Management Discussion

Yogesh Agrawal - Managing Director, Ajanta Pharma Limited
Thank you. Good afternoon, everyone. And welcome to Ajanta Pharma's earnings call. With me, I have Mr. Rajesh Agrawal, our Joint Managing Director. Mr. Arvind Agrawal, our CFO. Mr. Rajeev Agrawal, our Vice President Finance and Investor Relations. I hope all of you have received the financial results by now. I am pleased to announce that the Board of Directors has approved interim dividend of INR32 per share on a face value of INR2 per share, amounting to a total dividend payout of about INR400 crores.

For the overall business, we have begun the new financial year on a strong note with revenue from operations growing by 25% and profit after tax growing by 31%. We remain focused on delivering our growth momentum of high teens for the whole year. Our financial position has continued to strengthen with return on capital employed at 37% and return on net worth at 28% as at end of June 2026. These robust returns reafffirm our position amongst the industry's leading performers.

Let me take you through our key business verticals, starting with the Branded Generic business in Asia and Africa, which contributed 34% to the total revenue. Our continued investment in people, products, and markets are ensuring consistent growth.

I begin with Asia. In Q1, our Asia Branded Generic business reported sales of INR225 crores compared with INR304 crores in the corresponding quarter last year, representing a decline of 16%. While we had anticipated a recovery during the quarter, continued geopolitical developments in the Middle East caused supply chain disruptions and affected the dispatches. We are actively working on alternate routes to ensure uninterrupted supplies to the region. We also launched three new products in the region and are confident that the group momentum will be back in coming quarters.

Moving to Africa. In Q1, our Africa Branded Generic business delivered a strong performance with sales increasing by 30% to INR295 crores compared with INR228 crores in the corresponding quarter last year. During the quarter, we also launched three new products, further supporting our continued expansion across the region. As can be seen, our conscious call to keep the business well diversified across markets enables us to keep performing and delivering growth in spite of challenges.

Let me now turn to the other two verticals within our international business.

U.S. Generic business contributed 30% to our total revenue during the quarter, with sales growing by 57% to INR487 crores compared with INR310 crores in the corresponding quarter last year. The strong performance was supported by two product launches during the quarter. However, for the full year, we remain with our guidance of mid-single-digit growth.

Moving to Institution business, the Africa Institution business contributed around 4% to the company's total revenue and was in line with our expectation in Q1. Sales in current quarter stood at INR49 crores compared to INR28 crores in the previous year, delivering a healthy growth of 17% [Phonetic].

Now I invite Mr. Rajesh Agrawal , our Joint Managing Director, to brief you on India business. Thank you, and over to you.

Rajesh Agrawal - Joint Managing Director, Ajanta Pharma Limited
Thank you. Good afternoon to all of you. The new financial year has begun on a strong note for our India business. The investments made over the past two years in expanding our field force and

entering new therapeutic areas have started yielding results, contributing to an excellent performance during this quarter. According to IQVIA MAT June 2026 data, Ajanta continued to outperform the IPM, growing by 15% compared to market growth of 11%. Our volume growth was 40% higher than the IPM, while growth from the new product launches exceeded the market by 75%.

This outperformance was broad-based across most of the therapeutic segments in which we operate, with our growth consistently exceeding the respective segment averages. We remain confident of sustaining this momentum during the rest of the year. Within our covered market, we are placed among the Top 10 across all our core therapeutic segments. Cardiology contributed 37% of our India branded sales, followed by ophthalmology at 29%, d ermatology at 22% and pain management at 10%. New therapeutic areas accounted for the remaining 2%.

In Q1, the India business contributed 32% of the company's total revenue. Sales grew by a healthy 24% to INR509 crores compared with INR409 crores in the corresponding quarter last year. This performance was supported by eight new product launches during the quarter. The India business also includes our trade generics segment, which contributed INR48 crores during the quarter compared with INR39 crores in the corresponding period last year.

With this, I now invite Mr. Arvind Agrawal, our CFO, to take you through the financial performance. Thank you and over to you.

Arvind Agrawal - Chief Financial Officer, Ajanta Pharma Limited
Thank you and good afternoon to all. Before we begin, I would like to mention that during this call we may make certain forward-looking statements. These statements are based on management's current expectations and are subject to risks and uncertainties that may cause actual results to differ materially. The company does not undertake any obligation to update these statements publicly.

I will now take you through the consolidated financial performance for current year Q1. Total revenue for the quarter grew by healthy 25% to INR1,626 crores compared with INR1,303 crores in the corresponding quarter last year. This is an affirmation of our diversified business model supporting consistent growth even in the face of challenges in part of the territory. Gross margin stood at 80% for the quarter, improving by approximately 100 basis points over Q4 FY2026, primarily due to healthy margins from all geographies. For the full year, we expect gross margins to remain around 78% with a variation of plus or minus 100 basis points. Personal cost stood at INR381 crores compared to INR303 crores in the corresponding quarter last year, representing an increase of 26%.

