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August 4, 2025

To

BSE Limited
Phiroze Jeejeebhoy Towers,
25th Floor, Dalal Street,
Mumbai – 400 001

Scrip Code: 524558

The National Stock Exchange of India Ltd
Exchange Plaza,
Bandra Kurla Complex
Bandra (E), Mumbai – 400 001

Scrip Code: NEULANDLAB; Series: EQ

Dear Sir/Madam,

Sub: Transcript of the Earnings call conducted on July 31, 2025

Pursuant to Regulation 30 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed the transcript of the Earnings call for the quarter ended June 30, 2025, conducted on July 31, 2025. Also please note that this transcript of the call has been uploaded on our website.

The weblink to access it:
https://www.neulandlabs.com/en/investors/investor-meetings/transcripts

This is for your information and records.

Thanking you,

Yours faithfully,
For **Neuland Laboratories Limited**

SARADA BHAMIDIPATI
Digitally signed by SARADA BHAMIDIPATI
Date: 2025.08.04 17:25:42 +05'30'

Sarada Bhamidipati
Company Secretary

Encl: As above

“Neuland Laboratories Limited Q1FY26 Earnings Conference Call”

July 31, 2025

MANAGEMENT: **MR. SUCHETH DAVULURI – VICE-CHAIRMAN AND CHIEF EXECUTIVE OFFICER**
MR. SAHARSH DAVULURI – VICE-CHAIRMAN AND MANAGING DIRECTOR
MR. ABHIJIT MAJUMDAR – CHIEF FINANCIAL OFFICER
MR. SAJEEV EMMANUEL MEDIKONDA – HEAD CORPORATE PLANNING & STRATEGY

Moderator: Ladies and gentlemen, good day, and welcome to the Neuland Laboratories Limited Q1FY26 Earnings Conference Call.

As a reminder, all participants' lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference call, please signal an operator by pressing '*,' then '0' on your touchtone phone. Please note that this conference is being recorded. I would like to hand the conference over to Mr. Ravi Udeshi from Ernst & Young. Thank you and over to you, sir.

Ravi Udeshi: Thank you. Good evening, friends. We welcome you to the Q1FY26 Earnings Conference Call of Neuland Laboratories Limited.

To take us through the results and to answer your questions, we have with us the top management from Neuland, represented by Mr. Sucheth Davuluri - Vice-Chairman and CEO; Mr. Saharsh Davuluri - Vice-Chairman and Managing Director; Mr. Abhijit Majumdar - CFO and Mr. Sajeev Emmanuel Medikonda - Head, Corporate Planning and Strategy.

We will start the call with a brief overview of the financials by Mr. Abhijit Majumdar and then Saharsh will give you broad highlights of the business trends and what he is seeing in the market. And post that, we will open up the call for the Q&A session. As usual, the standard safe harbor clause applies as we start with the call. With that said, I now hand over the floor to Abhijit. Over to you, Abhijit sir.

Abhijit Majumdar: Thank you very much, Ravi, and a very good evening and a warm welcome to everyone joining our call. The Financials are as follows for Q1FY26 the total income is Rs. 300.6 crores, which is a decrease of 32.4% year-on-year as compared to Rs. 444 crores in the same period last year.

The commercial CMS projects and the GDS Prime segment were the main contributors to revenue this quarter. As we have mentioned several times in the past, the inherent nature of our overall business is uneven on a quarter-on-quarter basis.

EBITDA stood at Rs. 42.1 crores at a margin of 14.4%. The decreased revenue has led to impact on margins as a result of deleverage, and there has been no other significant factor impacting the profit and loss account.

The gross margin for the quarter was 55.3% as compared to 56.1% in Q1FY25. These margins, as always, include manufacturing expenses and other costs that are directly attributed to the product. The profit after tax was Rs. 13.7 crores as compared to Rs. 98.3 crores in Q1FY25 and our quarterly EPS stands at Rs. 10.7 per share.

While our focus on optimal utilization of cash remains a top priority, we have seen a deterioration in working capital this quarter as we have higher inventory due to the even nature of order flow. Working capital stood at 145 days of sales for the quarter, and a free cash flow for the quarter was negative Rs. 66 crores.

Our net debt stands at a negative Rs. 165 crores. As part of our investment, there was a cash outflow of Rs. 79 crores towards CAPEX for this quarter. We are committed to balancing growth and profitability by continuously optimizing cost and processes to ensure long-term sustainability.

As we mentioned in the previous quarter, the additional production block in Q3 has been capitalized, and we expect commercial production to start later in this fiscal year. Other investments which have been announced in the last 12 months are going as per plan. Given the rapidly changing environment, we continue to evaluate opportunities which will drive long-term growth, even as we focus on cost optimization opportunities across products and processes, which enable us to further strengthen our position.

