“Neuland Laboratories Limited
Q2 & H1FY26 Earnings Conference Call”

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Moderator: Ladies and gentlemen, good day and welcome to the Neuland Laboratories Limited Q2 FY'26 Earnings Conference Call.

As a reminder, all the 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 the conference call, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference has been recorded.

I now hand the conference over to Mr. Ravi Udeshi from Ernst & Young. Thank you and over to you, sir.

Ravi Udeshi: Thank you, Anjali. Good evening, friends. We welcome you to the Q2FY26 & H1FY26 Earnings Conference Call of Neuland Laboratories Ltd.

To take us through the results and to answer your questions, we have with us the top Management from Neuland Laboratories represented by 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 we are seeing in the market. And post that, we will open up the call for the question-and-answer session. As usual, the standard safe harbor clause applies as we start 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 good evening and warm welcome to everyone joining our call. Our apologies that we kind of started two or three minutes late because of connectivity issues.

Let me now drive in straight into the financials for Q2 FY'26. Our total income was Rs. 516 crores odd, which is a 63.7% jump as compared to Rs. 315 crores in the same period. The commercial CMS projects contributed to a majority share of the revenue and were the primary drivers of growth this quarter. Even though the quarterly revenue is, I think so, the best quarter in terms of revenues, I'd like to reiterate our mantra regarding the inherent uneven nature of our overall business on a quarter-on-quarter. EBITDA stood at Rs. 156.9 crores at a margin of 30.4%. And the growth in revenue has led to operating leverage with a business mix tilting to CMS, which are the factors which have contributed to the EBITDA margin. The gross margin for the quarter was 60.1% as compared to 56.3% in Q2FY25. This gross margin, as always, includes manufacturing and other costs directly attributable to the product.

The profit after tax was Rs. 96.5 crores as compared to Rs. 32 in Q2FY'25 and the EPS for the quarter stands at Rs. 75.18 per share. Over the last two quarters, we have seen some deterioration in our working capital because of higher inventories as well as uneven order flow leading to higher receivables towards the end of the quarter. Optimal utilization of cash remains our top

priority and we are working towards inventory optimization, accelerated customer collections, and heeded by a more even delivery flow. The working capital for the quarter was at 155 days of sales. Pre-cash flow for the quarter is a negative Rs. 141 crores and our net debt stands at negative Rs. 6.6 crores. As part of our investment, there was an overall cash flow of Rs. 91 crores towards CAPEX for the quarter and Rs. 170.7 crores for the six months.

We remain committed to balancing growth and profitability by continuously optimizing costs and processes to ensure long-term sustainability. Other investments which have been announced in the last 12-18 months are going according to the originally envisaged plan. As a result of the opportunities which are opening and the rapid changes made possible by the acceleration in technology, we are continuously evaluating options to invest which will enable long-term growth as well as differentiating Neuland in the competitive landscape in which we operate.

To summarize, Q2FY26 was in line with our expectations, breaking away from the pattern of the past previous four quarters. As we have mentioned in the past, we expect FY26 year where we see good growth and continue to be optimistic about the future given the potential that our business holds. As in the past, our presentation which has been shared with the press contains more details.

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

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

The numbers this quarter substantiate our earlier expectations regarding FY26 and before I dwell a bit more on the quarter, I would like to once again paint a bigger picture of Neuland's business for our investors both old and new. For over four decades, Neuland has been manufacturing complex APIs in a GMP environment, establishing our credentials in regulated markets, first with generic formulators and more recently with innovators. We have seen the business mix transition over a period of time to a level where now more than half of the revenues come from the CMS business or the CDMO business as it's called this quarter. Given the natural unevenness of the CDMO business, the lumpiness of the business and the specialty GDS business, it is more meaningful to evaluate Neuland's trajectory in an annual basis or ideally in blocks of three years rather than a quarter-on-quarter basis. Customer interest in Neuland's capabilities continues to be on the rise as we have seen increased engagement with a diverse range of customers across geographies. Even though the macro environment seems a bit uncertain, Neuland's track record of enabling development and commercialization of complex molecules has meant that we are seeing good traction in terms of customer visits, RFPs, and conversions. Our reputation and track record as an agile partner is enabling not just new business but greater share of business from existing customers. While the space seems competitive, we believe that the canvas is large enough for a number of good players with a focused strategy to succeed. That is substantiated by the fact that we are seeing customers come to us with specific needs, especially in the peptide space. Given the interest in our peptide capabilities, we are confident that our investments bode well for the long term. Even in the generic space, we continue to see customers keen to work with us given our portfolio of complex specialty molecules. Given the shifts we are seeing, I