This increase was mainly attributable to annual increment during the quarter and addition done in the previous year. The R&D spend expenditure, which is included within personal cost and other expenses, stood at INR66 crores compared with INR56 crores in the corresponding quarter last year. This represented approximately 4% of total revenue. For the full year, we expect R&D expenditure to be around 5% of revenue. Other expenses stood at INR493 crores compared with INR373 crores in the corresponding quarter last year, representing an increase of 32%.

However, the growth in expenses is just 11% over the sequential quarter of Q4 FY2026. The increase in expenses also reflects our continued strategic investment in products, brands, and people across the branded generic portfolio. We expect other expenses to remain broadly aligned with the current trends. Coming to EBITDA, adjusted EBITDA excluding the foreign exchange loss for

the quarter grew by 21% to INR454 crores compared with INR371 crores in the corresponding quarter last year, with margin standing at 28%.

During the quarter, we recorded a foreign exchange loss of INR31 crores under other expenses and a foreign exchange gain of INR50 crores under other income. We remain confident of maintaining an EBITDA margin of around 27% with a variation of plus or minus 100 basis points while continuing to invest in the development of our market. Profit after tax grew by 31% to INR334 crores compared with INR255 crores in the corresponding quarter last year. The effective tax rate for the quarter stood at 25% and is expected to be around 26% for the full year.

Capital expenditure during the quarter stood at INR83 crores. For FY2027, we expect capital expenditure to be around INR400 crores. With this, we now open the floor for question- and-answer. Thank you.

Questions & Answers

Operator
Thank you, sir. [Operator Instructions] The first question comes from the line of Prashant Manudhane with Motilal Oswal Financial Services. Please go ahead.

Tushar Manudhane - Analyst, Motilal Oswal
Thanks for the opportunity and congratulations on good set of numbers. So just on India business, some sort of misalignment or disconnect between the IQVIA growth rate and the reported growth rate, which generally has sort of aligned. So is there anything specific for this quarter, if you could highlight?

Arvind Agrawal - Chief Financial Officer, Ajanta Pharma Limited
Basically, the growth rates which you are seeing are for the three months, if you really see, because it is a math number which comes mainly IQVIA. But if you take the market three months and APL 3 months, I think we are at about 18% in India.

Tushar Manudhane - Analyst, Motilal Oswal
Right, but we have grown 24% for the quarter.

Arvind Agrawal - Chief Financial Officer, Ajanta Pharma Limited
Yes, that much difference will always be there between the IQVIA and internal numbers, but otherwise absolutely in line. Earlier it is something which is little far. If you see the math, it is just 15%, whereas for the quarter, if you see, it is 18%.

Tushar Manudhane - Analyst, Motilal Oswal
Sorry. So secondly, for branded Africa business, the growth rate has been very strong even in this quarter, and we sort of just touching INR300 crores, the branded business. So what's the outlook for this segment now in terms of growth from here on?

Yogesh Agrawal - Managing Director, Ajanta Pharma Limited
The outlook is quite positive. We've got a good momentum. Last year also we did deliver a very healthy growth, and current year also we had already guided to be a high double-digit growth, and the year has started really well for us. We are expecting the momentum to continue for the rest of the year. A nd I think we should post a very healthy growth in the Africa for the whole year.

Tushar Manudhane - Analyst, Motilal Oswal
And similarly for Asia, are we now sort of given this uneven situation, so how to think about the, let's say, either the sales generate or growth in the Asia business?

Yogesh Agrawal - Managing Director, Ajanta Pharma Limited
Now Asia, unfortunately, the current, again, the disruption which has happened because of the geopolitical issues which started again. Otherwise, we were expecting to resume normalizing the sales in Q1. Unfortunately, that got pushed out, but we are still continuing with our guidance of high teens growth for Asia for the whole year. So we are expecting the Q2, Q3, Q4 performance to be much better, and we should be able to catch up for the growth what we posted in Q1. And we should be able to deliver mid-teens to high- teens growth for the whole year.

Tushar Manudhane - Analyst, Motilal Oswal
Got it. Because like, let's say in second, third, fourth quarter of FY26, the sales were almostly in that time, INR290 crores and INR274 crores. And currently we are at the run rate of 25 5. So you expect the scale-up -- because if you speak about mixing growth, which means you're talking about plus minus INR350 crores per quarter run rate from INR255 crores where we are in 1Q27. And given the supply disruption that continues, so this is why I'm just trying to think through that c ould we be able to scale up like INR100 crores additional per quarter and then sustain that number?

