“Eris Lifesciences Limited

Q1 FY26 Earnings Conference Call”

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Moderator

Ladies and gentlemen, good day and welcome to the Q1 FY26 Earnings Conference Call of Eris Lifesciences Limited. Today we have with us on the call Mr. Amit Bakshi, Chairman and Managing Director; Mr. V. Krishnakumar, Chief Operating officer and Executive Director; Mr. Sachin Shah, Chief Financial Officer; and Ms. Kruti Raval, VP - M&A and Investor Relations.

As a reminder, all participant lines will be in the listen only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Please note this call is being recorded.

I would now like to hand the conference over to Mr. V. Krishnakumar, Chief Operating Officer and Executive Director of the company. Thank you and over to you, sir.

V. Krishnakumar

Thank you. Good evening, everybody and welcome to our Q1 earnings call. To get started, the key highlights of the quarter, the Domestic Branded business segment, which is now representing the fully integrated segment consisting of all acquisitions, has grown 11% this quarter, thereby outperforming the IPM by 330 basis points and if we exclude the impact from discontinued FDCs and some insulin shortages we've seen this quarter, the segment growth was 13-14%.

The operating margin of the DBF segment has expanded to 37% despite the addition of 300 MRs this year. The value creation in the Biocon segment continues. The Q1 operating margin for this segment was at 30%, which is up from 19% at the time of acquisition. The EPS acceleration has kicked off as per our guidance. We recorded a 41% growth in PAT/ EPS in the quarter. We've taken a decision to ramp down the Trade Generics business. We took an EBITDA loss ex-DBF of around INR 5 crores in this quarter.

After significant delays, we are happy to share that we have commenced the manufacturing of insulin vials at Bhopal, and we expect the production of insulin cartridges to commence from Q4. We expect the upside from the RHI cartridge market opportunity to accrue starting November, December of this year. The OCF to EBITDA ratio from routine operations came in at 65% this quarter, and post adjustment for strategic stocking up of Biocon products inventory, stood at 40%. We'll talk more about this going forward.

The key numbers for the quarter, DBF revenue of INR 702 crores versus INR 632 crores, so 11% growth yoy. DBF EBITDA margin, 37.2%, an expansion of 155 bps yoy. Biocon segment margin of 30% versus 19% at acquisition. Consolidated revenue of INR 773 crores, up 7.4% yoy. Consol EBITDA margin of nearly 36%, up from 35% in Q1 of last year. And consolidated profit after tax of INR 125 crores in the quarter, up from INR 89 crores in Q1 of last year.

Some key updates on the insulin business. The DS shortage is by and large behind us. However, the DP shortages continue to persist, so we took a revenue hit of around INR 10 crores in this quarter on that account. In response to that, we have created a strategic stockpile of insulins to help us in the subsequent quarters. This has created a working capital increase of INR 73 crores in this quarter with a consequent impact on OCF.

Bhopal vial manufacturing commissioned as already articulated, and we have also initiated the supply of Insugen vials from MJ Biopharm site as an additional source. The cartridge operation in Bhopal is expected to be commissioned in Q4, and we are on track to leverage the market opportunity in RHI pen-fills starting November, December. On the slide, you can see a visual of the vials line, which is operational at Bhopal, which is capable of handling liquid as well as lyophilized biologicals.

Key updates on the GLP front. The cartridge line from Bausch and Ströbel is under installation. It is the latest KFM series line, which is built to regulated market standards, and we will be using this for RHI, Glargine, as well as GLP-1.

In terms of the market front, we see a significant uptick in the market activity and the market buzz around the weight loss therapy. This is more or less in-line with our expectation that there would be a large GLP-1 market formation in India post LoE. In terms of driving DP self-sufficiency, we have initiated the validation of synthetic Semaglutide at our Swiss Parenterals facility in Ahmedabad. We have the cartridge line under installation as discussed, and we are planning to take validation batches of our recombinant Semaglutide at the Bhopal site in Q4. Also, happy to share that the recombinant Sema candidate is on track to enter Phase-1 in Q4. So, we retain our position that we expect to be among the first launches in India post LoE.