believe Neuland is well prepared to take advantage given all the steps we are taking internally to further strengthen the capabilities of our team.

Coming to the quarter's performance. As Abhijit had stated earlier, the revenues this quarter are at an all-time high. The growth we have seen this quarter is primarily the result of our top two commercial CMS molecules doing well. We see this momentum continuing for the rest of this financial year. In terms of the GDS business, we have seen good contributions from products like Ezetimibe and Mirtazapine. Ezetimibe will continue to be a driver of growth for the GDS prime products. GDS specialty this quarter was subdued with sterile products Paliperidone and aripiprazole contributing. During the quarter, we have filed for one DMF. As I mentioned earlier, the CMS business is seeing good traction with a range of customers across geographies. Our existing portfolio is doing well in terms of our relationships with customers. In line with our expectations, we should see the commercialization of another molecule this year. We are also seeing a lot of new business coming with deliveries expected to happen over the next 12 months to 18 months. Our investment in the peptide facility is going according to plan and we are able to engage with an exciting set of customers who are interested in our capabilities to meet their increasing requirements. Our peptide team is working not just on exciting customer projects but also working on developing differentiated capabilities, further setting us apart as a peptide CDMO. We will continue to update you on progress we are making on this front, even as we expect the new peptide facility to be completed in the next financial year. Apart from this, we are continuing to evaluate avenues whereby Neuland is a more attractive partner for innovators as well as generic formulators.

Even as things seem to be on track, I would like to remind you that there are a number of factors which could impact our business. We are constantly reminded of the high-risk nature of our customers' attempts to bring novel therapies for unmet medical needs, which do impact our projections. Apart from the performance of individual products, foreign exchange fluctuations, raw material cost volatility, and now increasingly unforeseen geopolitical risks, and other dynamics of the business could also significantly influence the performance of our business. We are aware of these challenges and continue to monitor these variables very closely and work towards mitigating the risks.

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. The first question comes from the line of Amey from JM. Please go ahead.

Amey: Thank you so much for taking my question and congrats to the management on a good set of numbers. What I was checking is, you said in the opening remarks, there are two projects which have led to this growth. But apart from these two projects, is there any new commercial project which is there anything to highlight? And also, for next two quarters, whatever fuse which we have in hand, is it possible to provide some visibility in the second half of the year, which is typically stronger for CDMO companies?

Saharsh Davuluri: Sure. So, as I had mentioned, two molecules have driven the growth in the quarter. But we have another molecule which was long awaited and commercial shipments are expected to start soon. So, that would obviously also add to the contributors. And in terms of the rest of the year, I think we have typically shied away from giving updates on how quarters pan out. But what I would just like to reiterate is that we had indicated that FY'26 will be a year of strong growth on a base of FY24, not FY25. So, we stand by that and I think maybe this quarter also is kind of an indicator that we are in that direction. But beyond that, we don't want to get into talking about how Q3 and Q4 would specifically turn out to be.

Amey: Sure. Got it. And the second question I have on the GLP-1 or the peptide. So, what kind of API capabilities we are building in terms of kg volumes? Is it possible to give any number?

Saharsh Davuluri: In terms of volume, you are asking, Amey?

Amey: Yes, in terms of like there are Chinese players who are like with 4,000-5,000 kgs of API capacity on the GLP-1. So, in terms of like what is the capacity we are targeting at present?

