

Nilay Parekh - Analyst, Perpetuity
Okay, sir. Sure. All the best for the quarter.

Amit Bakshi - Chairman & Managing Director, Eris Lifesciences Ltd
Thank you. Thank you.

Operator
[Operator Instructions] The next question comes from Harshwardhan [Phonetic]. Please go ahead.

Unidentified Participant
Am I audible? Hello.

Operator
Yes, sir, you are audible.

Unidentified Participant
Good evening and thank you for the opportunity. After integrating Biocon's insulin business, are there any adjacent therapeutic areas where Eris would consider acquisitions to strengthen its chronic portfolio?

Amit Bakshi - Chairman & Managing Director, Eris Lifesciences Ltd
So not as of now. You are seeing that from the last two years and even the first quarter, we have been investing money behind facilities and technology on the manufacturing side. We feel this is our priority area, at least for this year and starting of next year. Largely, we are staying away from acquisitions. That is the plan as of now.

Unidentified Participant
Got it. Thank you so much, sir.

Operator
[Operator Instructions] The next question comes from Tushar Manudhane. Please go ahead.

Tushar Manudhane - Analyst, Motilal Oswal
Sir, thanks for the opportunity. Just on the semaglutide off-take with the INR4 crores per month run rate, are we largely at a similar number as how it was in June and July, or has that scaled up further? If you could share that.

Amit Bakshi - Chairman & Managing Director, Eris Lifesciences Ltd
So Tushar, let me repeat. You are asking me if that INR4 crores is moving up in the present quarter; is that your question?

Tushar Manudhane - Analyst, Motilal Oswal
Yes.

Amit Bakshi - Chairman & Managing Director, Eris Lifesciences Ltd
Yeah, Tushar, we see movement. We see upward movement while we talk. Second thing is also that we haven't had a launch of the obesity SKU, the Wegovy Gx. Our Wegovy Gx is being launched this month. By the end of the month, we are billing, and next month we are launching. That could also add up a little bit. From a Q1 average, Q2 is looking better.

Tushar Manudhane - Analyst, Motilal Oswal
Got it, sir. Has any price correction further happened, or whatever price at which we launched, that is the price we are continuing even now?

Amit Bakshi - Chairman & Managing Director, Eris Lifesciences Ltd
So, Tushar, look, frankly, the prescriber base has not spread the way we would have thought earlier. This, from our point of view, is not a good time to reduce the price further. Once the market escalates and spreads out, at that point of time, there might be a good reason to correct further out. We still have to wait and watch, but as of now, we see we are okay with the price points.

Tushar Manudhane - Analyst, Motilal Oswal
Got it, sir. And I'm not sure if you already highlighted. But what would then be the full-year revenue guidance for FY '27 considering Swiss Parenterals impact and subsequently certain therapy impact on the domestic branded formulations side?

Amit Bakshi - Chairman & Managing Director, Eris Lifesciences Ltd
For full-year guidance -- so yes, Tushar, we will maintain what we said. We are looking at 300 basis points ahead of the market. As of now, the market seems to be, with whatever assumptions we see coming in, at 11% by the end of the year for the whole year. If it is 11%, we should be at 14%. That is the plan.

Tushar Manudhane - Analyst, Motilal Oswal
And exports to be sort of mid-single digit to flat, right?

Amit Bakshi - Chairman & Managing Director, Eris Lifesciences Ltd
For export, I think Tushar look, my visibility today is that we will either be flattish or there will be a growth of low single digits on either side, degrowth or growth. You can consider it flattish. We will lose a certain percentage points in margin, around 200 to 300 as of now, but we will talk a little more about this in Q2.

Tushar Manudhane - Analyst, Motilal Oswal
Got it, sir. Thanks for answering. That's it from my side.

Operator
Thank you, sir. The next question comes from the line of Ashish Thavkar [Phonetic]. Please go ahead.

Unidentified Participant
Thanks. So especially in the India market, with one of the larger players vacating the market, is there a void which has been created? Does that give us some extra scope to expand our franchise?

