"Neuland Laboratories Limited
Q4 & FY26 Earnings Conference Call"
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Moderator: Ladies and gentlemen, good day, and welcome to the Neuland Laboratories Limited Q4 & FY26 Earnings Conference Call. 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. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being 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, Rutuja. Good evening, friends. We welcome you to the Q4 and FY26 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 Laboratories, represented by Mr. Saharsh Davuluri, CEO and Managing Director; Mr. Abhijit Majumdar, CFO; and Mr. Sajeev Emmanuel Medikonda, Head of 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 the broad highlights of the business trends and what he is seeing in the market. And post that, we will open 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, Ravi. A very good evening and a warm welcome to everybody joining our call. I will take you through our financial performance for the quarter and the year and then share comments on cash flows, working capital, capex and the actions we are taking to strengthen financial discipline through cost and process improvements.

As we have highlighted in our previous call, given the nature of our business, quarterly performance can be uneven, and it is best to evaluate the business over longer periods. With that context, let me start with the numbers for Q4FY26. Total income was INR788.7 crores, up 134.9% versus INR335.8 crores in the same period last year. Commercial CMS projects drove the growth with CMS contributing over two thirds of revenue this quarter.

Gross margin was 62.1% versus 56.3% in Q4FY25, driven largely by the business mix. We also managed higher freight cost towards the end of the quarter due to the conflict while ensuring continuity of supply to our customers. As always, gross margin includes manufacturing expenses and other costs directly attributable to the product. EBITDA stood at INR319.4 crores and a margin of 40.5%. This exceptional operating margin reflects the record high revenue this quarter.

And it is also partly because of a function of the uneven nature of our revenue flows and should not be seen as an indicator of our future performance. Profit after tax was INR212.5 crores versus INR27.7 crores in Q4FY25, and our EPS stands at INR165.6 per share. For the FY, revenue was INR2053.1 crores versus INR1,497.3 crores, a growth of 37.1%. EBITDA was INR603.4 crores versus INR342.8 crores in FY25 with FY26 EBITDA margin at 29.4% compared to 22.9% last year. Profit after tax for the full year was INR363.1 crores and EPS stands at INR283.01 per share.

Let me now move to cash flows and working capital, which are key focus areas for us. For the FY26, the free cash flow was negative at INR49.4 crores, driven primarily by higher working capital during the year, along with increased capital cash outflows.

Capex cash outflow for FY26 was INR397.1 crores. Financing activity was INR21 crores, including a net increase in long-term borrowings of INR60.9 crores. Closing cash balance of FY26 was INR75.4 crores as compared to INR130.4 crores at the end of the year. Working capital days stood at 137 days in Q4FY26 versus 107 days in Q4FY25, mainly driven by higher inventories and receivables, and we believe that this should normalize in FY27.

Net debt remains negative at negative INR157 crores, supported by cash balances of INR353 crores. And our long-term borrowings at the end of Q4FY26 was INR197 crores. Our approach to capex remains disciplined, phased, aligned with our strategic priorities and executed with a clear focus on returns and long-term capability building. In terms of our priority, our priority is to ensure that approved capex translates into clear execution milestones and business outcomes. Overall, we continue to maintain a strong financial position.

The balance sheet remains resilient with comfortable liquidity, and we remain focused on preserving flexibility to support both growth investments and have operational resilience. At the same time, we are sharply focused on improving our cash conversion. Working capital discipline remains a management priority, and we continue to take actions to kind of work on our collections, inventory normalization and tighter controls so that our profitability translates into cash flows more consistently.

Another related focus area is cost and process improvements, which we see as a structural enabler for sustainable profitability and stronger cash generation. Across the organization, we are progressing on initiatives to improve productivity, reduce variability, strengthen our operating controls and drive process standardization. This obviously includes tighter cost governance, procurement efficiency actions and operating discipline across functions, aimed at protecting margins, improving our predictability and building a scalable operating model as the business grows.

Now, given the recent developments in the Middle East, we are closely tracking raw material coverage and price volatility and are taking actions to protect our continuity of supplies and manage the cost pressures. As in the past, the presentation shared along with the press release contains additional details.