Yogesh Agrawal - Managing Director, Ajanta Pharma Limited
Yeah, so yeah, just to -- sorry to interrupt, but for the Q1 also, we could have posted the deliveries got delayed receiving in the market. So which got -- the sales will be captured in Q2 now. Some of the sales which should have reflected in Q1 got pushed out to the Q2. So that much carry forward we will see in the Q2. And you rightly said, I think for the rest of the year, other quarters, we are expecting to be good growth. O overall, t here is no constraint on the demand side or ability to generate the business of prescriptions.

It is just the geopolitical issues which are impacting our supply chain and logistics resulting into this situation. So once that is coming online from the Q2 onwards, we are optimistic that we should be able to deliver the mid-teens growth.

Tushar Manudhane - Analyst, Motilal Oswal
And just lastly, on semaglutide, like, at least as far as India market is concerned, at the industry level, offtake still seems to be gradual compared to the anticipation we had before launching the product. So your view as far as India market is concerned, and subsequently, does that strategically change as far as Asia Africa market is concerned?

Rajesh Agrawal - Joint Managing Director, Ajanta Pharma Limited
From India market, you are absolutely right, but market has plateaued. If I look at the June IQVIA data as well as the May IQVIA data, there is no significant growth. And on a ARR max basis, if you look at it, would be around, let's say, INR850 crores on market 12 months from now, but the growth rates seem to be yielding compared to the expectations that the entire industry had. But nevertheless, it's still a large enough market, and there can be market share gain that can happen amongst the brands.

Yogesh Agrawal - Managing Director, Ajanta Pharma Limited
For the Asia and Africa, it is too early to call out anything on this. T he launches are two years further

away. So, I think, right now it is too early to comment on how the market will pan out, what will be the situation there two years on. But considering the huge equity which we have in the space, particularly the cardio-diabetes space and the specialist, we believe that we should be able to generate good business with this. Overall, we are optimistic, but it's too early to comment on what will happen after two years or three years.

Tushar Manudhane - Analyst, Motilal Oswal
Got it, sir. Thanks a lot for addressing my questions.

Operator
Thank you. The next question comes from the line of Rashmi Shetty with Dolat Capital. Please go ahead.

Rashmi Shetty - Analyst, Dolat Capital
Yeah, thanks for the opportunity. So follow-up from the earlier participant, you mentioned related to the Asia business that the sales will be carried forward in the second quarter. So should we expect that Asia sales will be higher in second quarter? It will be catching up the quarter one and quarter two both sales?

Yogesh Agrawal - Managing Director, Ajanta Pharma Limited
It will be elevated. As I have said that Q1, some of the sales got pushed out, so it will be captured into the Q2. So yes, w e are optimistic that we should be able to post a good quarter two for the Asia.

Rashmi Shetty - Analyst, Dolat Capital
Okay. And again, on India market, such strong growth of 24%, which therapies or which product, where we are gaining a very big traction. Is it across or it is related to certain therapies? Is it price-driven mainly, or you have taken higher price hikes, or it's more volume-driven? If you can give us just a broad picture, and then if you can give a guidance for the full year only for the India business.

Rajesh Agrawal - Joint Managing Director, Ajanta Pharma Limited
The growth that we have recorded internally is across all therapeutics, as I've also already shared in my opening comments. So for example, ophthalmology, we are growing at 1.5 times market growth rate. Dermatology also going far faster, including pain, gynae, everywhere else. Cardio also, internal growth rates are equal or better compared to the covered market of cardiology. Secondly, the growth components are also fairly well split between all three components, which is the volume. We are growing faster.

Market growth volume is 3.4% to 11% growth max, whereas we are at 4.7%., and also new product launches and price. All price is almost the same as the IPM growth rate. So volume and new launches are what is driving our growth. T third part was the -- for the remaining part of the year, our guidance remains mid-teens, which is what we have guided start of the year. So it's too early to really be able to change that guidance.

Rashmi Shetty - Analyst, Dolat Capital
So for full year, you are expecting a mid-teens growth basically for India business?

Rajesh Agrawal - Joint Managing Director, Ajanta Pharma Limited
Yes, correct.

Rashmi Shetty - Analyst, Dolat Capital
And on the Africa branded market, if you can let us know how the pharma industry in Africa is performing, what kind of growth rates it is clocking, and how vis-a-vis Ajanta is performing versus the overall pharma market?