Amit Bakshi - Chairman & Managing Director, Eris Lifesciences Ltd
Look, man, first of all, we don't consider it to be a great event. It happens all the time. These are part and parcel of good manufacturing practices, and people need to call it out when it works like that. We would obviously gain something out of this. Is that the strategy to grow? The answer is no.We were number one in units and prescriptions even before that event, and we will continue to strive for the same position even after the event. The event might give us some push here and there, but that is not strategy. We are working more on strategics rather than trying to gobble up something here and there.

Unidentified Participant
Got it. In terms of therapy or brand diversification, is there anything you are looking in the market to acquire, or anything on in-licensing if you could help us understand?

Amit Bakshi - Chairman & Managing Director, Eris Lifesciences Ltd
So there's no in-licensing and all these things are a continuous process. But do I have something as exciting as I would like to share? The answer is no at this point of time. As far as acquisition is concerned, we just made a point that we are not looking for any acquisition as of now because a lot of money is being put into manufacturing, which we think is a priority for the organization.

Unidentified Participant
Great. Lastly, given the global situation which was there and still persisting, how has the raw material cost moved for us, especially for our India domestic formulation business? Does the gross margin contraction also include the higher solvent prices?

Amit Bakshi - Chairman & Managing Director, Eris Lifesciences Ltd
Yes, there have been certain issues around this. Everybody would like this to end as soon as possible. Having said that, our dependence is slightly lower because if you look at our therapy mix, our therapy mix is quite concentrated from that point of view. There is a blip, but not worth enough to call it out as such at this point of time. It has affected our international business more, where there have been delays in sending the goods and delays in receiving those things. It played out more there than in DBF.

Unidentified Participant
Great. Lastly, if you could spell out the total number of MRs that we have on the ground in India?

Amit Bakshi - Chairman & Managing Director, Eris Lifesciences Ltd
So 4K, roughly 4,000.

Unidentified Participant
4,000. And are we looking to hire?

Amit Bakshi - Chairman & Managing Director, Eris Lifesciences Ltd
Yeah, so we do have plans, but that is for the second half of this year. Incrementally, nothing which we should be bringing to your notice.

Unidentified Participant
Great. Thanks a lot.

Amit Bakshi - Chairman & Managing Director, Eris Lifesciences Ltd
Thank you.

Operator
Thank you, sir. The next question comes from Mr. Mohammed Patel. Please go ahead.

Mohammed Patel - Analyst, Edelweiss PublicAlternatives
Can you hear me?

Operator
Yes.

Amit Bakshi - Chairman & Managing Director, Eris Lifesciences Ltd
Yeah.

Mohammed Patel - Analyst, Edelweiss PublicAlternatives
Yes. I wanted to check, in OAD we have grown 2% versus market 11%. What is the reason for that?

Amit Bakshi - Chairman & Managing Director, Eris Lifesciences Ltd
So, man, look simple -- first of all, the reason is that our growth is lower. But is it 2%? No. Internally, we are growing at around 6%. The problem which you see in the data is our product got banned last year, Glimisave MV, and that continues to reflect in last year. That is the reason internally we have taken that off. I think this anomaly will get over in the next month itself. Once that anomaly gets over, we will get to 5% to 6%, and the rest we are working it out to get closer to the market. But there is a lag in this market, and that is what we are planning to cover.

Mohammed Patel - Analyst, Edelweiss PublicAlternatives
How are we going to bridge this 6% to 12% kind of gap?

Amit Bakshi - Chairman & Managing Director, Eris Lifesciences Ltd
So guys, business as usual, just getting the focus back and launching a couple of new products. It's all elementary. It seems that there was a little bit of eye off the ball in a couple of products, so we have got it back. I am confident because we have done it in the past and have been doing it for a long time now in diabetes. My confidence is a shade higher to get it back.

Mohammed Patel - Analyst, Edelweiss PublicAlternatives
Okay. In cardiac, you mentioned two products via which you are going to bridge the gap from 11% to 15%. Can you highlight that?

Amit Bakshi - Chairman & Managing Director, Eris Lifesciences Ltd
Absolutely. Good that you remember. We were looking for, in our view, a very good big launch of a product called Esaxerenone, which is a non-steroidal MRA. But the launch got delayed and the approvals got delayed, so we couldn't launch it. As of now, the visibility is of launching it in the first fortnight of August. That, to our mind, is a very good opportunity.