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

Saharsh Davuluri: Thank you, Abhijit, and good evening to everyone on the call. The numbers are out there, and Abhijit has taken you through them in detail. All I would like to do is spend a few minutes on talking about what's not explicitly in these numbers, but it's very important for all of our investors to understand.

While we have not given formal guidance in the past that we do not intend to do so going forward, we did indicate earlier that FY26 would be a year of strong growth when viewed against FY24, especially since FY25 represented a period of slight degrowth. With the strong performance

delivered in Q4, I'm glad to note that this outlook was accurate. We have achieved the kind of performance that we anticipated at the beginning of the year.

In fact, slightly better than expected, aided by the favorable exchange rates. As we look at Q4 and FY26 through this more favorable lens, it's also important to recognize the inherent lumpiness of our business. The same lumpiness that resulted in a record-breaking Q4, if you recall, also made the previous quarter, which is Q3FY26 a relatively muted quarter. And it's worth stating the obvious. The lumpiness does not recognize financial year boundaries, right? It doesn't recognize or it doesn't care about March 31.

So even sometimes a full year may not turn out to be exactly as expected, although in this case, we did have a strong year as expected. And this does not distract and whatever happens even at a year level, what I would like to point out is that it should not detract from the long-term growth, prosperity and resilience of the business. In the short to medium term, our business visibility continues to be anchored by commercial and near commercial molecules.

This gives us a strong degree of confidence over the next few years. Alongside this, while our GDS business was softer in FY26, we see good growth potential ahead and have deployed substantial resources across development, customer engagement and capability building to support growth in the short, medium and long term.

Our focus on execution discipline, customer satisfaction and protection of business fundamentals is central to ensuring that this phase of growth is delivered with minimal disruption despite the inherent variability in quarterly performance.

Beyond this, long-term growth requires an enterprising vision, a decisive strategy and careful capital allocation. Much of the work we are doing today is foundational in nature, strengthening capabilities, scale and technical depth so that we are well positioned to attract the right opportunities over time. The outlook for the coming years remains promising. Over the next 2 to 3 years, we have visible growth driven by our existing pipeline. At the same time, we are laying the groundwork for growth beyond this horizon.

A key element of this is our investment in large-scale peptide commercial facilities. This will help us move into a more differentiated space, focused not only on peptide fragments, but also on peptide APIs, thereby expanding both the scope and quality of the opportunities we can pursue. Alongside manufacturing, R&D remains a critical pillar of our long-term strategy.

The new R&D center will be an important step up in our ability to support complex programs across development stages. It will strengthen our scientific depth, enhance cross-functional collaboration and improve our ability to scale customer programs from early development through commercialization. The investment is not just about capacity addition. It is about building the kind of technical and problem-solving capability that will allow us to engage earlier and more meaningfully with our customers and support larger, more complex programs.

On the business development front, our efforts over the last year have been focused on improving both the quality and maturity of opportunities entering our pipeline. We continue to see encouraging traction across customer segments, including increasing customer engagement on

larger and more complex programs. While conversion time lines in our industry remain long and non-linear, the nature of discussions we are having today aligns well with the capabilities we are consciously building across R&D, manufacturing and project execution.

The objective is clear: to prioritize opportunities that offer sustainable, high-quality growth even if that means being selective and patient in the near term. As we experienced in FY26, growth over the next 2 to 3 years is also expected to remain lumpy. Not every quarter will necessarily show progression. However, if performance is assessed over a longer horizon, say, 10 to 12 quarters, a clear trend line should emerge consistent with the growth outlook that we have always outlined.

On the margins and returns, FY '26 benefited from favorable exchange rate movements. While our ROCE remains healthy, it is expected to moderate as we enter longer capital deployment cycles. We are comfortable with this as long as these investments strengthen our long-term growth engine and competitive positioning.

Today, the focus and in some respects, the key constraint of the business is twofold. First, building an execution engine that can continue to perform reliably at scale; and second, ensuring that we bring the right kind of projects that support high-quality sustainable growth.