Saharsh Davuluri: See, the capacity of peptides that's being talked about, it's slightly difficult to answer. And I will just try to elaborate it as simplistically as possible. We are building a four-module large-scale peptide facility. In that four-module facility by next financial year, we will have Module-1 completely ready and operational. And along with this module, we will have another module for which the civil work will be ready, but it will not be equipped. Modules 3 and 4 would be built later, depending on how the business is tracking. For the Module-1, we will have an array of equipment, solid-phase reactors, which would be as big as 2,000 liters and smaller ones. And then we would have columns. We would have lyophilizers. These are all, again, proportionate to the 2,000-liter SPPS reactors. Now, how many kilos of peptide we can make in that Module-1, which is the question that you are asking, is really dependent on what is the process that we would follow for making the peptide. If the peptide requires extensive purifications, extensive lyophilizations, if it requires very high level of dilutions, then you can in that kind of a module, probably make only a few hundred kilos of peptide. But if the process is very evolved, doesn't require too many purifications, does not require a lot of dilution for lyophilization, then you could potentially make even a ton or maybe even more than a ton of peptide. So, it is very difficult. And even I have heard this narrative in the industry about a facility that makes 2 tons of peptide, 3 tons of peptide. But it is really a factor of the process. And the process is something that Neuland is developing. And it really is product-specific. So, unfortunately, I think it's very difficult to answer what the capacity of this facility would be in terms of kilos or tons of peptide. But the largest reactor we plan to have is 2,000-liter SPPS.

Amey: Got it. So, the product portfolio you are looking at is GLP-1 as well as non-GLP-1?

Saharsh Davuluri: Yes, we are looking at a wide range.

Amey: Sure, got it. Thank you so much. I will join back in the queue.

Moderator: Thank you. The next question comes from the line of Sajal Kapoor from Antifragile Thinking. Please go ahead.

Sajal Kapoor: Hi. Thanks for the opportunity and congratulations for maintaining a solid track record of volatility and lumpiness in performance. I have got two questions. First is, despite a noticeable slowdown in the CDMO development pipeline, Neuland has added 25 new scientists. So, 360 to 385 is the new count. Could you explain the rationale behind increasing headcount when the development pipeline is at historic lows, if I look at the trend over the last four quarters? I am looking at the presentation.

Saharsh Davuluri: Yes, thanks, Sajal. You almost make it sound like we are intentionally being volatile or lumpy, but that's not the case. I think this quarter, if you see, the development revenues have not been very high. We have had more of commercial shipments. But as I had also indicated in the commentary, the pipeline of new business is still very strong. We have several new projects that have entered the system in the last 6 to 8 months. But many of these projects are still in process development, in scale-up, and they have not been shipped or built, so to speak. Therefore, you are not seeing them in the count of the table. But over the next 12 months to 18 months, you will see an increase in the number of projects across these tables, which would kind of satisfy the question that you are asking. However, whether these numbers would be substantive, I am not very sure. But they would be high-quality projects that we would be adding through. So, yes, the numbers would increase. I think in terms of headcount, yes, there is a slight increase, again, because we are seeing an increased load in terms of projects. But we also don't want to increase headcount proportionately, because we are also working on modernizing our R&D setup, trying to use modern equipment, modern approaches like parallel synthesizers etc. so that we are able to recruit more skilled scientists who have a more mechanistic approach towards R&D and will try to accomplish process design, maybe doing fewer reactions, maybe in a parallel reactor setup. So, yes, you will see recruitment of scientists, but it may not be in proportion to the increase in new business. And the increase in new business will be visible in the table with regards to projects, but you will see that over maybe 3-4-5 quarter period, not straight away.

Sajal Kapoor: Certainly. Now, that's helpful Saharsh. And my second and last question is, how does Neuland ensure that its people strategy and governance framework stay aligned with the long-term innovation and sustainability goals while fostering empathy and ethical conduct under high performance pressure in the kind of R&D work that we do and the kind of scale-up chemistry that we undertake? Thanks.