Mohammed Patel - Analyst, Edelweiss PublicAlternatives
Okay. And the next question is the semaglutide market off-take has been slower than expected. What are your thoughts on the same?

Amit Bakshi - Chairman & Managing Director, Eris Lifesciences Ltd
Yeah, we might have to do another meeting for that. You are right, it has been a little slower than what we expected. But I take nothing away from the product. My simple understanding is, I have been a very strong supporter of semaglutide in diabetes. But the general winds going were more from an obesity point of view. If you would have taken note of what we had been saying for the last couple of quarters, this is a diabetes drug which has an effect on weight loss. We see the prescriptions coming up.The good thing is that the prescriptions are coming up from the KOLs. If you look at the specialty mix, endocrinologists and diabetologists are contributing 70% of the prescriptions, which basically till this point of time has always meant that this is a flow going down in the next couple of months and quarters. I still am very upbeat about semaglutide from a scientific point of view. I feel that this is a drug which will change the face of diabetes globally and especially in India where the load is too much. I see some good green shoots happening. The value volumes are not what we expected, but it is a matter of time.

Mohammed Patel - Analyst, Edelweiss PublicAlternatives
Okay. And how many product launches should we expect for FY '27 and FY '28 in terms of number of products?

Amit Bakshi - Chairman & Managing Director, Eris Lifesciences Ltd
So, Mohammed, look, we will call out if something product launches are now a regular thing. The launches sometimes do get delayed here and there procedurally. That is why if there is something major, we will call it out, like Esaxerenone we called. We are planning something in the third quarter, which to our mind would be a big product. Every time a big opportunity comes, we will call it out. Otherwise, growth is always a function of volume, new products, and price rises. So, let's remain there.

Unidentified Participant
Okay, my last question, OCF to EBITDA was 77%. Should we expect this trend for the rest of the year?

Krishnakumar Vaidyanathan - Executive Director & Chief Operating Officer, Eris Lifesciences Ltd
Sorry, what is that?

Amit Bakshi - Chairman & Managing Director, Eris Lifesciences Ltd
OCF to EBITDA percentage.

Krishnakumar Vaidyanathan - Executive Director & Chief Operating Officer, Eris Lifesciences Ltd
Yeah, that would be the trend to expect for the financial year.

Mohammed Patel - Analyst, Edelweiss PublicAlternatives
Okay, thank you.

Operator
Thank you, sir. The next question comes from Mr. Pratish Chaddha [Phonetic]. Please go ahead.

Unidentified Participant
Sir, any timeline for the analogs?

Amit Bakshi - Chairman & Managing Director, Eris Lifesciences Ltd
I wish I could give a timeline, Pratik. We are evaluating. The way it looks from here, I think we should be up there in Q3. That is where we are pinning it up now. But there have been so many hits and misses that I am a little skeptical about calling out a date. So, that is where we are.

Unidentified Participant
Okay, thank you.

Operator
Thank you, sir. The next question comes from the line of Alankar Garude . Please go ahead.

Alankar Garude - Analyst, Kotak Securities
Thank you for the opportunity. Sir, another question on semaglutide. You spoke about KOLs prescribing the drug. But if you can talk about any feedback from the patients? Is there any resistance at their end? Also, if you can talk about possible supply issues or any patient adoption issues apart from government regulations, that would be helpful.