Over the last year, in addition to strengthening our key account management structure, we have also put in place dedicated resources to support larger projects across key operating functions. This enhances our ability to serve existing large customers effectively while also building capability in anticipation of similar projects in the future, including deeper engagement with big pharma.

Before I close, it is important to briefly acknowledge the risks and uncertainties inherent in our business. Our industry continues to be exposed to factors such as demand variability, customer ordering patterns, regulatory time lines, geopolitical developments and supply chain volatility. Given the nature of our business, revenue realization can be uneven and the timing of project progression, particularly for complex and long cycle programs can vary.

Additionally, as we embark on larger and longer duration capital deployment cycles, execution discipline becomes even more critical. Delays in customer programs, changes in development priorities or shifts in market dynamics can influence both short-term performance and capital productivity. That said, our focus remains on building resilience through diversification of the pipeline, strengthening operational execution, prudent capital allocation and maintaining a strong balance sheet. While these factors may create variability in the near term, we believe that they do not alter the fundamental long-term opportunity of the business.

To conclude, while individual quarters will continue to reflect variability, we remain confident in the direction of the business, the quality of our pipeline and the foundations we are putting in place for long-term value creation.

Thank you for your continued trust and support. We'll now be happy to take your questions.

Moderator: The first question is from the line of Amey Chalke from JM Financial.

Amey Chalke: Yes. Congrats to the management and team for the great set of numbers. So first question obvious question I have was on the performance of our CDMO business for the quarter. I agree with you that there would have been a benefit of currency depreciation, but it would be to the extent of 10%, 12%, right? Still our growth looks phenomenal over a year-on-year basis.

So what is driving this? Is it the existing commercial projects? Or have you added any new product in the commercial side? And was there any bunch of orders from the last quarter, which would have also helped during the quarter? Yes.

Saharsh Davuluri: Yes. Thanks for the question. Amey, I think it's -- yes, I think currency definitely helps, especially because we had a strong Q4 and a lot of shipments happened as the rupee depreciated. So I think we did see a chunk coming in. But yes, I think it doesn't really take away from the inherent growth we've seen in the business. I think the contribution has come from the products we've been looking at in our pipeline.

Amey, I think we had one new commercialization this year, but we've also had ramp-up of volumes of previously commercialized products. So those have largely driven the growth. We continue to have newer molecules enter our pipeline. We're probably looking at one commercialization in FY27 and maybe 1 or 2 more later. But these don't really come in at a quantum that really changes the trajectory of the growth.

So I think it's really the existing pipeline and the recently commercial molecules and the volume growth in those which have driven this growth. There is some volatility, that volatility is just based on shipments. It could get evened out a little bit, but it's nothing out of the ordinary.

Amey Chalke: Sure. So to summarize, basically, it is driven by the existing products with the help of one commercial launch, which you had also indicated in Q3?

Saharsh Davuluri: That's right.

Amey Chalke: Sure. The second question I have is on the peptide side, the contract which we had signed and we had also given the notification. So products look to be in the early commercial stages. So what value add are we doing here as a CDMO first? And if the product move to the late commercials going ahead, they will continue to work along with us, how this contract is structured? Yes.

Saharsh Davuluri: Yes, Amey, I think the contract you are referring to, I think, was an announcement made in partnership with our client. But to be fully transparent with you, it's a very early-stage program, and I would not really associate any near or mid-term revenue coming out of those projects because we do have close to 8 to 10 peptide programs in our development pipeline.

Some are advanced, some are early-stage. I would categorize the one you're referring to in the early-stage. And these are being developed for various therapeutic indications. It will take at least a few years for a program like the one you are mentioning to give us commercial benefit.

The programs that Neuland would expect to be commercialized in our peptide facility are programs that are not perhaps information on them are not available in the public domain. I just

wanted to clarify that.

Amey Chalke: Sure. And additionally, when we are looking to grow our peptide business, what is our key selling point to clients? And since we have added like the client LIR Life Sciences, so will that help us to add more clients going ahead to work on the similar platform? Is it the platform which we choose which can broaden our clientele in the similar category? How does that the thought process behind the peptide business growth going ahead?