While FY25 was a year of consolidation and Q1FY26 has been a continuation of that, our customer pipeline gives us good visibility. Hence, we are confident with the commercialization of Unit 3 production block. It will give the business greater revenue momentum from the latter half of FY26. Overall, we continue to be optimistic about our future and the potential that our business holds. As in the past, the presentation which has been shared with the press release contains more details.

With that, I would like to hand over the call to Saharsh for the remarks. Thank you very much.

Saharsh Davuluri: Thanks, Abhijit. Good evening, everyone, and welcome once again to the call.

As you can all surmise from the numbers, the performance has been below par for this quarter. And through my commentary, I do wish to assure you that we are well on track for achieving both our short-term and long-term goals. We had previously indicated that we expect our FY26 growth trajectory to resume on the FY24 base, and despite a weak start, we remain confident of achieving this objective.

Before dwelling on the details of the quarter, I will reiterate a few points which have been made in the past but are still important for investors both old and new to keep in mind. Over the years, Neuland has firmly established itself as a dedicated API solution provider with deep expertise in various complex capabilities. We collaborate with both innovators and generic formulators to create a healthier world. Due to the inherent characteristics of the CDMO business and the speciality GDS business, which focuses on small-volume products, our business can be uneven. Therefore, evaluating Neuland's trajectory on a 3-year block basis is likely to be more accurate than comparing a QoQ or a YoY basis. There may also be occasional years where the trajectory is unclear due to the specific mix or how the products are taking off. However, the completion of the manufacturing facilities coupled with scaling of commercial molecules on the CMS side give us a great deal of confidence in achieving our objectives in FY26 and beyond.

We continue to see increased interest in customers wanting to partner with Neuland as they look to bring in their innovative medicines to patients. I believe this can be attributed to 3 main factors. Firstly, our reputation has been growing steadily due to the work we have done over the

past couple of decades, particularly in the CDMO business. Secondly, our business development teams are increasingly focused on finding opportunities that align with our long-term strategy, making us more selective and decisive about our partnerships. The third factor being the macroeconomic environment being favorable. Of course, this is a rapidly changing scenario, which also has worked in our favor. We are excited by the range of customers expressing interest working with us, which gives us great enthusiasm for the future of our business.

Coming to the quarter's performance, which has been below par in terms of our performance over the last few years because of the flow of customer orders. However, this is in line with our earlier stated expectations on the increase in revenue to pick up during the course of the financial year. And I guess the orders were planned in a way that the quarter itself was always set to perform in the way it has. This quarter doesn't change our earlier stated expectations for the financial year as well as the following years. Revenues this quarter primarily came from commercial products in the CMS business as well as Prime GDS products like Mirtazapine and Ezetimibe. The specialty GDS business was also subdued this quarter with only Dorzolamide contributing significantly. However, this is not indicative of the potential of the GDS portfolio and the growth we expect to see. We remain focused on innovating new specialty products while optimizing processes and expanding market share for key commercial APIs.

Our dual strategy of focusing on high margin specialty business as well as increasing volumes for the Prime API business will ensure growth of the GDS business both in the short and medium term. On the CMS front, we see short and medium-term growth coming from molecules which have been commercialized in the recent past. As indicated in previous calls, we also expect the commercialization of another molecule this year.

We are also seeing significant growth in terms of new business coming from both existing as well as new customers, which should fructify in the numbers over the course of this and next financial year. We are also excited by the range of customers expressing interest in our services and placing first-time orders. Apart from commercial projects and the new business, we are also seeing some of our customers assets in the pipeline make progress. We expect buoyancy in the CMS business to continue going forward and drive the growth over the short, medium, and long term.

As stated in the past 2 quarters, our peptide investment plan is on track. We continue to garner more projects in this space, which further validates our excitement about the opportunities that the segment holds. Even our peptide scientific team is working on exciting projects.,at the same time, they are also developing capabilities that will help Neuland further differentiate itself as a peptide API manufacturer. We will continue to update you on the progress we are making on this front, even as we expect the new facility for peptides to be completed in the next financial year.

Another reminder from our previous interactions, we continue to maintain that there are a variety of factors that could influence the projections. These include performance of individual products,

foreign exchange fluctuations, raw material cost volatilities, and other dynamics of the business. We are aware of these challenges and continue to monitor these variables very closely.

Regarding capacity building, the new production block in Unit 3 has seen the validations happening as per schedule and we expect fulfilling orders in FY26. We also continue to work on expanding our Unit 1 by acquiring land, which gives us the leeway to add capacity faster than a Greenfield expansion or a facility acquisition. Agility and innovation are crucial for effectively responding to the business environment, and we continue to invest in our capabilities and people to ensure we are enhancing our customer experience, which we believe distinguishes us as a CDMO.

I would like to conclude that Neuland is well positioned to capitalize on long-term opportunities, and we are also positive regarding the outlook for the year. So having said this, Ravi, I request you to open it up for Q&A.