Amit Bakshi - Chairman & Managing Director, Eris Lifesciences Ltd
Oh yes, of course, I'll do that. For the first time what we are seeing in the market is that the chatter on social media has actually become quite a bit. For the first time, we are seeing patient resistance at the clinic level saying, 'Doc, give me some more time. Let me think about this.' That's what we are seeing in the marketplace today, and it is happening across specialties, which we hadn't seen. All that which happened a couple of quarters ago, so much noise around this, has taken a little bit of a toll in terms of adoption.What is happening now, while there is resistance on one side, simultaneously there are patients coming back with successful HbA1c of 5.3, 5.2, liver fat getting diminished, and correction in LDL. These are the people who are now getting on the other side. Once you start semaglutide and escalate it to a level where it gives results, it takes two to three months. Please understand this is the fourth month, and adoption happens late. In one of our conferences I mentioned that peak adoption happens in the third year in any chronic disease product.What I can tell you is that adoption is growing, and it is a matter of time before this is on the other side. I am completely convinced about the future of semaglutide because it is not just about the future of me or the industry; it is about the future of Type 2 diabetes. It is such a wonderful drug, but it has a lag, and that lag is currently going on.The second piece is supply. Everything has some good attached to it. Because the market didn't take off as quickly as we were all expecting, it gave everybody time to put their back end together. For example, our facility also got the license, so we will start putting it together. It has given three to four months for the industry to create a good integration. I don't really worry for the supplies at this point of time.

Alankar Garude - Analyst, Kotak Securities
Understood, sir. That's very helpful. Would it be fair to say that the issue is not as much on the prescriber side, but more on the patient side, and maybe over the last few months it was more on the supply side?

Amit Bakshi - Chairman & Managing Director, Eris Lifesciences Ltd
Supply side happened because all of us rushed into that. The value per pen is very high. We haven't dealt with a mass product with this kind of value. Generally, the way we do billing is, if we have a team of 400 representatives, we give them 200 strips or 300 strips usually. A strip is more or less INR100 or INR150, so it gets to INR30,000 to INR40,000 per person. But when it came to an INR3,000 NRE product, even if you give 50, it becomes INR1.5 lakhs. INR1.5 lakhs with four is like INR5 crores.So, there was a rush which happened, which was because you build 20 pens, which is very basic, and you have three SKUs. Even if you build five pens, it kind of gets there. The supply issue which we thought earlier was not a secondary problem, but a primary issue. Then the secondary caught up, and it got balanced. That was what happened in the first year, and it was bound to happen when there is excitement in the market. Now it has settled down.Number two, patient resistance doesn't only remain with the patient. It has an effect on the prescribing doctor also because when a doctor sees more people saying, 'Let us think, let me come back,' he also gets a little bit on the back foot. This is a small journey which we have to do; it's a curve, I would say. But I think we are doing well. That's my hunch that we are doing well.

Alankar Garude - Analyst, Kotak Securities
Got it, sir. And sorry, just one more f inal follow-up on this particular point: You said you will consider any pricing actions only once the volumes expand a bit. Isn't it a bit of a chicken-and-egg situation considering that the pricing is much higher compared to what patients were paying for any normal diabetes therapy so far?

Amit Bakshi - Chairman & Managing Director, Eris Lifesciences Ltd
A lot of things are chicken and egg, and that is where you have to use your gut sometimes. We are going by conventional wisdom. Conventional wisdom is when you get to a level where you have a good 4,000 to 5,000 prescribers at a PPD of 15 to 18. That's conventional wisdom, right? That is the time it expands and goes to other people as well.Right now, we are not even close to the question of affordability. We have a much bigger population available for this price point, and we are still not able to get there. Right now, price is not the issue, and you can see that in the data -- prescription data is not differentiating as much within the price bracket because price is not a challenge at this point of time; adoption is. We want to work towards adoption, and at the right time, we will be happy to make it accessible to more people.

Alankar Garude - Analyst, Kotak Securities
Understood, sir. In general, IPM growth rates have increased considerably over the past few quarters. Different companies have different theories as to what is leading to overall market growth rates improving. Can you also help us understand what reasons you are attributing to this IPM growth picking up over the last few quarters?

Amit Bakshi - Chairman & Managing Director, Eris Lifesciences Ltd
So, man, look, I -- this is little speculative. What I could tell you that nothing has changed on the ground except for GST reduction. Now, whether this GST reduction is convincing people at the retail

level to keep a little bit more inventory to service their patients, there is a good possibility. When you keep a little more inventory, generally that inventory falls into the chronic segment because that is where it is more predictable. If I look at the prescription data, prescription growth data, or OPD data, nothing seems to change in the last six months to nine months. The only change which I could see is this. We can build stories that people are getting more educated and aware, but that is a slow burn; it has been happening for a long time. My take on this is maybe that GST thing is making people store a little more. That's my take, for which I have no data to prove as of now, but this is what my experience tells me.