Saharsh Davuluri: Yes. So I think the pitch we make to peptide clients is that we've invested close to 16, 18 years in the peptide space, and we've kind of worked our way organically by making fragments, building blocks, Unnatural amino acid-based fragments and then slowly moved up the value chain, making even peptide APIs.

Our biggest strength is the fact that we have done a lot of process development for peptides in-house in Neuland. We've always had peptide R&D in Neuland for several years, focused on process chemistry, not medicinal chemistry. This is a skill set that is very important when it comes to engaging with clinical stage peptides, especially APIs.

So we were able to successfully showcase those capabilities. And once we showcase those capabilities and now we have also started investing and creating manufacturing infrastructure, it's becoming easy for our clients to partner with Neuland. So that's kind of what's giving us traction in the peptide space.

Moderator: The next question is from the line of Sajal Kapoor from Antifragile Thinking.

Sajal Kapoor: Hi, team. It's always good to see the convex side of volatility and lumpiness, excellent show. I've got 2 questions. First is Neuland has built strong capabilities in complex chemistry and peptides, but the industry's value creation is in my view increasingly shifting towards hybrid modalities like ADCs and fermentation-enabled manufacturing. So what do you see as Neuland's biggest capability gap in sort of participating meaningfully in that kind of an ecosystem? And how are you addressing all of it today? That's my first question.

Saharsh Davuluri: Yes. Hi, Sajal, it's always nice to hear from you. I don't know if I would completely subscribe to the hypothesis. I think that I would agree with the basic concept that more value is in complex chemistry, complex modalities, but I would probably put peptides into that category as well.

I think today, if you see the explosion happening in the GLP-1 and the peptide arena, I think some of these peptides, especially the innovative volumes are going into multi metric tons and the commercial value for a CDMO business is running into billions of dollars per molecule.

So I would argue that the peptide CDMO opportunity is as or more attractive than maybe some of these oligo, ADC kind of opportunities because even if you take just based on my limited understanding of the oligo business, the oligo CDMO business is not as big as the peptide CDMO business.

That's because oligos have not reached the kind of scale. ADCs is again slightly different because there's a math component, there's a biologics component over there. And I think, yes, it is

definitely a future modality from a CDMO perspective. I think the way Neuland is approaching it is that we are a small company. I think we are really scratching the surface when it comes to this business.

I think we have a long runway of growth in front of us. I think if we continue to sharpen our skills in the small molecule, complex small molecule place, we strategically get into the peptide and start making complex peptides in a meaningful way. And then we slowly start looking for other adjacencies. For example, a peptide capability can help you make linkers for ADCs. So then you're slowly getting into the ADC space through the peptide capability.

And then maybe future through some strategic acquisitions, etcetera, you could climb yourself into these new modalities. But I would see a decade of growth by being invested in these current skill sets, including peptides. But I would not say we should be limited to this area. That's where I would agree with you that you should keep going into these adjacencies.

But I definitely see peptides as more compelling today compared to, let's say, an oligos or even some of these RNAi-based therapies. ADCs, yes, I agree, but ADCs is a different ball game. And I think that's something maybe a future adjacency that we would pursue.

Sajal Kapoor: No, that's very thoughtful as always, Saharsh. Thank you for that. And second, a lot of newer enzymatic and bio-enabled manufacturing routes, they kind of look attractive at lab scale. But commercial manufacturing is ultimately constrained by yield consistency, purification economics, contamination controls and of course, the regulatory aspects are always there.

So which of these do you believe is the biggest real bottleneck today? And where does advanced synthetic chemistry is still kind of retains a more durable economic advantage over these emerging biotech-led manufacturing routes?

Saharsh Davuluri: Yes. No, I think very, again, thoughtful question, Sajal. I'll just give you the businessman's perspective. I'm not a scientist or a chemical engineer. But I think your encapsulation of the challenge is very accurate. I think synthetic chemistry-based techniques give far higher scale and are more reliable over long-term.