Moving to our small molecule R&D pipeline, we have shared with you before that we have 25 candidates that went into development this year. This is a combination of oral solids as well as injectables products. Some of the launches where we have clarity on calling them out for Q2 and Q3 are as outlined on the slide, including, several combinations of Dapagliflozin, Sitagliptin, and Esaxerenone.

Cutting over to international business, glad to share that most of the investments that have gone in over the last 12 to 15 months, we can see clear line of sight now. Just to give a bit of recap, at the time of acquisition, Swiss had a 20-year legacy in injectables, but largely from the ROW markets. Despite having two EU-approved plants, Europe accounted for less than 3% of their revenue and this revenue mix was carried forward in FY25, and the current year is also likely to be similar.

One of the biggest decisions we took post deal was to pivot the business so that we deepen our EU presence. We consciously chose the CDMO model so that we would have proprietary contracts with marquee Generic companies. We have been able to leverage our advantage of having the widest range of dosage forms among all the EU-approved injectable manufacturers in India and what we essentially sought to do was to migrate the business to the “Top of the Pyramid” in terms of clients as well as market. This has been our strategy in our DBF business as well, and this is something that we sought to mirror in international.

Happy to share that this business is on the cusp of exciting growth starting the next financial year. We have confirmed contracts of more than INR 100 crores revenue per annum, which are in various stages of execution. This is just to give you a flavor of what some of those contracts look like. We have a contract for a range of Corticosteroids across several EU countries. We have some niche betalactam DPI. The whole EU accreditation has opened up Canada and ANZ for us as well because the same GMP is adequate to supply to these markets.

The client mix consists of global and regional generic players. Starting with less than 3%, in FY28 we expect that at least three out of the top five European countries will rank among our top 10 international markets.

The quarter one update. Export revenue of INR 68 crores versus INR 74 crores yoy and EBITDA consequently of INR 22 crores. In terms of the regulatory updates, we received the EU-GMP approval for both the injectable sites as well as a bunch of additional approvals.

In terms of the key inspections done during the quarter, the Latin American inspections are among the top in terms of commercial significance. Our new product development approach has also been pivoted with an EU-centric approach. We added a very interesting LoE opportunity to our injectable pipeline. We are targeting to be among the first generic launches in Europe. We also added several niche products in Critical care, Women's health where there are only one or two players in Europe. These are all products that we will look forward to launching in subsequent quarters. We are on track to deliver the guidance. Swiss is a lumpy business. Q1 is the lowest quarter for them. Though growth over the next 18 months, as we have called out, will be driven by migrating to the “Top of the Pyramid”

in terms of markets and clients. We do have some capacity constraints in a couple of lines, which will ease up once the new unit gets commissioned.

Summary of consolidated financials. Revenue of INR 773 crores for the quarter with a growth of 7.4%. Couple of things dragging it down. One is exports, which is lumpy as we've called out and the second piece is the trade generics business, which we have started ramping down. We got revenue of INR 3 crores this quarter versus INR 13 crores in the quarter one of last year. This has also led to an EBITDA loss of INR 5 crores at a consolidated level.

EBITDA margin for Q1 has expanded from 35% to 36% at a consolidated level, and we got around a 20% interest expense reduction yoy. So Q1 PAT stands at INR 125 crores, which is a yoy growth of 41%.

Q1 net debt stood at INR 2,300 odd crores, which is INR 100 crores over what we closed FY25 at. This has been on account of a couple of factors; capex of INR 66 crores and the inventory buildup of Biocon products. Having said that, we reaffirm our net debt guidance of INR 1,800 crores by the end of the year, which will bring us to a net debt to EBITDA of around 1.5x.

The details of our consolidated financials, I think we've covered all the major points on the earlier slide. EPS for the quarter came in at around 9 rupees and cash EPS at around INR 12.5 rupees.

In summary, we are on track to execute all our strategic priorities for the year in the Anti-Diabetes segment, in the base business, in the international business, as well as with respect to our balance sheet. We reaffirm our consolidated guidance for the year as called out in the previous quarter.

This brings us to the end of the presentation, and now we can take questions.