Moderator: Thank you very much. We will now begin the question-and-answer session. Our first question is from the line of Arun Shanmugam, Specialist Invest. Please go ahead.

Arun Shanmugam: Hi, sir. Good evening. So, considering the revenue composition, the CMS business contributed around 44% of the revenue in the current quarter. Considering the high-margin business that CMS is, why is the margin fall so very significant in this quarter?

Saharsh Davuluri: I guess it is basically the fact that we have had low revenues this quarter. Overall, there has been de-leverage in terms of our operating expenses, etc. If you look at the gross margins, the business is still indicative of how it was earlier, but obviously, because the numbers have been suppressed, there has been a hit and it is only for this quarter.

Arun Shanmugam: And previously, you had indicated that this financial year, we will see a commercialization of another molecule in addition to a molecule which was already commercialized in the previous year. So, is that guidance to be continued or do you see any other molecule being commercialized in the current quarter?

Saharsh Davuluri: As I had just explained in the opening remarks, we expect another molecule to be commercialized in the course of this year. It has not yet happened, but it will be happening this year.

Moderator: Thank you. Our next question is from the line of Dheeraj from AlphaSqr. Please go ahead.

Dheeraj: Hi, Saharsh. One of my questions is, across the industry, many players today are talking about peptides, right? If I see any concall from any CDMO manufacturer, they are now talking about peptides. How should we think about someone who can build credibility in the space and someone who can really have capability to build a Rs. 500 crores or Rs. 1000 crores revenue out of peptides in the next 3-5 years? How do you suggest the investors in terms of which players do have that capability and how should we cut the noise?

Saharsh Davuluri: Yes, it is a very good question, Dheeraj. Neuland has been dabbling with peptides for almost 17-18 years now. We have had a small group, mostly working in small scale and then in pilot scale and now with this new investment, we wish to embark on large scale commercial manufacturing of peptides. The hypothesis for us has always been that, look, we are present in peptides. We understand the chemistry and the techniques of peptide chemistry. However, we never had the large scale infrastructure. What has happened over the last several years, thanks to the GLP-1 is that peptides have become more prominent in the drug development landscape and peptides are being increasingly used as a vehicle for delivering new therapies. As a result, what used to be a $1 or $1.5 billion market space is now a $5 or $6 billion market space and it is growing very rapidly because more and more drugs are coming out into the market, which are peptides. As a result of this market expansion, a lot of players, not just globally but in India also are showing that enthusiasm and they are making investments in this space and they wish to participate in this opportunity. And I think it is a fairly large market and therefore I think there is room for several players. Having said that, I think what makes Neuland a strong player in the peptide space is the 15 plus years of experience we have had in peptide chemistry. If you look at the IP landscape, the number of patents filed by Neuland scientists over the years, the kind of work we have been doing, not just in terms of peptide APIs, but in peptide fragments, etc., I think that creates layers of depth of expertise that I believe Neuland uniquely has, at least from this region. In the space of peptides, techniques become that much more important than just knowledge of chemistry because when it comes to executing peptide projects, there are a lot of techniques, whether it is purification, lyophilization, precipitation, or different techniques, which are very difficult to achieve and apply to projects. Companies that have years of experience, especially even on the large scale, they tend to do well and we believe that is what gives us the advantage. What was the limitation for Neuland, frankly speaking, was that we never had the large scale capacity. Even before 4 or 5 years ago, we had been approached by biotech companies for making commercial peptides, but we could not fulfill those projects because we never had that scale. But now with the creation of this capacity, we are very confident that our business will grow, but I also do believe that there is enough space for multiple players to do well, but you do need strong R&D capabilities in peptides. Just having infrastructure may not be enough. I hope that answers your question.

Moderator: The next question is from the line of Shyam Srinivasan from Goldman Sachs. Please go ahead.

Shyam Srinivasan: Good evening. Thank you for taking my question. Just the first one, reading through the press release and the commentary around the outlook remaining the same from a growth perspective of fiscal 26. So Saharsh and team, just anything qualitatively, I know you are not giving anything quantitative in terms of what the growth outlook is, but if we were to look at Q2, then Q3, then Q4, what are some of the key milestones we need to kind of look forward to? So you talked about the validation at the Unit 3 new production block, but say, if you could kind of help us break it down on a quarterly basis, just the qualitative sense of what will help drive a recovery in the revenue space?