Saharsh Davuluri: So, it's a very loaded question, but it's a very important question, Sajal. I will try to see how effectively I can answer it. See, I think ultimately our business model is very focused. We are a process development company. We don't do different kinds of R&D. We only do process development, process optimization, and scale-up. In that regard, our long-term vision from a technology and a sustainability point of view would be to delve into more and more complex chemistry, rather than just make small molecules, get into peptides, get into maybe oligonucleotides, more and more complex chemistry. So, that would be the direction technologically that we are going into, but again in the area of process development and scale-

up. From a sustainability point of view, if you look at it, and you look at it from a sustainability lens, the idea is to develop processes which are more green, more sustainable. If you are getting into peptides, then one of the challenges in peptides is that we use too much solvent, and solvent is not a green technology. So, how can you make peptides which consume less solvents? So, contextualizing sustainability in the area of our business is very important, which we have done. And if you see, Neuland has started publishing integrated annual reports for the last couple of years. And this is the reason why we have started to do that, because we want to weave in our goals and align them with our people and make sure that their goals, their individual goals are also factoring in this pathway. And I think in terms of the governance around this, I think basically what we are working towards, and this is still a work in progress, is ensure that the goals of everyone, starting from Sucheth and me, to our leaders and then people working with them, we have integrated goals where areas like innovation, sustainability are woven into our metrics. Long-term incentives of our staff have sustainability goals as a critical weightage in how we pay long-term incentives for our employees. So, these are some of the ways in which we are trying to bring in governance and accountability. But it is something that will take us some more time to take it down to an operating layer. Right now, I would say it happens to maybe the first top three layers of the organization or four layers of the organization. But if we are able to do it successfully all the way down, then I think we would have successfully accomplished what you are trying to understand.

Sajal Kapoor: No, that's very reassuring, Saharsh. Thank you so much. All the very best.

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

Shyam Srinivasan: Two questions for me. First, on the new block that we had actually put for one of the molecules, which is largely for that Rs. 128 crore, has that been completely, I believe we did some early commercialization in Q1FY26, but in Q2FY26, we should assume that many of that, this new block is being used. Would that be fair?

Saharsh Davuluri: Yes, Shyam. It's a fair assumption. The block is commissioned and we expect to start shipping product from it going forward.

Shyam Srinivasan: Saharsh, we have gone from 50 metric ton, if I remember right, to 150. So, is there some measure of what the utilization is and is there a way for us to see how much can likely come through in the path forward?

Saharsh Davuluri: No, Shyam, I think that level of detail we are not able to provide. So, I think it's going to be challenging for us to give any qualitative indications. But I think maybe just to reiterate, this product is being manufactured in Unit-II. There was a capacity constraint. The client needed us to manufacture more. So, we brought this new facility online. Now it's available. And the idea is to use both Unit-II as well as Unit-III to basically service the client needs. But how will we utilize both these lines? And what would be the capacity and how much of that capacity would we execute? These are questions that we cannot explicitly answer.

Shyam Srinivasan: Perfect. Okay. My second question is just on the cash flow. It's just on the cash flow statement. Abhijit, you mentioned about some of the challenges of uneven order flow at the start. But when I look at like last September to this September, I think even receivables, we have seen like a big change. So, is there anything we need to be worried about? Is the terms changed with some of the customers? You talked about inventory optimization, but I was looking at some of the other line items in working capital, which have also become adverse. So, just your thoughts there. Thank you.

Abhijit Majumdar: Hi Shyam. So, if you really look at it, just look at it from the beginning of April to the end of September, you have inventories which have gone up broadly by I think so 155 crores-160 crores, right? And as we had alluded to, that we see a better performance, growth performance. So, we have been kind of putting inventory in, both in the form of raw material, starting materials, intermediates, right? So, that's one of the reasons why we see that sharp rise in inventory between the beginning of April and the end of September. What we are saying also is that we have another six months to go and we will look at how to optimize our inventory, right and bring in a natural flow. Because what happens when you have a step up of sales, typically what happens is you kind of load inventory upfront, right? And then it kind of becomes even. So, that's a step that we will look at over the next six months. Now it's, I guess, next five months. As far as receivables are concerned, you would have also observed that that's also gone up. It's a natural skew that has happened, you know a quarter has three months, and we are looking at how we can kind of even that over three months, right? So, what typically happens is that when you produce, there are stages of production, right? It could be stage I to stage VI, stage I to stage VI, etc. And the moment you complete those stages is when you get the final API. And so then the orders get kind of get sold or attended to in the last month of the quarter. What we are attempting to do is that we want to kind of even the production and then try to kind of look at selling it somewhat evenly over the three months. But that will take some effort and time because that's the nature of our business. You start production in month one and you complete production in month four. So, that's the nature of our business. But we will see how to even it up. And still, with the steps that we have already started taking, hopefully by the end of March, we will have kind of seen a better performance on working capital days.