Moderator

Thank you, sir. Ladies and gentlemen, we will now begin the question-and-answer session. Participants who wish to ask questions may do so by clicking the raise hand icon at the bottom of your screen and wait for your turn to speak. When prompted, you can accept the prompt on your screen, unmute your audio, and ask your questions. We'll wait for a moment while the question queue assembles.

The first question comes from Harith Ahamed. Please go ahead with your questions, sir.

Harith Ahamed: My first question is on Liraglutide. In the past, you had said that this should be an interesting opportunity for us. But when I look at AIOCD data, we don't see much traction for us for our brands. So given that this is the only GLP-1 drug approved for obesity indication that's launched in India till date, the slower ramp up is a bit of a surprise. So, any color here?

Amit Bakshi: Harith, little bit of a check there. We have two products which have been approved for obesity in India now. The first one, we all know was Mounjaro, and then subsequently, Wegovy also got approved with similar indication. The last thing is we haven't yet got our obesity Lira, which is a 3 milligram Lira commonly called Saxenda. We haven't got permission yet, so we are just waiting. There's little bit hiccup there. That's on the obesity approval in India.

Second, why is Lira not picking up? Now the competition is stiff. What we believe is that till the time the higher cost GLPs are available, the patient would logically get one Lira as a follow-up. But that will take some time. That will take a lag, another three months roughly. Our plan was to kind of ramp up our generic Saxenda, which hasn't been launched yet and we were not expecting so much of action from two brands which have come in.

We were thinking about one brand which would have come by this point in time. Our expectation from generic Saxenda, internally, we have lowered it for the remaining part of this year. But I think Lira should ramp up. Give us another three months, it should ramp up. But please remember, we've always talked about post Sema patent expiry, Lira would have a limited run.

Harith Ahamed: Ok. And second one on Sema, you confirmed that you're planning to be there at market formation. Just to confirm whether this is for both indications, diabetes and obesity, and if you could give some color on the status of development for your partner. Have they completed the trials? Any indication on their filing timelines etcetera, just to get more comfort around the launch.

Amit Bakshi: I completely agree with you. Yes, we maintain that we should be among the first off the block in Sema. As far as the regulatory approvals are concerned, we would be having our last patient in by the end of August. The randomization has been done. The larger part of the patients have already been recruited. We will have the last patient in by the end of August, which makes it six months from there for the final report, which is December-Jan, and then another two months for approval on a higher side. That's how we are placed. As of now, it looks safe to say that we should be there.

Harith Ahamed: Your comment that shortages persist in drug product. So, you know, while the opportunity in human insulin due to Novo's exit is going to open up later this year, will the shortage of capacities for the product be a constraint for us in terms of capturing a share of that opportunity?

Amit Bakshi: I indicated earlier that there will be a little touch and go when it comes to DP. But the situation is getting actually a little better. The thing which we were expecting to happen earlier in terms of shortages will now take a while longer. If you would have seen the presentation, there's a picture which we show of Bausch and Ströbel machine being installed. We received the machine late in July, and the ramp up is starting.

Now if we are lucky and both of these thing's kind of coincide, then it will be a huge amount of supply which we will have. And if it takes one month or two months, we will have to struggle for that time. Our struggle is limited to 20% of what we wanted. If we were planning for 10, we are good at eight. So, that 20% gap still persists. We have added another site for insulin, but that is again for vials because vials is also something which we were kind of having a little bit of a shortage.

As of now, the plans which we have given has been keeping in mind the kind of supply we had. But because it has got delayed and this is also coming, so if it happens together, then we are actually in a better position. But we'll wait it out for the next quarter to be really on top of that.

Harith Ahamed: Amit, specifically on the cartridge front because that's where the opportunity is opening up. Right?

Amit Bakshi: Yes.

Harith Ahamed: How's our readiness on that front?

Amit Bakshi: Readiness in terms of the new facility you're talking Harith?

Harith Ahamed: Yeah. Will we be ready with the new capacities, or will the shortages on the cartridge front ease by the time, you know, towards the end of the year, which is what you indicated?