Saharsh Davuluri: Yes. Hi, Shyam. I think we kind of carefully crafted the opening remarks to give as much detail and as much guidance to investors about how we see FY26 unfolding and we have kind of tried

to lay everything out there. So I think you have kind of caught most of the points that were said. We really don't wish to break things down at a quarterly level because that is something that we have avoided doing in the past and we do not want to set a new precedent in terms of trying to break things down. But we do remain very clear and confident that you will have that growth that we had indicated in FY26. Yes, the validation of our Unit 3 facility for the CMS molecule is complete and therefore, anticipation of commercial supplies is one milestone, as you have clearly acknowledged. I think the launch of the new CMS molecule, which was awaited for about a year or so is another milestone, which we have indicated. And there has been another CMS drug, which was approved last year, which we are also scaling up. I think these are some of the critical milestones. There are a few on the GDS side. But we would unfortunately not be able to give you a timing indication. You should be able to see progress during the course of the year.

Shyam Srinivasan: Understood. That is helpful. If you were to look at, in terms of, you also made a comment around the acquisition of land for Unit 1, I couldn't get which unit and this is outside of the peptide one, which you have, we are planning, right? Sorry, what is this for? And you said it is better to do this than do a Greenfield, so if you could just double click on this, please?

Saharsh Davuluri: Yes, it is part of our future expansion plans, Shyam. The peptide facility is also being built on an acquired piece of land next to Unit 1. That has been already integrated, and some expansion is going on there. But even beyond that, certain additional pieces of land are also being acquired. The idea is to have an integrated large site, rather than have a Unit 4, Unit 5, etc., which might again be operationally challenging, and even from a regulatory compliance point of view. So the idea is to try to expand the sites we have, rather than try to create new sites. That was the idea. The Greenfield can be also challenging, because acquiring a piece of land, building infrastructure, and then seeking approval, since mostly our business is in the regulated market, we believe could take us anywhere up to 5 years. But being able to acquire land integrated into your existing FDA-approved site, creating additional facilities is a much shorter timeframe. So that is the advantage that we were talking about.

Shyam Srinivasan: Helpful. And my last question is just on the GDS segment. I know there was a reclassification from Speciality Prime for, I think, Ezetimibe, if I remember right. Even with that, we have seen a decline for the quarter. So I am a little confused there. Is there something specific, or is it, again, just phasing of supplies, or you ramp up GDS supplies later in the year? Sorry, if you could help us, because that is a little bit ongoing business, right? That may be less lumpy, so if you could help us?

Saharsh Davuluri: Yes, it is the right observation, Shyam. I think Ezetimibe was classified from Speciality to Prime. And I think for us, the quarter itself, irrespective of that classification, I think we have had products like Paliperidone, etc., which have been contributing to the growth of the Speciality segment. It just so happens that we have not planned for dispatches of this product in this quarter, along with some other changes, and that is the reason why. But I think for the year itself, we don't see any concerns with regards to Speciality. And Ezetimibe is a Prime product, and we expect to see good growth in Ezetimibe also going forward. So I think, overall, we have no

concerns. But yes, I think Speciality has degrown for Q1. And it is for, I think it is just how things have stacked up for us.

S E Medikonda: Shyam, I think to add to what Saharsh has said, and also what he indicated, even during his opening remarks, the fact is that a lot of our GDS Speciality products are relatively small-volume products. So they are not necessarily regularly produced and regularly shipped. So there is always that variability, even when it comes to our GDS Speciality products, which we have seen this quarter.

Shyam Srinivasan: Understood. Helpful. Thank you and all the best.

Moderator: Thank you. The next question is from the line of Ishmohit from SOIC LLP. Please go ahead.

Ishmohit: Hi, thank you so much for the opportunity. I just had two questions. First one is, are we also looking at CMS opportunities in the peptide landscape over the next 3-4 years?

Saharsh Davuluri: Yes, I think the portfolio of projects for us will be GDS as well as peptides. And we have several projects which are likely candidates for the peptides business.

Ishmohit: So, basically, are we looking at the contract manufacturing opportunities in the CDMO space for peptides?

Saharsh Davuluri: So we have several CMS molecules, some as late as Phase-3 and several in earlier stages, which are peptides. And they are part of our portfolio and they are also part of that table that we keep disclosing every quarter in CMS.

Ishmohit: Right. And the second question is, just overall direction over the next 2-3 years, do we see that our CMS business will start moving towards that 65%-70% mark towards the overall sales contribution? I am not holding you to a quarter because that is not the nature of our business. But anyway, over the next 2, 3, 4 years, basically direction?

Saharsh Davuluri: I think, we don't want to give that classification, but I think definitely this year, next year, I think the CMS growth will be quite strong. And therefore, we expect it to increasingly contribute to the total revenues. I think the GDS also is poised for growth. But I think being a more mature, established business, I think growth will come more on the Specialty side, maybe a little less on the Prime side. So we will have to watch. But it is slightly more difficult to ascertain. But overall, you can expect the CMS contribution as an overall sales to increase compared to the past years. But we don't want to really specify how much.

Ishmohit: Right, sir. All the best for the future in the coming quarters.

Moderator: Thank you. The next question is from the line of Naveen Baid from Nuvama Asset Management. Please go ahead.