Yogesh Agrawal - Managing Director, Ajanta Pharma Limited
No, overall the market is growing. The growths keep fluctuating between 7% to 12% year- on- year. And as you see from our numbers which we have posted last year and for the quarter also, our growths are much far better than the what the market is growing there. So overall, it's a sizable market, sizable business which we have built. And this is a result of a huge sizable field force which we have built over years and years and got a good equity with the entire medical fraternity there. So combination of a lot of things, as you would have known that last two- three years there have been a big ramp up in the field size.

That time also we had given the outlook that the growth will play out in next few years, and that is what we are seeing now. So it's a combination of new product launches The people which we added in last two-three years, they have now started becoming productive. So it's a combination of multiple things, and of course we are growing faster than the market.

Rashmi Shetty - Analyst, Dolat Capital
So, okay. And what is the growth that we are looking for the full year?

Yogesh Agrawal - Managing Director, Ajanta Pharma Limited
High double digit is what we have guided.

Rashmi Shetty - Analyst, Dolat Capital
Okay. And one last question related to the US business. H ow many launches are you planning for this quarter?

Yogesh Agrawal - Managing Director, Ajanta Pharma Limited
In the quarter -- this quarter there are no launches. Last quarter, the Q1 which we're talking about, there we had launched two products. And now most of the product launches will come in the Q4.

Rashmi Shetty - Analyst, Dolat Capital
So, total we are expecting how many launches for this year?

Yogesh Agrawal - Managing Director, Ajanta Pharma Limited
I wish I could have given you the answer. It depends on the FDA approval. B but what we are guide -- the way review situation is stacked up in the market i.e... FDA, we believe that the more launches should happen in the Q4, hoping that we'll get the approvals by that time, we'll manufacture and supply the product and we'll be able to get into the market in the Q4.

Rashmi Shetty - Analyst, Dolat Capital
Understood. One just last clarification related to the EBITDA margin guidance of 27% plus or minus 1%. So that 27% is basically considering the Forex loss item, which generally sits in the other expenses, or it is excluding the Forex loss?

Arvind Agrawal - Chief Financial Officer, Ajanta Pharma Limited
It is excluding the Forex loss because Forex loss is something which is very uncertain. And you must have seen in first quarter also, there is a gain actually of INR20 crores, but the gain goes into other income and the cost comes into other expenses. So that's why that anomaly is there. So we always give the guidance without the Forex loss.

Operator
Thank you. Our next question comes from the line of Pankaj Tibrewal with Ikigai Asset Managers. Please go ahead.

Pankaj Tibrewal - Analyst, Ikigai Asset Managers
Good evening, sir, and congratulations on a great set of results. Couple of questions. One, when I look at the US market, that's the very big positive divergence we have seen over the last three, four quarters. I remember at the start in FY26, you guided for mid to high teens, but you ended up at 49% growth. Again, this quarter has started with 57%. How should we read for this year on the US entry side, assuming that the first quarter has been a blockbuster there?

Yogesh Agrawal - Managing Director, Ajanta Pharma Limited
Yeah, so as I read out in my opening comments, the first quarter has been quite healthy and quite elevated. But going forward for the rest of the year, our guidance still remains the same of mid-single digit, so upper mid -- slightly above the mid-single digit. We are expecting that there is some competition will come in and there could be some price erosion and some loss in the market share, which we have factored in for the next quarters, coming quarters.

Pankaj Tibrewal - Analyst, Ikigai Asset Managers
So that means that the next three quarters, the run rate could be a decline also.

Yogesh Agrawal - Managing Director, Ajanta Pharma Limited
Yeah, I mean, if you can do the math, w whichever way it stacks up, that's our outlook. We are still believing that we should be landing in the range of mid-single digit to upper mid-single digit situation.

Pankaj Tibrewal - Analyst, Ikigai Asset Managers
Okay, no problem. And when I look at t he last three years' CAGR is about 14%. When I take a medium term --

Yogesh Agrawal - Managing Director, Ajanta Pharma Limited
Can you speak louder? We are not able to hear you.

Pankaj Tibrewal - Analyst, Ikigai Asset Managers
Yeah, can you hear me now?

Yogesh Agrawal - Managing Director, Ajanta Pharma Limited
Now it is better. Yeah, go ahead.

Pankaj Tibrewal - Analyst, Ikigai Asset Managers
Can you hear me now? So when I look at the last three years, the CAGR has been about 14% on both top line as well as bottom line, and I believe that a large part of investment on sales force and feet on ground has been done. When you look at slightly from a medium-term perspective, can you talk

about the engines of growth, where we think the business would accelerate growth from where we were in last three years? Any thoughts on that from an overall outlook on the business side?

Yogesh Agrawal - Managing Director, Ajanta Pharma Limited
If you see my investor presentation, we give our strategy outlook. So, yeah, basically we are very focused on those aspects which we have really spelled out. There is a huge thrust on finding the new products and getting them closed, whether it is India, emerging markets, or US. New product always contributes 2% to 3% of the growth which will come. So we have a very , healthy product pipeline under registration, under approval, under development also. So very, very, good situation we are in.