The biological processes are always challenging. Just if you look at peptides, for example, the 10-15 years ago, the largest volume peptide would be, say, leuprolide, maybe 100 kilos per year. Today, some of the GLP-1s are made at a metric ton scale.

The reason why the industry is able to make metric tons of peptide is because of the advancements in synthetic chemistry, our ability to maybe avoid bypass these cumbersome downstream techniques and come up with modern techniques, which avoid stuff like lyophilization, etcetera.

The reason that has happened is because academia and industry has invested a lot in chemical engineering techniques that avoid the use of these biological processes and have brought in synthetic processes. I think we as a CDMO cannot obviously make those kind of investments in fundamental research, but our R&D groups would follow those developments very closely.

And therefore, as new techniques become available, our goal would be to partner with these kind

of knowledge-driven organizations and try to make them scalable. But short answer is yes, I think synthetic chemistry-based techniques in peptides, maybe even in oligos would be the area we would like to focus on. And I think there's a lot of growth opportunities over there.

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

Shyam Srinivasan: Yes. Just 2 quick ones. First one is on the recent development, 1st of May when one of your big customers of bempedoic acid, Esperion, has been taken over or at least has been a bid from ArchiMed. So just not getting into that transaction, but more from a longevity of this business.

is there any change in course, you think? Or the dedicated capex we put some time back, and what are some of the messaging you are actually picking up from this transaction? Because one of the key concerns from an investor perspective is what happens to bempedoic acid post patent expiry sometime later this decade, right? So just want your thoughts on how this product is evolving?

Saharsh Davuluri: Yes, Shyam, thanks for the question. Shyam, I think just given that these CDMO molecules are under confidentiality clauses, we will not be able to comment or acknowledge what molecules we make for whom and what the underlying transaction that you're referring to. I think general comment I can give you, which might be helpful is that, see, generally for all our CDMO businesses, M&A of sponsor companies is a very natural part of the business.

I think a lot of biotechs get acquired, some of the biotechs we've contracted with have gotten acquired by big pharma. One is supply agreements usually have inherited clauses. So change of ownership does not necessarily annul or create any kind of disruption to the supply agreement.

Second of all, usually for these kind of CDMO relationships, customers are looking for securities of supply and making sure that the patients are getting the medicines. And what we have seen from all our conversations with our CDMO customers is that typically, no one wants to disrupt supply chain. People are looking for continuity. I think any kind of disruption might happen if there is a clear performance problem or some kind of a strategic change.

So usually, when these kind of M&A transactions happen, we don't see any immediate risk. And even if we were to see anything, then we would obviously not be able to comment on specific CDMO molecules. But we will obviously as a responsible company, temper our outlook and modify our outlook and indicate if we see some short-term challenges.

So for that, I would ask you to just revert back to the opening comments I made where I made comments about short-term, medium-term growth and our visibility of business from these commercial molecules.

Shyam Srinivasan: Helpful. Thank you. Thank you, Saharsh. Just second question, just on outlook only. So should we rely on some of your past guidance on quantitative elements of the growth and margins? We have talked about 18% to 20% CAGR over time. I'm not pinning it down to a year.

Also margins, is it better to look at H2 margins rather than Q4 margins as a place to start? And if you were to look at FY27 or FY28, whichever you want to talk about, how should we look at

say growth and margins, please?

Saharsh Davuluri: Okay. My CFO started laughing at your second question, but I won't let him answer. I think the 18% to 20% is a fair assumption not necessarily linearly. I think margins, I think it's definitely we've always been a little bit conservative in terms of how we've looked at our margins. That's because how we fundamentally budget our numbers, whether it's exchange rates, raw material pricing, volumes, we tend to be slightly on the conservative side and therefore, the margins play out better than expected.

I don't know off top of my head what the H2 versus H1 is. So, I don't want to comment on it. I think you can see a trend line, Shyam. I can't give you a better prediction than that. So I would say nothing has changed fundamentally. I think that things are looking slightly better than what we typically paint the picture to be.

Moderator: The next question is from the line of Shrikant Akolkar from Nuvama.