Moderator: Thank you. The next question comes from the line of Ritika from Value Quest. Please go ahead.

Ritika: Hi, sir. Thank you for taking my question. My first question is you mentioned this year we expect commercialization of a new molecule. And you said that we have already shipped that and we expect to see that from the next quarter.

Saharsh Davuluri: I think what we may have implied is that we had validated this product some time back and now we are expecting to ship it in the course of this year. That's what we would have implied.

Ritika: Sure. And secondly, on this new block in Unit-III for one of the molecules that we have recently commissioned, should we expect good utilization, not asking the number, but a fair, good utilization would have happened in this quarter itself?

Saharsh Davuluri: No, actually, we only validated the product this quarter. So, I don't think we have utilized that block in like in Q2, there was not no commercial shipments from that block. It just got capitalized and we validated the product. So, commercial shipments would start later.

Ritika: And the last question was if I see the CMS pipeline, I see one new molecule being added in Phase-3 intermediate. Could you talk briefly about that? And secondly, we see two molecules moving out from Phase-3 in API, one from commercial in API as well as intermediate. So, could you briefly explain what happened in this new molecule in Phase-3 as well as reducing in terms of commercial space both for API and intermediate?

S E Medikonda: So, I think, Ritika, I think, as we have mentioned in the past also, the final net number that you see is a result of both additions as well as deletions. So, we would have added, I think, as we get to know how our customers' products are doing in the clinical trials, and we know that some of them have not done well, we removed. And in the case of, say, you may be seeing that there is an addition of one intermediate in Phase-3 that actually may be a result of certain 2-3 intermediates actually being added, some of them for a Phase-3 molecule, which is with an innovator who is working on novel therapy, say, in oncology space. But we are doing the intermediates for them. At the same time, one of the molecules which was removed from the commercial space was for a molecule which has been generic for some time now, which we had taken long back. And we know clearly that we are not going to get any more, or we haven't really done anything with that product. And we also see going forward also that we are not going to do anything with that product, which is why that product dropped. So, I think that is probably the top summary of the table and the question that you have asked.

Moderator: Thank you. The next question comes from the line of Aditya Chheda from InCred Asset Management. Please go ahead.

Aditya Chheda: Hi. So, my question is on the comment made on the GDS segment, the specialty business being subdued. Can you throw some more light about what is happening in that segment, whether it is competitive intensity, etc.? And there was an element where some of the products were shifted into Prime, if we can talk about the segment as a whole and also on specialty, how should we think about growth directionally in GDS? Thanks.

S E Medikonda: So, again, Aditya, I didn't get the last part of your question, if you could. It was not that clear. So, when you were talking about some of the certain products, if you could just repeat that bit?

Aditya Chheda: I am referring to the products moved from specialty to prime some time ago.

S E Medikonda: Got it.

Aditya Chheda: So, I want you to talk about existing this competitive pressure or lack of. And as a whole, the GDS segment.