Naveen Baid: So in the molecules table that you provide, I see one of the molecules dropping from 9 to 8 in the pre-registration phase. Is this a dropout or have you reclassified this?

S E Medikonda: So I think, Naveen, in terms of the product, it is a product which, I think it was an intermediate, which we have seen that the customer is not really looking to move forward because it hasn't picked up the volume that they expected, even as they had done work with us in the R&D. So since we no longer see that possibility, we have kind of dropped the product, but that doesn't really impact anything much in the overall scheme of things.

Naveen Baid: If you can just like kind of give some sense in terms of what kind of revenue, what was it doing? Like, was it like sub 50% for you?

S E Medikonda: No, I think it was a very small molecule which used to probably contribute only once in 2-3 years. But again, it wasn't doing much, so yes.

Moderator: Thank you. Next question is from the line of Neel Shah from Purnartha Investment Advisors Private Limited. Please go ahead.

Neel Shah: So, you did mention in your introduction that we should consider FY24 as a base and not focus only on quarterly variations. So that is fair, but can you guide on the growth in the topline for FY26, even if it is like over FY24?

Saharsh Davuluri: Yes, unfortunately, I think we are just using words as guidance. So I think, what is the word we have used, Sajeev? Healthy growth?

S E Medikonda: Strong growth.

Saharsh Davuluri: Strong growth is the word that we are leaving you with. So please forgive us for not being more specific than that.

Neel Shah: I mean, that is fair, but strong growth implies something about 10%-15%. Can you give a certain range maybe?

Saharsh Davuluri: See, I think what we have said is a couple of things. One, we should look at a 3-year perspective. Second is, we have also mentioned in the past that over 3-5 years, 20% CAGR is a reasonable number to look at for a company like Neuland and the kind of phase that we are. But yes, I don't want to connect the words with a number. But yes, we expect to see a strong growth in FY26 as well.

Neel Shah: And do you expect any recovery in the margins in FY26?

Saharsh Davuluri: Yes, I think we see margins also recovering because the margins have been suppressed because of the poor sales.

Neel Shah: That is it from my side. Thank you.

Moderator: Thank you. Our next question is from the line of Chirag Shah from White Pine Investment Management. Please go ahead.

Chirag Shah: Thank you for this opportunity. Two questions. First is a slightly different question from this quarterly stuff. So I wanted to understand what is required for a higher conversion for us from Phase-3 to commercial especially in Big Pharma because it appears that we have not been able to participate on the commercial side with Big Pharma in a way in which we would like. So what is required or what changes you are making to be a part of the supply chain when it becomes a commercial product?

Saharsh Davuluri: It is an interesting question. I think to work with Big Pharma whether it is for early stage or late stage, I think building those relationships require time and they require certain kind of infrastructure capabilities, etc. I think as we have always mentioned, Neuland has traditionally worked a lot with biotech companies. Even today, most of our pipeline comes from biotech companies, not a lot comes from Big Pharma. I think Big Pharma work is either coming through peptides or when a biotech company is getting acquired by Big Pharma. So frankly speaking, we don't have a lot of experience to speak about what it takes to convert Phase-3 projects from Big Pharma. But our approach has been to kind of keep investing in capabilities, infrastructure, which we have been doing and engaging with Big Pharma for unique technologies. So for example, Neuland is in contact with several Big Pharma for areas of peptides or deuterated molecules because these are capabilities that Big Pharma does not find from their traditional API suppliers. And in that pursuit, we are looking at some early stage projects. We are occasionally also finding opportunities on the late stage, but it is really too early for us to comment on whether they will fructify to business or not. But yes, I think Big Pharma is a very important target segment for us. And there is a lot of effort for the medium to long term to build large businesses with Big Pharma and I believe we are making good progress.

Chirag Shah: Is capacity in advance a constraint for you? Because even when you work with biotech and when they are taken by Big Pharma, is capacity, upfront being available is a constraint. And how should we look at it?

Saharsh Davuluri: Yes, I think it is an interesting question. I think capacity is not, I would say directly it is not because even in Neuland, if you see, we have been investing in capacities ahead of the curve. We have been creating one or two production blocks ahead of the demand surge even today in Unit 3, we are creating additional production block which will be available in August or September for production. But we have not really mapped any products over there. So we are creating capacities. And if a Big Pharma or any other client were to have a project, I think they would find capacity in Neuland. So I don't think that is directly a concern as of today. But yes, perhaps 2 years ago, 3 years ago, maybe we would not have that. But what we also see mostly is whenever you engage with any biotech or Big Pharma, unless it is a late life cycle opportunity where there is old molecule which is nearing patent expiry, a Big Pharma is not really looking for huge capacity straight away to be available. We have seen some opportunities slip from us because some large, big companies have looked for large volume APIs which are nearing patent expiry for which they needed some ready capacity. And I believe we have lost one or two of

those opportunities. But again, we also feel from a scale chemistry point of view, those are not really great fits for us. The way we have been building our business is to start partnering for molecules which are late in the clinic or in the middle of the clinic or maybe early commercial. And for those kind of opportunities, you really don't need to showcase so much capacity ahead of time. You need to show your ability and bandwidth as a company to create appropriate capacity in time for the scale up of the molecule. But more importantly, you need to show the technical capabilities for handling the process and designing the process which we have. So it is a very finished approach where we need to find the right kind of project. And I think Neuland as a company, although we want to work with Big Pharma, we are also very careful not to approach Big Pharma for the wrong kind of projects because then we would end up competing on capabilities which we are not very strong at. So we are very careful in that approach.