Shrikant Akolkar: Congratulations on a very good FY26 performance. Would it be possible for the management to provide the capacity utilization across the 3 units at the moment?

Abhijit Majumdar: Yes. So the current capacity utilization of those 3 units are close to between 85% to 90% and the last unit is around 65%.

Shrikant Akolkar: Okay. And in the initial comments, you talked about the longer capital deployment cycle now. Can you elaborate a little more on this? So what are we thinking in terms of capex and utilization of the cash that we have generated in FY26?

Saharsh Davuluri: Yes, I think maybe I'll just give an answer and then maybe I'll request Abhijit to add if there's anything after that. I think what we were alluding to is that as the facilities are getting utilized and we are seeing the business grow in scale, we are also looking at long-term growth slightly differently.

I think our planning and I think the way we are thinking about capital allocation has become a little bit more long-term from being tactical. I think just to illustrate this point, I think 2, 3 years ago, we built a production block for a CDMO molecule. And we built that block because we had a long-term contract that was secured. And therefore, for us, it was a very comfortable investment.

Now I think for us, our thinking also has fundamentally started to change because now when you are at a INR2,000 crores revenue and you're going to grow, eventually, you will be adding hundreds of crores every year, maybe INR500 crores, maybe even in the future, INR1,000 crores a year, which requires a different level of preparedness in terms of creating a base, creating production blocks and being ready to engage, especially with newer clients, clients like big pharma clients.

So, I think that's the game that needs to be played and that requires a different mindset of capital allocation, which is what was being referred to in the opening remarks.

Moderator: The next question is from the line of Vivek Rakholiya from Ficom Family Office.

Vivek Rakholiya: Congratulations on a great set of numbers. I wanted to have an understanding of any of the reasons for the leadership transition with Saharsh taking over as CEO and MD from Sucheth, who become a Vice Chairman.

Saharsh Davuluri: Yes. Thanks. Thanks for the question. Yes, I think the role change between Sucheth and me effective April 1 was part of a preplanned transition. Basically, the background is that as the business is growing, both Sucheth and I as full-time directors, promoters were focusing on essentially similar parts of the business.

Both of us were looking at the day-to-day business. And what the Board felt as the business is ramping up, it would be more effective for the organization if one of us was to focus more on the 1day-to-day business and how the business is operating on an ongoing basis. And the other promoter focus more in terms of the long-term and areas that are important to the business, especially as we grow in size. So that's how the roles have evolved.

I think for me personally, just given the my role in the building of the CDMO business, I mean just to give you the background, I've been with Neuland for close to 19 years now. And my role in the company was essentially to build the CDMO business. So as the CDMO business has been ramping up, we also felt at the Board that it would be logical for me to drive the day-to-day business since I understand the business from an end-to-end perspective. And it would be more meaningful for Sucheth to take on a slightly long-term role.

He's been responsible for operating the Neuland Foundation, which is a new initiative that the organization is taking. I think as an organization that's manufacturing oriented, we are also looking at enterprise risk, sustainability. And these are all areas that were in the past not really covered between both of us. So it's more of a role clarity and a role separation. But Sucheth also continues to be equally involved in the business.

Vivek Rakholiya: Thank you. Thanks a lot for the answers, sir. The next question is that as per the S&P Global data from March, the global PE/VC biotech funding has declined sharply since 2021. I understand that you answered partially, but how is this trend impacting your business, the RFQs and client inquiries? And how do you plan to navigate this trend?

S E Medikonda: So Vivek, if I were to understand your question correctly, you're talking about how the funding environment is affecting our business, right? And I think as we have said in the past, I think a lot of our business and our growth is driven more by molecules which are in the close to commercial and in the clinical phases.

And a lot of the funding has affected more the discovery in the early phases. So, we haven't seen that affect our business as much. But at the same time, it affects the pipeline funnel over a period of time. But the focus for us continues to be molecules where the IND is being filed that is where they are entering Phase I onwards.

So I think there, we continue to have good visibility. And irrespective of the funding environment, molecules with good data continue to do well. And I think our focus, the BD team's

focus is such molecules. And I think we have been fortunate that even our customers, some of the molecules have done well in terms of their data. So we don't see this impacting us in the short to medium term.