S E Medikonda: Sure. I think if you look at the range of molecules that we have, even in the GDS business, even if we were to look at a Prime segment, for most of our products, we do not have as many

competitors. So, if I consider a molecule like Mirtazapine or even if I look even at larger scale volume product, say levofloxacin for the regulated market, we do not have as many competitors. But you are also right that this is a segment where there is a lot of, I mean, I think there is an element of even at the end market level, there's a lot of change even in the market share, which different formulators have. So, I think that at times also is leading to unevenness for certain prime products. When it comes to the specialty segment, we have a lot of small volume products where I think most of them are in a few hundreds of kgs or in certain cases, even tens of kgs. So, the volumes for them are more likely to be lumpy. And in certain cases in the specialty segment, we also have molecules which have only been commercial in only a few markets. They are yet to be fully commercialized across all markets. So, because of that reason, we have certain quarters or in certain cases, even some years where it may seem that there's nothing happening. And also, as you had mentioned, compared to the past, we have also moved out Ezetimibe, which was a strong contributor in the past to specialty and even now is the leading top two contributor to the Prime. And that is a product which is doing well and will continue to do well and probably it will drive the growth of the Prime business. So, to summarize, yes, the space is more competitive, but at the same time, for most of our products, we do not see that much competition with some of our older products. But when it comes to the specialty products, it's just the fact that they are small volume and it is a bit uneven. So, I think we still are pretty optimistic about the growth of the GDS business, but it is something which will also pan out slowly over, say, if not this financial year, the next financial year.

Aditya Chheda: Okay. And last question is on CMS piece. Is it a right inference that the products that are now commercial contributed to a reasonable part of the development revenues in the last 12 months to 18 months and the base would slightly be relatively subdued versus what it was in the last 18 months in the near future?

S E Medikonda: Yes, you are right. Your inference is right that I think as this one of the commercial product was close to commercialization and was getting approved, it contributed significantly from the launch quantity. So, that effect has gone from the development revenues. But we also anticipate as our customers do their Phase-2s and they're moving towards Phase-3, we also expect certain revenues to come in from products which are going into Phase-3 in the future.

Moderator: Thank you. The next question comes from the line of Shrikant Akolkar from Nuvama. Please go ahead.

Shrikant Akolkar: Hi. Thanks for the opportunity and congratulations on a good set of numbers. In the first two products that you have mentioned, you have shipped, are we currently an exclusive supplier to the innovators?

Saharsh Davuluri: Not really. I think we have other suppliers as well.

Shrikant Akolkar: Okay. Based on the current capacity, when do you think Neuland would reach its full potential in these products?

Saharsh Davuluri: I think we have a lot of capacity for these products now. So, I guess we really don't know whether we will reach full capacity or not. The idea for us is to maintain a sustained market share with these customers, focus on execution and customer satisfaction, and see if we can, increase our wallet share or maybe increase the business with these customers for other products. But the idea is not to get into a situation where we are deploying all our capacity. I think strategically our goal is to have enough capacity to more than fulfill their requirements. So, we don't anticipate running out of capacity for these products.

Shrikant Akolkar: Understood. My second question is on the third molecule that you mentioned. So, can you provide more information on this product, whether it is a high-volume product and would Neuland have an opportunity to become an exclusive supplier in this product?

Saharsh Davuluri: See, I think once the shipments start, I am sure everyone will be able to decipher the nature of the product, but it's a CNS product and you should start seeing shipments going out maybe in the next month or two. But yes, it's a CNS product. It's similar. It's a typical volume product that Neuland handles. I wouldn't say it's a low volume or a very high volume product.

Shrikant Akolkar: Okay. And based on the earlier comments that you had said that Neuland would get added as a second supplier. So, that's why I just wanted to know if there is an opportunity for us to become an exclusive or preferred supplier in this product?

Saharsh Davuluri: For the earlier product? Not really. I think our goal would be to focus on our execution and build trust and a strong, deep relationship with these customers. Building exclusive relationships, especially as you start working with larger pharma companies, is not something of a likely scenario because of business continuity management practices. None of the pharma companies would like to be in an exclusive procurement situation. Sometimes in our CMS business, it has happened in some cases where the customer finds it very convenient to buy only from us, but not because there is a contractual obligation that they will be an exclusive buyer from us. So, in that way, yes, we do hope to have more market share, more wallet share, but we will have to see how that pans out because it depends on our ability to execute and the customer's risk appetite and their need to have diversified supply chain. So, those are things that are very difficult for us to even find out. And of course, there would also be very limited amounts we can share. But even for us to know some of these things is challenging.