Alankar Garude - Analyst, Kotak Securities
That is very helpful, sir. That's it from my side. Thank you, and all the best.

Amit Bakshi - Chairman & Managing Director, Eris Lifesciences Ltd
Thank you.

Operator
Thank you so much, sir. The next question comes from Bhavna Israni [Phonetic]. Please go ahead.

Bhavna, please go ahead with the question.

Krishnakumar Vaidyanathan - Executive Director & Chief Operating Officer, Eris Lifesciences Ltd
Can the participants also introduce themselves please before asking a question?

Unidentified Participant
Hi, am I audible?

Krishnakumar Vaidyanathan - Executive Director & Chief Operating Officer, Eris Lifesciences Ltd
Yeah, you're audible.

Unidentified Participant
Yeah. Sir, just wanted to check how we are seeing Eris in the next three years, as now we are focusing on manufacturing footprints at the Bhopal site, launching analog products, and other chronic therapies. How do you see Eris shaping up in the next two to three years?

Amit Bakshi - Chairman & Managing Director, Eris Lifesciences Ltd
I would like to believe that we have turned a corner because we are trying to do this new age biologics, insulins, and oncology, and trying to put all these together to get the back end ready. This was all happening in the last couple of years. If it works well, there is a good chance that we structurally get to a top tier of growth because then you have one significant portfolio which continues to grow quite ahead of the market, and then you have the routine thing which grows at that double-digit number. We are in that direction. Have we reached there? I don't know, but we should reach there. That's the belief which we are keeping.

Unidentified Participant
Okay, okay, got it, sir. Thank you.

Operator
Thank you. The next question comes from Oram Parik [Phonetic]. Please go ahead.

Unidentified Participant
Yeah, thank you for the opportunity. My first question is on the vitamin section. We see a good 15% growth in this therapy. Is it safe to assume that we are seeing a rub-off effect because of the GLP-1 uptake, or what can be the reason for this upmove in the vitamin section?

Amit Bakshi - Chairman & Managing Director, Eris Lifesciences Ltd
For a more logical reason to give you at this point of time, it is surely not the GLP thing. GLP has reached far too few patients till this point of time to have a rub-off effect in any other adjacent therapy. Why has the growth been good? As of now, I don't have an answer to this. My only hunch is that maybe stocking has gone up; it's got a little liberalized there. But I don't have an answer from a structural change which I could see.

Unidentified Participant
Okay. And my second question is on the OAD side. As you mentioned that we will see uptake in OADs to 5% to 6% growth, can we also see a corresponding uptake in the domestic EBITDA margin, which is right now 35%, and can it scale back to 37% with uptake in OAD?

Amit Bakshi - Chairman & Managing Director, Eris Lifesciences Ltd
So not only OAD. That 37% going to 35% is not a function of OAD not selling; it's rather the function of gross margins being contracted by 300 basis points. The gross margin coming back is more of a function of us letting in production in our new facility, the facility getting functional, and being able to get the yield which we require. Most of it comes from the other side, which we think should happen. That's why we feel that the second half of this year should see us home as of the visibility which we have today.

Unidentified Participant
Sure. And my last question is taking ahead to earlier participant Bhavna's question: In two to three years' time, is there a quantum that we can mention on aspirational top-line growth or EBITDA margin? Historically, in the last decade, more than a couple of times we have doubled our sales. Now with no inorganic activities on the cards, can we see doubling of revenue anywhere three to five years down the line organically?

Amit Bakshi - Chairman & Managing Director, Eris Lifesciences Ltd
Look, I will say the same thing which I told your colleague and friend. Structurally, there is a shift in the portfolio. This was something which we were trying for the last two years, but we were not able to cross the line; that's the reason we were getting stuck at 11% or 11.5%. This change should enable us to get to that top tier of growth. This is what my expectation is, but it has to play out.

Unidentified Participant
Sure. These are the questions from my side. Thank you.

Amit Bakshi - Chairman & Managing Director, Eris Lifesciences Ltd
Thank you. Thank you.