Moderator: The next question is from the line of Ritika from Value Quest.

Ritika: First question is on peptide facility. We had earlier talked about this getting operational in July. Are we on track for this? And by when do we expect commercial quantities to start? Do we already have firm contracts for this facility?

Saharsh Davuluri: Yes. Yes, the facility will be ready by July as per schedule. There has been no change in the date for that. We have projects that will ramp up in this facility, and we have visibility for these projects. I would probably not go as far as to say that we have firm contracts because these are early-stage projects.

And yes, they are near commercial, but I think we will probably focus first on completing validations, qualifications and go through that process, which is pre-commercialization. And then maybe we will, in the same time, get into contracts and stuff. So yes, I think we are very excited. I think we have project visibility and so there is enough pipeline to feed into this facility.

Moderator: The next question is from the line of Chirag Shah from White Pine Investment Management.

Chirag Shah: Yes. I've joined a bit late so apologies if I'm repeating the question. The first question is with respect to the quarterly results or H1 results, however you wish us to look at, and bringing in the context of past there is volatility in the business. Any comments? Is that the nature of volatility changing and it would be much less volatile? And how much of the Q4 results is kind of one-off, lumpy, et cetera, et cetera? So that's first question that I have?

Saharsh Davuluri: Yes. Thanks for the question. I think volatility and how long it will last, is difficult for us to say because we are seeing a very dynamic growth in the business. And some of the newer molecules are also fairly high value. Typically, volatility is brought about by newer molecules. The older molecules tend to be less volatile. But when the new molecules are also significant in terms of value contribution, then this volatility will continue.

So, I don't even necessarily see it as a negative thing. I think as long as we have investor alignment that this volatility is part of our business, I think it's something that we should be okay with. I would not see us going to a 25% times 4 kind of a situation anytime in the near future, because the moment these newer molecules stabilize, then there's a possibility that some new molecules will come and they will bring in the volatility.

And sometimes these newer projects are also very high-value projects. So it's not like the base has become big, so the volatility is reducing. So we are also finding it very challenging to kind of demystify the volatility. But that's the reality of our business. And I would go back to the comment I made saying that look at a multi-quarter trend and then make a reduction in terms of the growth rate and the margins. I think that will give you a better comfort for your modelling and visualization.

Moderator: The next question is from the line of CA Shilpa Saboo an Individual Investor.

Shilpa Saboo: Congratulations, sir, on the good set of numbers. My question is for the CFO, Mr. Abhijit. Sir, in Q3 con call, an individual investor has asked a question about inventory manipulation. But in the transcript, some words are changed, which has changed the essence of the question, whereas the audio on your website is crystal clear and SEBI guidelines also don't allow these changes. So, this looks like actual manipulation somewhere. Can you please justify this?

Abhijit Majumdar: I'll have to check back on what you have mentioned and then revert back to you, Shilpa. I don't have the facts and figures right in front of me to react to your question?

Saharsh Davuluri: Which quarter is she referring to?

Shilpa Saboo: Sir, Q3 FY '26 at 24 minutes, 26 seconds.

Saharsh Davuluri: We'll check and get back to you.

Moderator: The next question is from the line of Mehul Panjuani from 40 Cents.

Mehul Panjuani: Congratulations on a great set of numbers. Sir, you are explaining to one of the participants, Mr. Sajal Kapoor about that we don't see that ADCs are I mean, peptides are less complicated than ADCs. So I understand that peptides are mainly used in GLP-1s. But what leads to the complexity actually? If you can help me for a person, a layman like me?

Saharsh Davuluri: Yes, sure. I mean just full disclosure, I'm an electric engineer, so I might find it a little difficult to explain it to you technically. But I just want to clarify that to Sajal's question, I did not say that peptides are more complicated than ADCs. See, ADCs are a biologic molecule which is tethered to a small molecule using a peptide linker. So even rudimentary textbook definition will tell us that ADCs are more complicated.