Amit Bakshi: That's the calculation which we are doing as of now. This is the calculation. Our machine has already arrived. It will now start the whole process, then we will take the validation batches and all those things. As of now, it looks good. We are still saying that Q4 is the time when we will get it out and we are also saying that November,

December, is the time when the shortages will actually kick in. If these two coincide, then we are better than what we think. If there is a deviation, then, again we have a 20% kind of a risk which lingers.

Moderator: The next question comes from Kunal Dhamesha, Mr. Kunal you can unmute the prompt on your screen, unmute your audio, and ask your question.

Kunal Dhamesha: The first one on the current GLP-1 market. So both Lilly and Novo are in the market. Do we have any view as to the current market size? Whether these medications are finally being prescribed for Type-2 diabetes or for obesity or any proportion in-between?

Amit Bakshi: It's early, but you remember, maybe we were one of the first to call out that we expect this market post LoE to be INR 2,000 to 3,000 crores. At that point of time, we had a discussion on this. But as things are getting clear, as we can see more of it now, our confidence is only going up. Let's get the first thing which we spoke last time, maybe a quarter earlier, that the market formation is very encouraging. Right? The pent-up demand was there for weight loss, and we see the pent-up demand being met. The first off the hook is weight loss guys. They are more motivated with the current prices. Their readiness is bigger. Until the prices come down, which happens after LoE, I feel it would be more like 70:30. But once it opens up, I believe it will be 30:70. 30 for weight loss and 70 for diabetes.

Kunal Dhamesha: Which is what it is globally now. Right? For the innovator also. Instead of say 70 for diabetes?

Amit Bakshi: You are right. This has what has happened after a decade of these drugs being available. For us, it will happen a little early. This is what I estimate Kunal. It's very interesting, we are working on the adjacencies also, and we find even that is very interesting. We'll talk about it later, but the adjacencies to GLP seems to be very interesting.

Kunal Dhamesha: Sure. That's great. Second one on the export business, I mean, obviously, year on year it has come off, and you have suggested that it was the timing of shipment, etcetera. But is there any change in the outlook for that business for FY26 or we stick to it? There's been deferred shipment which would come in Q2 or something?

Amit Bakshi: Right now, we don't believe that there's any change in what we have said and the business has been like this. Look, 30-35% has always been in H1 historically. So, nothing changes from that point of view. In fact, we have tried to convey on the slide how we are trying to improve. The only problem which we see in the export business injectable is a little bit of a capacity problem, and this would remain for at least one and a half years. Most of the growth or all of the growth will come from a higher ticket size of what we have been preparing in the last one and a half years. We showed you in the slides that we have some deals jotted down already, and some of them are in the pipeline. But all in all, we got the EU approval, which was a good thing for us to get, and the other approvals are also work-in-progress.

Our belief is that we will be able to rack up the ticket size, but the volume will remain a little bit of a problem unless we have the new capacity coming up, which will take a year and a half from where we are. Right? And this is not conservative, so it can be 1.5 to 2 years on the other side. But once it comes up, Kunal, we are then preparing for a 3x capacity of what we are. Because there's a lot of rationing which is happening; not being able to supply the lower margin products and concentrating on the higher margins. What it also takes once you get into EU markets and bigger clients, then what happens, you have to call the companies also for an inspection. So, those guys also come for inspection, and that causes a little bit delay on the average production time.

All put together, we believe numbers will be done in this year, and the ticket size would improve. Once the capacity comes in, this business might see a better-than-expected ramp up.

Kunal Dhamesha: And what should be the steady state profitability of this business, let's say, without taking into account the new capacity, the current existing capacity? How should this start.

V. Krishnakumar: Kunal, the base ROW business, has always been a 34%-35% operating margin business, and there's no reason to believe that it should change. I think from a Q1 perspective, you see a slightly low number because it is carrying the cost of some investments which we have made, which will start seeing results in '27 onwards. But there's no reason to believe that the profitability of the business is going to change substantially. If anything, with the product mix and the market mix and the client mix improvement, which Amit spoke about, it should only improve.

Amit Bakshi: We are also inducting a lot of people.

V. Krishnakumar: CDMO is a whole new team. Because a CDMO business is a very different business as it is a solution selling business, not a product selling business. It's a different ecosystem altogether. All those costs are being carried by the business, but the revenues are not here yet.