Chirag Shah: Sir, it is a very basic thing that a lot of Indian pharma companies looking to enter into the GLP generic space. Are we engaged with them in any way? Either in small or a meaningful way apart from that we are kind of aware of because there are a lot of companies who are looking at them, a good amount of capacity that we created in that way?

Saharsh Davuluri: It is not coming out clearly. We are not able to hear it. If you don't mind, let us just get back into the queue because we have a long queue today. Maybe we will take the question later. Sorry about that.

Chirag Shah: Yes, sure.

Moderator: Thank you. The next question is from the line of Keshaav Bagri from Manyavar Family Office. Please go ahead.

Keshaav Bagri: Thank you for the opportunity to ask questions. I have two points I would like to raise. First, regarding the export data, we noticed a resurgence in volumes for xanomeline and Bempedoic acid**.** Could you provide some color on whether the demand for these molecules has indeed picked up meaningfully? And if we expect this trend to continue in the subsequent quarter? The second question would be with regards to Karuna Therapeutic being acquired by BMS. Can you share some insights on how your relationship with this large pharma partner is evolving or strengthening post-acquisition? And if providing details on specific molecules isn't feasible due to disclosure constraints, could you please at least confirm whether your company serves as a first level supplier for these molecules?

S E Medikonda: So in terms of the question on export data, we usually don't want to comment on export data because that data itself is not a complete representation of all that is there. So I think we will just leave it at that. And I think with regard to the question on the relationship with Big Pharma, Saharsh will respond.

Saharsh Davuluri: Yes, I think for us, broadly speaking, whatever business we currently have, which we are scaling up, I think we are on the right track. So I think the relationship is on track, but obviously for

confidential reasons, we will not be able to disclose too much. But I think we are doing well and we expect our Big Pharma relationships to be really fruitful as we go along.

Keshaav Bagri: The last question would be on the topic of EBITDA margins. Like in a previous conference call, you had highlighted that FY24 was an exceptional year for margins, driven by multiple factors aligning simultaneously, the lower raw material costs, stronger TDM over sales and other contributing elements. You also noted that replicating those margins would require similar conditions to converge. Could you provide some guidance, perhaps the ballpark way, to give us a greater clarity on what we might expect for EBITDA margins in the current fiscal year and subsequently for the later years?

Saharsh Davuluri: We won't be able to provide any guidance on the margin front, but I think, yes, as you rightly recall, FY24 was in some ways exceptional in terms of very good margins, I think 30% or upwards, I think for various factors. I think we expect as our business ramps up, we should go back to very strong EBITDA margins. How they will be exactly, I think, is something that I think we would not comment on right now because we have a very fledgling portfolio of molecules. We have very young molecules which are just scaling up in size. We are also kind of dealing with various dynamics on the commercial side. But we do believe that we will have strong EBITDA margins. But we also don't want to get ahead of ourselves by giving any kind of guidance at this point. And we also don't want to comment on whether they will be similar to, closer to, etc., of FY24, but they should be comparable.

Moderator: The next question is from the line of Jasdeep from Cloakvine. Please go ahead.

Jasdeep: Yes. Thanks for taking my question, sir. Just a small question. What is going to be the CAPEX this year for FY '26?

Abhijit Majumdar: So the CAPEX this year would be around Rs.250 crores.

Jasdeep: Got it. And this is primarily and how, what is the breakup of the CAPEX in very broad terms if you could explain?

Abhijit Majumdar: Yes. We have broadly been in the range of 60% is growth CAPEX and 40% is maintenance.

Moderator: Thank you. Our next question is from the line of Saurabh from Sundaram Mutual Funds. Please go ahead.

Saurabh: Yes, hi. Thanks for the opportunity. Sir, first question is on CMS. Do we have any chance to backward integrate in any of the molecules what we have right now?

Saharsh Davuluri: I think there is always some opportunity for backward integration either for control or value addition. But yes, I think we definitely keep that kind of a lens open and there are a few opportunities definitely.

Saurabh: And second, we are looking at the strong growth in CMS for next couple of years. So are the facilities or the capacities available for next 2-3 years or we will have to further invest in the capacity for CMS molecules?