Next is, always challenge has -- our aspiration has been to increase the market share in products which we already operate in. The large brands which become hundreds of crores, there the increasing the market share becomes slightly challenging because then we have dominant players already. So basically then the newer brands, newer products which we launch in, we see the accelerated or higher growth in that. But cumulatively it adds up into a good rate of growth. We are also looking at, I think, going forward, we are looking to enter into some new markets as well which is maybe in Asia, Middle East, and Latin America. So these are the new geographies which will play out in three to five years because we are at a drawing board where we are doing a product selection, filing, and it all plays out in three to five years. But there'll be new geographies also which will get added. So basically these are the three engines, and every year, we see where are the possibilities to add more feet on the ground by adding more headcounts either in the existing divisions or by forming the new divisions.

So that also is one component which adds up. It takes a little time for the new people to be productive, but in second and third year, then they start to add up into the growth. So basically all this four growth levers we believe that we are on top of things. And all going well, we should be able to continue doing -- executing well in all these parameters. But again, having said that, it has to be supported with the tailwinds of the market growth also. So if the markets are not growing or there are challenges like what we have seen in the Asia geopolitical issues, then they are out of our control. Then we get impacted as the whole industry gets impacted.

Pankaj Tibrewal - Analyst, Ikigai Asset Managers
Yeah, that's been the only no negative divergence from your commentary over the last four -five q quarters, Asia, where we were expecting mid to high teen growth, and actually it's come down quite substantially. So second quarter onwards, you have been guiding that that should pick up also.

Yogesh Agrawal - Managing Director, Ajanta Pharma Limited
Correct, that's right .

Operator
Thank you. The next question comes from the line of B Bino Pathiparampil with Elara Capital. Please go ahead.

Bino Pathiparampil - Analyst, Elara Capital
Hi. Good afternoon to all of you and congrats on a great set of numbers. M Most questions answered, just one follow-up. Arvindji, the impact of for higher freight cost, materials, etc. Is that all reflected in the margins and expenses this quarter, or do we expect to see something more incremental in Q2?

Arvind Agrawal - Chief Financial Officer, Ajanta Pharma Limited
In terms of expenses, I think, the run rate should remain in the range which is there currently. So I don't expect a major increase in the run rate. But hope , I think, as MD sir pointed out that the US business may see some price erosion, etc., because of which there can be some impact. But otherwise, our guidance of 27% for the whole year stands.

Operator
The next question comes from the line of Kavya Shah with Plus91. Please go ahead.

Kavya Shah - Analyst, Plus91 Asset Management
Congratulations, nice quarter, giving good set of numbers. Actually, I've joined later, so I've missed few points. So why was there a growth of 57% in U.S. Generic market?

Yogesh Agrawal - Managing Director, Ajanta Pharma Limited
So it is the momentum which we are carrying forward f from the last year. If you see our previous quarters also for the US, they have been in the similar range. So the momentum carries forward from the last quarters, which we were expecting to continue. But as we -- I think, you missed that point that we believe that this growth should normalize and it should become normal. So for the whole year, our guidance has been the mid- to- high mid single-digit growth.

Kavya Shah - Analyst, Plus91 Asset Management
Okay. And can you give CapEx guidance for that?

Arvind Agrawal - Chief Financial Officer, Ajanta Pharma Limited
Yes, for the quarter, we have spent about INR83 crores from the CapEx, and for the whole year, we are planning to spend about INREx400 crores.

Operator
Thank you. [Operator Instructions] The next question comes from the line of Foram Parekh with Bank of Baroda. Please go ahead.

Foram Parekh - Analyst, Bank of Baroda Capital Markets
Thank you for the opportunity and congratulations on the good set of numbers. My first question is on the Asia business. So we mentioned that from next quarter, the performance will get elevated as some of the business got pushed to Q2. So can we quantify the amount of business that's got pushed and therefore we'll see some incremental growth?

Yogesh Agrawal - Managing Director, Ajanta Pharma Limited
I wish I could. I think let's wait for the Q2. I have as much in whatever way I can tell, I have expressed qualitatively that there will be a Q2. S o that is as much as I can say.

Foram Parekh - Analyst, Bank of Baroda Capital Markets
Okay, but how certain, or do we have visibility of the shipment going on and therefore the numbers coming in from Q2?

Yogesh Agrawal - Managing Director, Ajanta Pharma Limited
Reasonably confident. Things got a little pushed out last minute. So the supplies have been made. We have to realize the sales because once the sales are realized, once the stock reaches destination, so fair bit of visibility is there on that front.