Kunal Dhamesha: Right. And CDMO revenue, we are expecting it to start from FY28.

V. Krishnakumar: FY 27. Q1 of FY 27.

Kunal Dhamesha: And so then in that case, some of these products should already be in a tech transfer state. Is it fair to assume?

V. Krishnakumar: Tech transfer, validation, multiple stages. We have outlined five contracts on a no-name basis. Those are illustrations of the kind of products we are dealing with. As you rightly pointed out, they are in various stages of development.

Kunal Dhamesha: And just a last clarification. What does DPI stand for?

V. Krishnakumar: A Dry Powder Injection.

Kunal Dhamesha: Betalactam is an Antibiotic.

V. Krishnakumar: Yes.

Kunal Dhamesha: There are DPIs for.... I'm surprised. Ok. I can take that offline.

V. Krishnakumar: Yes. There are DPIs which are non-betalactam, which is part of Unit-I. And then we have...

Kunal Dhamesha: Ok. Got it. Right. Dry powder injection. I thought inhaler.

Moderator: Next question comes from Tushar Manudhane. Please go ahead with your question. Mr. Tushar, I request you to accept the prompt on your screen and ask your question. There seems to be no response. Now the next question from Bino Pathiparampil.

Bino Pathiparampil: Couple of questions. One, I was looking at the depreciation and amortization number compared to last year's quarter, it has come down by INR 7-8 crores at INR 70 crores. From your notes to accounts, I see that you have done some reclassification in the Swiss Parenteral's assets. Is that the only reason or any other reason?

Sachin Shah: Hi, I'm Sachin. The reclassification is because of PPA. The impact is only INR 0.13 crores. That's the general timeline that happens, that we do the initial PPA based on basic numbers, and then the final report comes in

and we do that. That impact is only INR 0.13 crore. The impact that you see in depreciation is because of the assets. Large number of assets were capitalized last year. This year, that number is lesser. You see there's no change in amortization. The change is in depreciation.

Bino Pathiparampil: Ok. That I understood. But if I look at your intangible assets of FY24, and FY25. FY25 has gone up over FY24. So why would the depreciation sorry -- amortization number come down this year?

Sachin Shah: Amortization has not come down. Depreciation has come down. That's what I'm saying.

V. Krishnakumar: Amortization has been INR 56 crores for both the quarters, current quarter as well as quarter one of last year.

Bino Pathiparampil: Ok. So, your fixed assets have gotten depreciated. So, this INR 70 crore is the number we should assume is the sustainable number for the near future?

Sachin Shah: Yes. At a basic level, yes. But more and more assets coming in and we are doing a lot of capital investment this year. As and when they capitalize, the depreciation will go up.

Kruti Raval: Bino, Hi, Kruti here. So, in Q4 we had guided that for FY26, the depreciation and amortization for the full year will be about INR 335 crores. So, I would request you to not go for a quarterly trend but look at this number more as an annual figure.

Bino Pathiparampil: Got it. No. That's fine. INR 335 crore is fine. Perfect. Second question on this insulin shortage. Could you elaborate on the nature of the shortage? Because you said that you lost some sales because of shortage, but then you also said you have taken some strategic reserves. So how can both these happen? You know, you need some access to take a strategic reserve. Right? Is it a different product or could you elaborate on that, please?

Amit Bakshi: Yes, sir. I will. There are two different things. One is the drug substance, which is the API, and the second is the drug product, which is the formulation. It is the API which we have bulked up considering that our own facility will start soon. The problem which we kind of were talking about was more from the formulation point. So, we typically call it in our parlance, drug product. That's the difference.

Bino Pathiparampil: Understood. Ok. But API, there is no shortage per se. Right? And then how does this strategic buildup help?

Amit Bakshi: API is a challenging thing in insulins because our dependency is only on Biocon. So, we would always like to maintain a large reserve as far as possible. The reserve will always be much higher than the other products, which are easy to get. This is a more complex product and there's only one supplier, which we completely depend upon. So, we would generally also build a larger inventory, and this time, we just kind of exceeded that number also.