Moderator: Thank you. The next question comes from the line of Meet Katrodiya from Niveshaay. Please go ahead.

Meet Katrodiya: Yes. Congratulation team for the strong execution. Thank you so much for the opportunity. So, apart from the 4-5 major molecules where we already have better visibility, how many additional molecules should we expect to be commercialized over the next, let's say, 18 to 24 months in the CMS business? Or maybe the next phase of growth will be the peptide. So, just want to have a view for the longer term, after let us say 2 years, the additional growth will be in terms of percentage maybe it will be the peptide will be the drivers or there are more molecules in the CMS that have a larger opportunity size?

Saharsh Davuluri: I think we don't have any direct confirmed visibility of commercial projects for the next 12 months to 18 months. However, there could be opportunities that could come in the form of late stage opportunities that maybe we are in conversations with, but these are not definitive. And therefore, I think the short answer is that other than the one that's around the corner that we talked about, we don't see any concrete commercial visibility for the next 12 to 18 months.

Moderator: Thank you. The next question comes from the line of Rusmik Oza from 9 Rays EquiResearch. Please go ahead.

Rusmik Oza: Thanks for the opportunity. My question was regarding Bempedoic acid. Since we have expanded capacity to 150 metric tons, if you can give us a little guidance of when do you expect this capacity to get fully utilized? And if you could just share some scenario of what the pricing is right now, that would be helpful.

Saharsh Davuluri: Unfortunately, we won't answer product specific questions on the CMS side, so we won't be able to answer any of those questions. Apologies for that.

Rusmik Oza: Okay. Any guidance on the ramp up of utilization also or supplies? We don't need any accurate numbers, but at least some direction could help us to understand the visibility and the potential of this product.

Saharsh Davuluri: I think, see, maybe at a holistic level, what we had indicated is that for our top products, one of the top products we have adequate capacity now available because Unit 3 has also come online. Between Unit 2 and Unit 3, we have more than sufficient capacity to fulfill our customer needs for the next couple of years. What this capacity exactly is, how much of it we intend to utilize is something that we will not be able to disclose. So, if you have any general questions which are not product specific, then maybe we can answer.

Moderator: Thank you. The next question comes from the line of Priyanshu Jain from Growth X Infinity. Please go ahead.

Priyanshu Jain: Hello. Thank you. Congratulations, first of all, on a good set of results. I have majority of the questions have been answered already. So, I just want to know about the EBITDA margins, like because we have seen so much improvement in the EBITDA margins in this particular quarter. So, like, are these sustainable or can you just throw some light on it? Like, what range we can expect?

Saharsh Davuluri: Yes, sure. I think as we have been maintaining in our commentary, I think our margins are a factor of several elements, right? Like exchange rate, product mix, etc. etc. Even in the past, I think we have seen 30% EBITDA for FY24. And we have also mentioned that these kind of EBITDA margins are not unrealistic. They're very much within the realm of our business. However, we don't plan for them or we don't guide for them. And therefore we don't, you know, explicitly say that this is what our EBITDA margin is going to be. But having said that, I think this quarter, what we have seen, 30% EBITDA margin, I think is representative of the nature of

the business. Whether it is going to be sustainable or not is something that we may not be able to comment directly. But directionally, I think, as you see better operating leverage coming in because of the growing business and there is healthy evolution of product mix, business mix. It's quite reasonable to assume that these margins could be visible. But again, things like exchange rate or raw material prices could be a dampener. And also, I think going forward, we have to be careful of what the business mix is going to be like. Not every product in our CMS or GDS portfolio has a uniform kind of margin profile. And depending on which products tend to get executed more, there will be a slight difference in terms of margins. So, yes, please take this number, but take it with a little bit of caution. Don't take it as a set number or a guidance.

Moderator: Thank you. The next question comes from the line of Vivek Patel from Ficom Family Office. Please go ahead.