Foram Parekh - Analyst, Bank of Baroda Capital Markets
Okay, my second question is on the Africa branded business. S o I see that H2 of FY26, we started performing better with some 30% growth which we have retained in this Q1 also. And we have guided for higher double-digit growth for FY27. So just a clarification, would we not see a high base effect in H2 of '27, or we shall maintain the same run rate? Because high double-digit is quite a broad guidance therefore.

Arvind Agrawal - Chief Financial Officer, Ajanta Pharma Limited
I think you can consider the run rate to be there, plus minus of course. But I think high double digit very clearly says that 30% which is there this quarter is little higher, but over a period of time, we should be able to continue to grow. Only the thing is it will be maybe little lower than the one which we are seeing. So because of that, I think, that high double digit growth is something which is very , much achievable.

Foram Parekh - Analyst, Bank of Baroda Capital Markets
Sure. And my third question, if I may just squeeze in is on the US side. C could you give us a guidance on the number of filings that we are expecting in FY27?

Yogesh Agrawal - Managing Director, Ajanta Pharma Limited
In the current year, we are expecting five to seven filings.

Foram Parekh - Analyst, Bank of Baroda Capital Markets
Okay. So the follow-up question is that last year we did see a good growth in the US segment, and this year, we are talking about normalizing to mid-single digit. So how should we look at it next year, given that we will have full year impact of the launches that we made in this quarter as well as Q4?

Yogesh Agrawal - Managing Director, Ajanta Pharma Limited
Normally we give out the guidance of the current year only. I think, next year is uncertain because how many approvals we will get, what kind of product launches will happen, what kind of market share we will have. So we are unable to give you the guidance for the next year. I think, we'll probably deal with it in the Q4 once we reach there.

Foram Parekh - Analyst, Bank of Baroda Capital Markets
Okay, but can you give us a mix, or like, of new product launches and the existing business for the US? J just a broad mix.

Yogesh Agrawal - Managing Director, Ajanta Pharma Limited
For the current year, you're saying, or the next year?

Foram Parekh - Analyst, Bank of Baroda Capital Markets
Yes, for the current year, since we had a couple of new launches last year as well as in Q2.

Yogesh Agrawal - Managing Director, Ajanta Pharma Limited
Yeah, we already have two launches in this quarter, and I think Q3 -- Q2, Q3, we are not expecting any launches. We are expecting some more launches subject to the getting the approval from the FDA i n the Q4.

Foram Parekh - Analyst, Bank of Baroda Capital Markets
So I'm just asking for a mix breakup. How much comes from the existing and how much from the

new launches of the US business?

Yogesh Agrawal - Managing Director, Ajanta Pharma Limited
Right now, most of the business is from the existing products only. Two new products have just been launched. They are yet to have a meaningful contribution in the overall sales. So it is still -- the momentum is carrying forward from the last year.

Operator
Thank you. The next question comes from the line of Ankit Shah. Please go ahead.

Ankit Shah - Analyst, CRAMC
Yeah, hi. T thanks for the opportunity and congratulations on another great quarter. My first question relates to the gross margin guidance. Now currently we are doing around 80% margins and our guidance is still 100 to 200 bps below that. So are we expecting any cost headwinds, any input cost inflation due to which margins are expected to go lower in the coming quarters?

Arvind Agrawal - Chief Financial Officer, Ajanta Pharma Limited
Not really. I think it will be basically the US business where we are expecting some price erosion, where we are expecting the growth to taper down. I think that will impact the material cost.

Ankit Shah - Analyst, CRAMC
Okay , so mix would be one of the factors and some price erosion is what will drive the --

Arvind Agrawal - Chief Financial Officer, Ajanta Pharma Limited
possible

Ankit Shah - Analyst, CRAMC
Declining gross margin.

Arvind Agrawal - Chief Financial Officer, Ajanta Pharma Limited
Yes.

Ankit Shah - Analyst, CRAMC
M y second question pertains to the employee cost. So if I look at the last three quarters, our MR count has been in the similar range around 6,000, but our costs have increased substantially. So is a major part of it due to increments, and or if there's anything else which is driving that increase in employee cost?

Arvind Agrawal - Chief Financial Officer, Ajanta Pharma Limited
If you see the number of Q4 and Q1, I think, we are talking about an increase of just about 12%, which is part of the increment and some small number of people who have been added in the quarter. So from -- you are talking about 401,

Yogesh Agrawal - Managing Director, Ajanta Pharma Limited
341

Arvind Agrawal - Chief Financial Officer, Ajanta Pharma Limited
So now 381. So practically, I think, it is just about 12%. And out of that 12%, again, and also we have added 50 people during the quarter in the international MR. So that much addition will be there.