Bino Pathiparampil: Understood. Last on your guidance. So, if I remember correctly, your original guidance was a growth in the range of 15% to 21%. First quarter is a bit low at 7% or 7.5%. So, would you be revising that or for the time being you will maintain it?

Amit Bakshi: Yes. For the time being, we will maintain it other than the caveat that there was an INR 50 crore number last year. Bino let's talk about DBF, which is very a large part of the sales and also a larger part of the profits. So, within the DBF, we maintain our guidance, and that's the guidance which we have given. At a consolidated level, the only moving part as of now looks like the generic piece, which we want to ramp down. That did almost INR 50 crores last year. We don't expect more than, say, INR 7-8 crores this year. That is the gap which might come in the consol

numbers, but it was never profitable. That's the reason we are ramping it down. So, because of that reason, EBITDA might not have any impact.

Moderator: The next question comes from Madhav Marda. I would request you to accept the prompt on your screen, unmute your audio, introduce the firm you represent, and ask your question.

Madhav Marda: Hi, my name is Madhav. I'm with Fidelity International. My question was on the generic Semaglutide opportunity. You said that the opportunity could be larger than what we earlier thought, which is INR 2,000-3,000 crores. I think that's what we had indicated earlier. Could you give some sense in terms of how you all are thinking in terms of the market opportunity for the first year? And if you could break it down in terms of, you know, what could be the price point at which the generics could be launched as well, that would be very helpful. Thank you.

Amit Bakshi: Madhav this is something which we've already stated in one of our calls. I was just trying to reiterate that. We were confident that this can be INR 2,500-3,000 crores in the first year of LoE and now we're more confident about that looking at how the market is accepting the whole thing. The price point, you'll have to wait it out. We have a certain price point in mind, but that is little strategic in nature. So not being able to tell, but it will be very, very significantly lower than what you see the innovator product at this point of time.

Regarding how do we see that playing out in the market? The acceptance is really going up, and we feel a lot of people are now ready to adopt. We have been selling Liraglutide for quite some time now, and we were seeing it slowly kind of building up. But then as soon as these products were launched, it just ramped up to a different level. And the kind of awareness which is happening today in the marketplace, the number of education programs which are going up, the amount of stock which is there and the kind of confidence I see among the practitioners. That gives me more confidence that this is going to be a large market creation.

Madhav Marda: Ok. Got it. And just a second question was on the domestic -- the DBF business. Could you help us with how much was the Biocon business? I think you usually use to split that up, but I'm not sure if I saw it in the presentation.

Amit Bakshi: Madhav, we split it up for one year's time. That's been the standard practice. Once the 12 months or four quarters are over, then everything comes together.

Madhav Marda: Sure. Makes sense. But what I just want to check is the, I guess, this business was facing some issue with the supply side, which you said will take a bit of time to resolve. So, when do we see traction building up for this? I don't know if you already answered that, but when do you see sort of this ramping up again sir?

Amit Bakshi: There are two parts. If you isolate the whole thing from the opportunity which we are getting from the discontinuation piece, the ramp up is quite nice. The growth is very good. Everything is in line. We are more or less in line of what we had thought. But if we take that opportunity, which is a large opportunity that is still to come. So that we think we have mentioned in the slides, we think that November, December is the time when that particular piece kicks in. If we are ready by that time with our own facility, we will be having enough and more capacities. If there is a gap, then we will have a little bit of here and there as far as capacities are concerned. That's where we stand as of.

Moderator: The next question comes from Kunal Randeria. I would request you to accept the prompt on your screen, unmute your audio, introduce the firm you represent, and ask your question.

Kunal Randeria: Kunal from Axis Capital. Amit sir, just a clarification on this human insulin opportunity. Is Novo exiting all the human insulin brands that it has in the country, or is it just Mixtard? And even in Mixtard, is it an entire exit, or is it just a few forms like a cartridge or a vial or a pen? If you can just elaborate on that.

Amit Bakshi: Kunal, the information which we got from the press release was that all human insulin cartridges will be discontinued. All human insulin cartridges will be discontinued. They would still play in the vials category.