Vivek Patel: Very good evening. Thanks a lot for the opportunity. In the previous call, it was mentioned that 4-5 years ago, we had lost a peptide opportunity due to the lack of manufacturing scale at that time. But irrespective of whether we decide to take up this path, I wanted to understand what is considered to be a sufficient CAPEX to attract large-scale peptide orders or working with high-caliber customers. And regarding the same, how is it that we plan to continue to hire and retain the right talent, be it R&D or otherwise, which will help us position as someone who is ready to set up large-scale peptide manufacturing facilities? Thank you.

Saharsh Davuluri: Thanks, Vivek. I think both are very good questions. I think the short answer is that, yes, this facility that we are building, I think, is large enough to attract most commercial opportunities. And in that context, we would be able to meet or even those historic opportunities that we may have lost, we may have been able to retain them if we had this facility in place at that time. However, I think, all these facilities are relative in nature, and our idea is to build one large-scale facility so that we are able to present ourselves as ready for commercial manufacturing of large scale. But the idea is that if we find partners who have extraordinarily large requirements or who have very specific requirements, then the idea would be to build the later modules in accordance to the requirements of these customers. With regards to the talent and how Neuland intends to attract talent, it is indeed a competitive environment today as the CDMO business and the pharma business in general is expanding in India. I think there is a dearth for experienced scientists as well as professionals working in the manufacturing environment. And we do have to put in substantial efforts to retain and even continue attracting this kind of talent. I think one of the things that's very important is to kind of define our work culture and be very clear about it. It's very important that people working in Neuland understand the identity of Neuland and are able to get a palpable sense of what our values are. And for that, we have various policies and programs in place that help people understand that. Other than that, it's also very important to create a very healthy working environment, not just from a cultural aspect, but even from an infrastructure point of view. For that having a modern workplace where scientists enjoy coming in and feel that they have the freedom to design experiments the way they want to and feel accountable for goals that they set for themselves. This is something that is not very common in our industry. And that is something that Neuland is trying to do. Other than that, at the shop floor, in the factories, creating adequate resources so that people don't feel continuously

pressurized on deliveries to provide certain kind of buffers and cushions so that they feel that they have enough breathing space, that helps a lot. And finally, we also need to make sure that they're compensated fairly and adequately so that they don't feel the need to keep looking for opportunities outside. These are things that we have worked hard to put into practice. One thing that does help is the fact that we have a very focused business model. And that helps us retain the kind of talent that we want to work. Because ultimately, when our recruiters are out there looking for people, our pitch to people is do you want to work for one of the best companies when it comes to process development and scale-up? Then you should come and work for Neuland. And I think having the ability to say that also matters a lot. So, these are some of the things that I can think of in terms of how we retain talent.

Vivek Patel: Thanks a lot for the elaborate answers. But just to clarify the first part of the question, that what would it take to build one such large facility? Just a ballpark CAPEX, what kind of that would be needed if that can be quantified? The reason is because our present CAPEX is still low compared to the industry or the customers that we serve. Just to quantify just one large CAPEX for attracting customers.

Saharsh Davuluri: I think this has been disclosed in the past, Vivek. I think for the Peptide, the Module-1, along with civil for Module-2, I think we are looking at ballpark Rs. 250 crores-Rs. 280 crores of investment. Even if I have to extrapolate that mathematically, we are looking at a thousand crore plus investment just to build out this one particular large scale Peptide production suite.

Moderator: Ladies and gentlemen, we take that as the last question. And I now hand the conference over to management for closing comments.

S E Medikonda: Good evening and thank you once again for taking time to join the call. We apologize for the delay at the start once again. We thank you for your interest and the questions which help us think more about our business in the future, bring clarity even to us as well as to you. We hope we have answered all your questions, but in case you have any further questions, please reach out to Ravi Udeshi of EY, even if you have any feedback. Thank you and a good evening.

Moderator: Thank you. This brings the conference to an end. On behalf of Neuland Laboratories Limited, we thank you all for joining us. You may now disconnect your lines. Thank you.

(This document has been edited to improve readability)