Ankit Shah - Analyst, CRAMC
Okay, got it. . And lastly, just a book keeping question. Can you share the operating cash flow in Q1?

Arvind Agrawal - Chief Financial Officer, Ajanta Pharma Limited
We are not supposed to.

Yogesh Agrawal - Managing Director, Ajanta Pharma Limited
I don't have right now.

Operator
Thank you. The next question comes from the line of Anupam Agarwal with Lucky Investments. Please go ahead.

Anupam Agarwal - Analyst, Lucky Investment Managers Pvt. Ltd.
Thank you for taking my question and congratulations on great numbers, sir. My question is on the U.S. business again, so I just continue to be earlier participant. If you can slice out the 57% YOY growth between volume growth and the growth that has come from product launch in the last 12 months?

Yogesh Agrawal - Managing Director, Ajanta Pharma Limited
We do not give out such granular details. I've already shared most of the sources from the existing product. So there have been a few launches which has happened in the current quarter which is yet to show many conversions. So we'll not be able to provide you that granular details.

Anupam Agarwal - Analyst, Lucky Investment Managers Pvt. Ltd.
Understood. Secondly, sir, any thoughts on the US administration with respect to the generic price tariff that just came out maybe two weeks back? Any thoughts on that, how the market is taking, how the market participants, your customers, are receiving that kind of news?

Yogesh Agrawal - Managing Director, Ajanta Pharma Limited
We are carefully evaluating all the developments which are there, which are happening in the US. But right now it is a post which is made by the US President, but the study which was already done of Section 232 policy, which continues to exempt the generics from any tariff till April 2027. Now are they going to do a new study? And President Trump has said two years, which is August 28th. Which is six months before his term ends. So there is a lot of uncertainty, but we are keeping our very close ears to the ground to keep the eye on what are the developments and how they're going to impact and what kind of measures we will be able to -- if we need to take. So two years is a little far away. We will see when we get closer to the timelines of this two year August 28 timeline, which the President has announced.

Anupam Agarwal - Analyst, Lucky Investment Managers Pvt. Ltd.
Just lastly, on the US again, on a basket portfolio level, what is the average market share you would have for majority of your products?

Yogesh Agrawal - Managing Director, Ajanta Pharma Limited
We have -- or most of our products, we have a dominating market share.

Anupam Agarwal - Analyst, Lucky Investment Managers Pvt. Ltd.
of, let's say, 20%-25%, or still low double digits.

Yogesh Agrawal - Managing Director, Ajanta Pharma Limited
Yeah, 20% and above.

Anupam Agarwal - Analyst, Lucky Investment Managers Pvt. Ltd.
Understood. Lastly, if I may, sir, INR400 crores CapEx is for which location or geography of business, or is it just routine maintenance?

Arvind Agrawal - Chief Financial Officer, Ajanta Pharma Limited
Yeah, it is one. About INR100 crores will be maintenance CapEx, and another INR300 crores, we are expanding in our Pitampur plant. So there, that expansion is going on, so there it will be spent.

Yogesh Agrawal - Managing Director, Ajanta Pharma Limited
That is for the emerging.

Anupam Agarwal - Analyst, Lucky Investment Managers Pvt. Ltd.
For emerging market, understood. Thank you. That's all from my side and wish you all the best for the remaining.

Operator
Thank you. The next question comes from the line of Abdulkader Puranwala with ICICI Securities. Please go ahead.

Abdulkader Puranwala - Analyst, ICICI Securities
Yeah. Hi, sir, thank you for the opportunity. So my first question is with regards to your gross margins and you highlighted geopolitical issues hampering growth in Asia. But at a raw material level, how are things shaping up? And what was the impact, if at all, in this particular quarter on your overall raw material cost?

Arvind Agrawal - Chief Financial Officer, Ajanta Pharma Limited
I didn't get your question.

Yogesh Agrawal - Managing Director, Ajanta Pharma Limited
I didn't get your question. Please can you clearly spell out what you are asking?

Abdulkader Puranwala - Analyst, ICICI Securities
Yeah, so my question was pertaining to the raw material cost inflation because of geopolitical issues, whether you have witnessed that in quarter one. U Understand you had a gross margin improvement, but within the segments , would want to know if there is any cost inflation because of geopolitical issues?

Arvind Agrawal - Chief Financial Officer, Ajanta Pharma Limited
There are definitely discussions around the cost increase in the raw material prices, but as you know, we hold the inventory. So in the Q1, there was practically no impact. But yes, it may start impacting from Q2 onwards.

Abdulkader Puranwala - Analyst, ICICI Securities
Okay. And so for the Asia business, when we are guiding for a recovery to start from Q2, and when we understand the situation right now, it's not improved much. S o what is giving us this confidence that from Q2 onwards, there would be a recovery in terms of growth for the Asia business?