Kunal Randeria: Right. So, India was largely a vials market. Right? So, cartridge opportunity would be how big? Mixtard would be, like, an INR 800-crore brand. So how big would the cartridge be?

Amit Bakshi: What I remember, the whole cartridge was more like INR 500-600 crore. The entire cartridge piece which according to us will get discontinued is more like INR 600 to INR 800 crores.

Kunal Randeria: Correct. Right. So that includes Mixtard and other brands that it has in the country. Yes. Like, -- and all this.

Amit Bakshi: Yeah. Absolutely.

Kunal Randeria: Right. That was helpful. Second question, just on your CDMO opportunity. Right? You said that you have a visibility of an INR 100 crore plus order. So, you know, if you hope to have, let's say, three of the top five players, I'm wondering what's the kind of investment you are looking to make? Because I'm sure you would like to make this business a big one in the next five years. So, the kind of capex you would be doing, what's the current gross block, and what's the five-year kind of a revenue opportunity?

Amit Bakshi: Kunal at this point of time, we are not very fancied about CDMO and all those kinds of things. This is a natural progression which we are leading the business to because the plant is EU approved. It was always EU approved, and we are getting more approvals. Right now, what I can tell you is that in the next two years, the capacity is a constraint. Post the capacity opening up, the ramp up could be very significant. But what clarity we had till this point of time, we have put it in the slides. We feel in the next financial year, we would create an INR 100-crore opportunity from the CDMO business. Beyond that, everything will work out depending upon how fast we are able to put our new facility and how fast we are able to ramp it up.

Now revenue, if you remember, we have talked about that there is a good possibility of the international businesses going up to INR 1000 crores in FY28, '29. That was the number, KK? And that would also include our OSD business where we've already had the inspection, and we are expecting the Anvisa approval to come at any point of time, which, of course, we will inform.

Kunal Randeria: Right. So, it's more of a longer-term post FY28 is something that, you know, you would be keen to explore. As of now, it would be largely DBF driven by insulin and then GLP-1.

Amit Bakshi: Yes.

Moderator: Participants who wish to ask questions may do so by clicking the raise an icon at the bottom of your screen and wait for your turn to speak. The next question comes from Nirali Shah. I would request you to accept the prompt on your screen, unmute your audio, introduce the firm you represent and ask a question.

Nirali Shah: I just wanted to continue on the CDMO question. So, we have mentioned about INR 30 crore plus CDMO pipeline, which is set up to ramp up from FY27. Could you give some more color on this? Basically, wanting to know how much of it is formed up via binding agreements and how much of it is in soft commitments.

V. Krishnakumar: Hi. First, the number we called out is INR 100 crores, not INR 30 crores.

Nirali Shah: I mentioned INR 100 crores.

V. Krishnakumar: Ok. Sorry. I must have misheard. This INR 100 crores is basically what we put out based on confirmed assignments. We've also given you disguised examples of some of the contracts that are under execution. This is not a prospective number. This is a number based on confirmed contracts.

Nirali Shah: Understood. And one more question I had on the Biocon margin. So, it has improved from 19% to 30%. Just wanted to know what's the steady state margin that you can expect for this vertical once cartridge volumes normalize, and how much is the further scope that we see for FY26 and onwards, so '27, '28?

V. Krishnakumar: It's a little difficult to put a specific answer to that, but I'll try to answer it in a different way. You've seen how our acquisitions have played out. What I would say about the Eris system is that it automatically rejects anything which is not high margin or does not have the potential to become high margin. So, our DBF aggregate margins are at 37%. I would say that is the kind of aspiration we would have at the very least.

Moderator: The next question comes from Pragati Lunawat. I would request you to accept the prompt on your screen, unmute your audio, introduce the firm you represent and ask a question.

Pragati Lunawat: What are the reasons for the ramp down in trade generics segment?

Amit Bakshi: I think, our ability to ramp up that business didn't come through. We couldn't have kind of thought about good margins in this business. We kind of did our work, and we found even if we scale up to, say, four times where it is today, the margin will still be very scratchy. We have so much on the plate at this point of time, and a lot more is happening actually. We just wanted to preserve ourselves to get to the core of the business. Did I answer your question?