Saharsh Davuluri: Next 2-3 years, the capacities are mostly in line. We will have to constantly monitor and see if there are any tweaks to be made. But yes, most of the capacities for next 2-3 years are in line, available.

Moderator: Thank you. The next question is from the line of Ritika Agarwal from ValueQuest. Please go ahead.

Ritika Agarwal: Hi, sir. Thank you for taking my question. So two questions. Firstly, a few quarters back, you had alluded to COPD drug getting commercialized soon for the company. Would you talk briefly about this opportunity without giving anything really specific?

Saharsh Davuluri: I think we have just mentioned that it is in the CMS space. I am sure in another 1 or 2 quarters, once the export data comes out, everyone will kind of know exactly everything about the molecule. So maybe not much I can add at this point.

Ritika Agarwal: No, sir, not the CMS that we are expecting commercialization this year. But what I wanted to ask about COPD drug that also you had mentioned a few quarters' back that will also get commercialized soon, COPD drug?

Saharsh Davuluri: I understand. Actually, what we had told is that that is the next big opportunity in the radar for us because it is kind of late in the clinic and at least it looks like there is a high probability of success. But it is still maybe I think a couple of years away. We expect to make large scale API, but I think commercialization is still a little bit away. And also, just given the sensitive nature of that business and where that molecule is, we don't want to talk too much about it at this point in time.

Ritika Agarwal: Right. Could you highlight which stage is it in? Would it be in Phase-3 stage?

Saharsh Davuluri: Yes, just entering.

Ritika Agarwal: And second question, also from the number of projects in the CMS, we see a new Phase-3 molecule getting added. This would be the Phase-3, which would have moved internally from this particular COPD drug is what we should understand?

Saharsh Davuluri: No, this one is a new Phase-3 like so we got the project while it is in Phase-3. It has not moved from Phase-2 to Phase-3.

Moderator: Thank you, ma'am. The next question is from the line of Atishray Malhan from Fortress Group. Please go ahead.

Atishray Malhan: Yes. Hi, good evening to the team. My questions are pertaining to the GLP-1 opportunity. I believe you are currently in the process of developing Semaglutide and Liraglutide APIs. I just wanted to know where exactly you are in the development process and when you expect to commercialize these APIs?

S E Medikonda: So we have in the past looked at both Liraglutide and Semaglutide, but we are not really moving forward with them. I think the molecule that we are looking at in terms of our GDS business is Tirzepatide, while Semaglutide is a molecule which we have developed in the lab, but we decided not to move forward unless we have someone partnering with us on that molecule. Thanks.

Atishray Malhan: So have you been in conversations with any pharma manufacturers for the Semaglutide opportunity because Semaglutide is going off patent in several geographies next year, so just wondering on that?

S E Medikonda: So in terms of the way that we have prioritized our molecules, I think we have not really prioritized that molecule. So we don't really have anything active going on with respect to that molecule.

Moderator: Thank you. Our next question is from the line of Nilabja Dey an Individual Investor. Please go ahead.

Nilabja Dey: Sir, my only question is that and for last 4 quarters of this flat because of the lumpiness everything is acceptable. But my only question in terms of the capability and point of view, what kind of investments you are making? So this lumpiness is significantly reduced over a period of time because demand is not an issue. First of all, I am not from the industry, but I understand demand is not an issue. And most of the Indian companies are doing good tractions with the innovative companies and everything. So from a generic point of view, I would like to know what you are doing in terms of capacity, anyhow you may have or something from the capability point of view, so that this lumpiness can be effectively tackled in the next 2-3 years point of view. This is my only question. Can you please help me to understand?

Saharsh Davuluri: Thanks for the question. I think the question about lumpiness and how do we tackle lumpiness and what kind of capabilities we are building to address the lumpiness, I think it is a challenge and I think that is why we were very careful in all our investor interactions to highlight the nature of the business. We do believe that as we grow in size and achieve larger scale, the lumpiness should slowly come down. And I think as we have a stronger base of commercialized products, there should be less lumpiness. I think even if you look at the last 4-5 years journey of Neuland, I think some of the biggest contributors for lumpiness have been the scale-ups or the gaps in production of our specialty and CMS molecules. I think we have had periods where we made validation batches and they were quarters where we had very strong revenue because we were shipping validation batches. We have had periods where we have had strong revenue performance because we have had launch quantities being shipped. But things start to stabilize when you are in a commercial mode. I think today, if you just kind of zoom out and look at the

commentary of the management over the last 3-4 years, you can recognize that there are perhaps 3 or 4 new molecules including the GDS side, which are driving the growth of the business, maybe 5 molecules. Now, these molecules are all very early in their life cycle, and therefore there has been different factors driving the lumpiness of these molecules at an individual level. For example, we have had capacity constraints, so we are adding new capacity. Now that capacity has not come online yet, and now it will be coming online. These kinds of factors, which unfortunately we cannot be very transparent and associate these factors at a molecule level, and that makes it very difficult for you as investors to understand. But at an aggregate level, because we have a small pipeline, and these pipelines are contributing to the growth, and this pipeline is young, we are seeing this lumpiness, but if you go fast forward maybe 2 years from now, 3 years from now, I do believe, and at least instinctively, that this lumpiness should come down. You should not see the kind of swings that you would see when a company or the business is at a smaller scale. Unfortunately, I cannot give a more quantitative kind of.