Yogesh Agrawal - Managing Director, Ajanta Pharma Limited
No, there are some visibilities which we have on the supply chain, how we are able to sort out and streamline the supply chain. And on anticipation of that, there is no concern on the demand side. It is, if you're able -- once we are able to reach the stocks to the markets, we have the demand. We are able to get those demand generated. The puzzle which we are solving is the logistics supply chain, which we have -- we believe that we've been able to sort it out. So with that getting streamlined, we should be able to get the stocks into the market, and then that should continue.

Abdulkader Puranwala - Analyst, ICICI Securities
Understood, sir. And also, one final one, if I may, on the Africa Institution. So I understand that business is pretty volatile. And this quarter, I think, specifically has done little well. But anything if you can comment on how the full year number would look like?

Yogesh Agrawal - Managing Director, Ajanta Pharma Limited
For the whole year, we've already given the guidance for the Africa Institution to be the high double digit at the beginning of the year only w e have given. S o we expect est of the year also to be doing pretty well.

Abdulkader Puranwala - Analyst, ICICI Securities
Okay, so this is for the institution business, right?

Yogesh Agrawal - Managing Director, Ajanta Pharma Limited
Yeah, for the Africa institution business.

Operator
Thank you. [Operator Instructions] The next question comes from the line of Yogesh Soni with Haitong. Please go ahead.

Yogesh Soni - Analyst, Haitong Securities
Thank you, sir, for the opportunity. My first question is on the India business. Since cardiology is our biggest segment in the India business, and given that we have been underperforming compared to the IPM, I would like to understand what is our action plan in terms of getting back to performing in line with the IPM growth, specifically during time when cardiology in IPM is doing significant growth. So would like to understand your plans on that.

Rajesh Agrawal - Joint Managing Director, Ajanta Pharma Limited
Our internal growth rate is matching with the covered market as well as the IPM cardiac segment growth rate. Not only is it matching, but we are also surpassing the growth rate of the cardiac segment. It is the -- only issue is that the IQVIA capturing of our cardiovascular segment growth rate has not been most accurate. And this has been already shared for the past three quarters, w e have been engaging with IQVIA team, and getting them to align, have the stockists covered which actually have major sales of ours and all that.

So that engagement and that exercise is going, and you've been seeing the improvement taking place already in the last quarter. So hopefully that should happen. So as I have expressed and shared internally, our growth rates are equal or better. So we don't need to see -- we don't need to really worry on the execution any aspect of that.

Yogesh Soni - Analyst, Haitong Securities
Okay, understood, sir. And so one clarificatory question. If I look at the PCPM for the India MR, the number seems to be in the range of 3.5 lakh to 4 lakh. Now, I appreciate the fact that you have been consistently adding MR for the last two years and you have still managed to grow this number. But if I compare this with your peers, the number seems to be upwards of 5 lakhs. So how should one read this, the difference between yours and peers' PCPM?

Rajesh Agrawal - Joint Managing Director, Ajanta Pharma Limited
So which peer are you comparing this number?

Yogesh Soni - Analyst, Haitong Securities
So if I compare it with whether it is Torrent or Dr. Reddy's.

Rajesh Agrawal - Joint Managing Director, Ajanta Pharma Limited
So it's not really comparable because the segments in which we operate are not necessarily the same. For example, Dr. Reddy's may not be operating in ophthalmology, right? And Torrent may not be operating in ophthalmology, whereas ophthalm contributes significantly to my domestic business. So therefore, the PCPMs may not be directly comparable. Having said that, two points here. First is that my Q1 PCPM per capita per man is already 4.5 lakhs. Second is if you look at -- you'll have to dissect this segment-wise and how mature the teams are.

Like you correctly pointed out, I've been adding a great number of medical representatives over the last one year, right? So if you look at my productivity in ophthalmology compared with some of the with the top companies in ophthalmology, we are at par or better because those are mature segments, mature teams. However, our productivity in gynecology or in nephrology will be far lesser compared to the industry averages because we have just started in this segment not more than 18 months back. So at a blended level, it may not be comparable.

You will have to go deeper into every segment and then look at the productivity of our company, our segment PCPM versus the competitors.

Operator
Thank you. [Operator Instructions] . As there are no further questions from the participants, I would now like to hand the conference over to Mr. Yogesh for closing comments.

Yogesh Agrawal - Managing Director, Ajanta Pharma Limited
Thank you everyone for joining us today. In case you have any further questions that remained unanswered today, please feel free to reach out to our Investor Relations team. Thank you.

Operator
Thank you. On behalf of Ajanta Pharma Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines. Thank you.