Moderator: The next question comes from Tushar Manudhane. I would request you to accept the prompt on your screen, unmute your audio, introduce the firm you represent and ask the question. Mr. Tushar your voice is not audible. Please unmute yourself and ask a question. There seems to be no response. Now the next question is from Rahul Agarwal. I would request you to accept the prompt on your screen, unmute your audio, introduce the firm you represent, and ask a question.

Rahul Agarwal: This is Rahul from EverFlow Partners. My question is that on the insulin side with the exit of Novo, what's the current run rate that you are at? And once all of the stocks are out from the market over the next three, four quarters, what sort of a run rate are you targeting?

V. Krishnakumar: Rahul, Hi. We've called out earlier that this market opportunity is something where we can get an upside of INR 200 plus crore per annum on a steady state basis once all the stocks are exhausted.

Rahul Agarwal: INR 200 crores on top of what we have today?

V. Krishnakumar: Yes. I'm assuming you're talking about the RHI Pen-Fill opportunity.

Rahul Agarwal: Exactly. Yes. INR 200 crores per annum incremental to our current base.

V. Krishnakumar: Yes. Because the current market that is being vacated is of the order of INR 500 crores per annum.

Rahul Agarwal: Got it. And on regulated markets, I think Amit made a comment that you're talking about 1,000 crores by FY29. So, I'm assuming Swiss today is around INR 350-400 crores. INR 100 crores from the CDMO in Europe next year. And the balance INR 500-550 crores from other semi-regulated markets and as the new capacity comes up. And that happens over FY28, '29. Is that understanding broadly, correct?

V. Krishnakumar: Yes, Rahul. INR 1000 crores is a number for all international put together, which is regulated and RoW, which will be a combination of all of these things coming together, which is the RoW base business, the CDMO business, the OSD exports business. There is also a B2C piece, which we are working on. We can talk about it to you in a few quarters. So, all of this coming together will get us to that INR 1000 crores number.

Rahul Agarwal: Got it. And today base is only about INR 350-400 crores. Right?

V. Krishnakumar: That is right.

Rahul Agarwal: Got it. And on GLP-1, your presentation mentions that the line is going to be in-line with regulated market standards. Do we have plans to potentially go beyond just a branded generic opportunity in GLP-1 to export, or we'll just stick to the domestic market?

Amit Bakshi: There are some things which we are exploring at this point of time. Largely, how I would like to put it in a manner that having a cart facility, a bio cart facility at this point of time is quiet a good thing, and our capacities are good at this point of time. There are people who are talking about different things, including export because both our line and our setup, we think is completely doable for regulated market like EU. We don't talk about US at this point of time. So, a lot of things are happening, but we will not be able to put a finger on that. But, yes, we are open, and we are talking.

Moderator: As there are no further questions, I would now like to hand the conference over to Mr. V Krishnakumar for the closing comments. Over to you, sir.

V. Krishnakumar: Thank you all for your participation today. In summary, we delivered a DBF revenue growth of 11% in the quarter with an EBITDA margin of 37% and a yoy growth of 16%. We continue to create value in the Biocon segment, which clocked a 30% EBITDA margin in Q1 even before we bring the insulin production in-house.

Q1 consol revenue stood at INR 773 crores with an EBITDA of INR 277 crores. Yoy consol EBITDA margin has expanded from 35% to 36%. Q1, PAT came in at INR 125 crores, which represents 41% yoy growth. OCF from routine operations came in at 65%. We incurred a capex of INR 66 crores largely towards insulin, GLP-1 and general injectables in the quarter.

Net debt stood at INR 2,300 odd crores, and we reaffirm our net debt guidance of INR 1,800 crores by the end of the year. The international business delivered a Q1 revenue of INR 68 crores, and the European CDMO segment is well on track for commercialization in FY27 with significant contribution expected from the top five European markets. We are well on track to execute the strategic priorities outlined for the year in the areas of insulins, GLP-1, our R&D pipeline and international operations. Thank you, and a good evening to all.

Moderator

Thank you very much, sir, and thank you members of the management. Ladies and gentlemen, on behalf of Eris Lifesciences Limited, that concludes this conference.

This document has been revised to improve readability.