Operator
[Operator Instructions] We have a follow-up question from Nilay Parekh. Please go ahead.

Nilay Parekh - Analyst, Perpetuity
Hello sir, my name is Nilay Parekh from Perpetuity Ventures. My question is regarding the Bhopal

facility. When can we expect commercialization and operationalization of the facility?

Amit Bakshi - Chairman & Managing Director, Eris Lifesciences Ltd
So thankfully I can have a straight answer for this after a long time. We will be commercializing it next month. Our licenses are in place, right? So, the commercialization will happen in August.

Nilay Parekh - Analyst, Perpetuity
Okay, sir. Also, I wanted to add one more question. What are sales for Q1 FY '27 Mixtard sales?

Amit Bakshi - Chairman & Managing Director, Eris Lifesciences Ltd
Sorry, sorry, I didn't get that, Nilay. One second.

Unidentified Participant
T his mixtard sales for this Q1 FY '27. Mixtard.

Amit Bakshi - Chairman & Managing Director, Eris Lifesciences Ltd
Mixtard cartridges have already been out of stock, and we haven't checked this actually. We believe that there should be no sale, but this is without checking. Let us check and get back to you on this. My hunch says that it would processes hardly be there, but let's be sure about this, Nilay. Also remember that the ramp-up in Bhopal will take time. We will commercialize it next month, and then all the products will be taken month by month. It's a gradual process, but we feel that by the end of Q3 we should be more or less home.

Nilay Parekh - Analyst, Perpetuity
Okay, sir. Sure, sir. Thank you.

Amit Bakshi - Chairman & Managing Director, Eris Lifesciences Ltd
Thank you.

Operator
Thank you, sir. [Operator Instructions] The next follow-up question is from Mohammed Patel. Please go ahead.

Mohammed Patel - Analyst, Edelweiss PublicAlternatives
Hi, this is Mohammad Patel from Edelweiss Public Alternatives. So I have one question: Should we expect market-beating growth in derma, women's health, and CNS in the coming quarters?

Amit Bakshi - Chairman & Managing Director, Eris Lifesciences Ltd
In women's health, we are already market-beating. In derma, we are right up there. In CNS, yes, for sure. In CNS, we have launched a good product actually, which is giving us good dividends. Yes, I can put money even on this, no problem.

Mohammed Patel - Analyst, Edelweiss PublicAlternatives
Okay, great to hear that. Thanks.

Amit Bakshi - Chairman & Managing Director, Eris Lifesciences Ltd
Thank you.

Operator
Thank you. [Operator Instructions] As there are no further questions, I would now like to hand the

conference over to Mr. V. Krishnakumar for the closing comments. Over to you, sir.

Krishnakumar Vaidyanathan - Executive Director & Chief Operating Officer, Eris Lifesciences Ltd
Thank you all for your participation today. By way of summary, our DBF segment delivered a 14% revenue growth in Q1. EBITDA grew 7% year-on-year. EBITDA margin came in at 35%, largely led by the gross margin movement, which in turn is a reflection of the increasing importance of biologics in our product mix. Our insulin franchise continues to be an exciting story of market share gain with significant headroom for growth from our existing products, RHI, Glargine, and a comprehensive pipeline of insulin analogs.Our semaglutide brand, Sundae, has taken off to a strong start in Q1 with a 22% market share by sale volume and 13% by sale value in its very first quarter after launch. On the international front, the base business remains largely uninterrupted since it has no contribution from the EU. Our CAPA actions are on track, and we expect the sites to get audit ready by December.Our long-term thesis and growth strategy for this business remains unchanged. Our consolidated revenue has grown by 13% in Q1 with a profit after tax growth of 14% to 15%. Operating cash flow came in at 77% of EBITDA, and CapEx for Q1 stood at INR88 crores. Effective book tax rate for the quarter was 20%, down from 22.5% in Q1 of last year, and EPS for the quarter came in at INR10.3. Thank you all, and wishing you all a good day.

Operator
Thank you very much, sir. Thank you, members of the management. Ladies and gentlemen, on behalf of Eris Lifesciences Limited, that concludes this conference. Thank you for joining us, and you may now exit the meeting.