Moderator: The next question is from the line of Keshav Kumar from RakSan Investors. Please go ahead.

Keshav Kumar: Hi. Thanks for the opportunity. So a peer of ours has been very bullish about late stage opportunities coming to Indian CDMOs due to China Plus One and all that. So as per our strategy and with whatever opportunities we are seeing, what is your view on whether we should see a better late stage accretion to the pipeline going forward than we have seen in the past, like we have onboarded a Phase-3 molecule this quarter? So your views on that, please?

Saharsh Davuluri: See, I think definitely we do completely subscribe to the bullishness around the business, and I think that is why I think a lot of CDMOs including Neuland are investing in capacities and new capabilities. So definitely we do believe that there is a lot of business coming our way. I think it is also evidenced in some of the early stage, small scale projects that are coming in. I think when it comes to late stage clinical projects, I think they are not going to be too many of these opportunities because if you look at it from an innovator's perspective, trying to find a CDMO when the molecule is in Phase-3 is not really an ideal place for an innovator to be in. An innovator ideally tries to place a molecule in Phase-2, early Phase-2, and expects the CDMO to take the molecule through commercial launch. It is only when there is some sort of a bottleneck or a setback on the manufacturing front does the innovator pivot to a new CDMO in Phase-3. So we must also recognize, and this is our experience, that there is not a lot of Phase-3 outsourcing opportunities out there, although they would be very attractive because it means that you are having faster access to business. But yes, I think we always are open to those opportunities. I think the real sustainable way for long-term growth is to have a mix of early-stage projects and late-stage projects because the early-stage projects give you the opportunity to build a process where you have mastered the molecule and the expertise. You also have the first supplier advantage. There are even pricing and margin advantages, and if you continue to scale up well as a first supplier from Phase-1, you tend to have certain advantages. So I think for Neuland, it would be a mix, and yes, while we continue to look for Phase-3 opportunities, we recognize that there are not going to be too many of them coming our way, and therefore we will need to have a balanced healthy mix of Phase-1, Phase-2, and Phase-3, and maybe even some earlier stage molecules.

Moderator: The next question is from the line of Harshad Mehta from State Tech. Please go ahead.

Harshad Mehta: Yes, hi. Thanks for the opportunity. Although I would like you to comment on the kind of revenue growth and the margin expected during the current year and the next coming few years, which the previous participants have tried to get from you and you have been candid enough not to give a very specific answer, so I will roll back to something that most retail investors are questioning. Is a split or a bonus something on the mind of the management and if not so, why?

Saharsh Davuluri: I think at the moment, we have not really examined the possibility of a split or a bonus, but definitely we will consider and discuss it and see if there is something that can be done.

Harshad Mehta: Yes, because basically, I don't think it is just a book entry and it doesn't really cost or charge anything to the company, right? But it will surely show up some investor interest into the stocks.

Saharsh Davuluri: Yes, no, I think it is a very fair point. So definitely we will attend a book.

Moderator: Thank you. The next follow-up question is from the line of Dheeraj from AlphaSqr. Please go ahead.

Dheeraj: Yes. Saharsh, I just wanted to thank you for my previous question. Just to follow up on the same question. Do you think the work we are doing in peptides is margin accretive or they dilute the margins?

Saharsh Davuluri: I think it is a good question. I think when we are seeing, see, there is not a critical base, right? We have maybe 10-15 projects in peptides. And if we look at how the margins play out, intuitively you think that they are in line with the margins of the CMS projects. So I think it should be in line with what we currently do.

Dheeraj: Understood. And is there any way, you can have some investor day for our factories who would love to really come and engage like one day? Is there any possibility or?

Saharsh Davuluri: Yes, I think we have never had something like that, but definitely we would be very happy to plan for something, maybe. So yes, I think now that you have given the suggestion, let us also figure out and get back to you. But definitely something we would be happy to do.

Moderator: Thank you. Ladies and gentlemen, this was the last question for today. I now hand the conference over to the management for closing comments. Over to you, sir.

S E Medikonda: We want to thank you for the interest in Neuland and due to the limitation of time, we couldn't take all the questions, but we hope that our answers have addressed a significant portion of your concerns. In case of further questions, please do reach out to Ravi Udeshi of EY. Good evening, everyone.

Moderator: Thank you. On behalf of Neuland Laboratories Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.

(This document has been edited to improve readability)