What I was telling Sajal is that peptides are very lucrative as a business. And when compared to the oligonucleotide business, I believe the CDMO business value of peptides is higher than the oligo business. But when it comes to ADCs, the molecules are far more complicated and therefore, I would be very clear to reiterate that ADCs are more complicated than peptides.

However, I'll still respond that peptides are long chain molecules and are made of series of amino acids. They tend to be very delicate. And if they are not synthesized in the appropriate way, they tend to fold and they tend to form a lot of impurities. So, the synthesis of peptides is considered to be far more complex and challenging than synthesis of traditional small molecules.

So, when you look at the business from the prism of small molecules, peptides are far more complex and therefore, they are far more value creating if you're able to make them. And because of the explosion of these GLP-1s for metabolic diseases and other indications, there are a lot of molecules out there that are peptides and there is a need for CDMO services for these peptides, especially on the NCE side. That's the area we want to target because we believe that as a small company, we have a lot of opportunity in that area, which is the point that was being made earlier to Sajal.

Moderator: The next question is from the line of Bharat Shah from BCS Capital Ideas Limited.

Bharat Shah: Yes. Over many quarters and years, actually you have been very fair and consistent in guiding about the character of the business and inherent up and down character of the business, so that quarterly kind of precision that unfortunately investors are looking for all the time is something which is not inherent in the business. And you've been very, very fair and consistent in guiding the kind of rough gravy trend the Neuland business is.

You made a comment that compared to FY24, FY26 has finally registered a meaningful growth. If you regard FY25 is a blip, but after all the ups and downs over this 2-year period, the growth is about roughly 10% compounded over this 2-year period when we measure it from FY24 to FY26. So, for all the so much volatility, relative underlying velocity of output finally is somewhat underwhelming? Or am I being unfair in saying this?

Saharsh Davuluri: Yes. Thanks for the question, Bharat. I think whether it's underwhelming or overwhelming, I think those are individual deductions and I think certainly not our place to comment on it. I believe that the kind of growth we've demonstrated and the growth we aspire to is, I think that's what we are talking about. I think the 18% to 20% CAGR that we talked about is potential that we see.

And I think the kind of growth we have seen in FY26, where we ended at INR2,000 crores, I think we talked about it on the base of FY24, which was, I think, at about INR1,500-plus crores. So yes, I think when you pick a period of time or a frame of reference, I think the numbers will kind of not be as promising or as attractive as the management may portray it.

But nonetheless, I think we look at a longer horizon. And in fact, when I even talk to investors about 18%, 20% CAGR, I'll just talk about it over a 5-year period, and I always talk about it as aspirational. So, I would just ask you to look at those comments in that context. But I would not probably get into a debate in terms of whether this is attractive or not. I think that's for you to decide.

I think the business that we have built, I think, is very attractive. And I think the base we have today in terms of the pipeline and the potential we have is fairly strong. So, I think it is an attractive business. But I really don't want to either agree or challenge the hypothesis that you made.

Moderator: The next question is from the line of Harshit Dhoot from Dymon Asia Capital.

Harshit Dhoot: Sure. So, Saharsh, we are in the peptide capability from last 16, 18 years. We are working on that. We have developed several molecules from basic to complex range. Now we are putting the capacity also. So from an investor's point of view, seeing the company from 5 years and more than 5 years down the line, this category in itself has the potential to create one more Neuland in terms of numbers?

I don't want to know the name of the specific molecule, specific capability. Just what the company

is building and how should investor look at it from next 5 years perspective? Is it fair to assume that this category in itself has a potential to create one more Neuland in terms of numbers?

Saharsh Davuluri: Yes. See, I think if you look at the market potential, I think we've also had outside consulting firms evaluate this space before we committed to our peptide investment. We were told that it's a $5 billion, $6 billion, just the CDMO space, $5 billion, $6 billion market opportunity, and it has a very healthy CAGR as an industry because there's a lot of GLP-1s coming in.

It's not just about the weight loss drugs that have been commercialized, but it's also about the next gens, not just from the large companies, but other companies as well. So there is a plethora of development candidates, which are peptides. And that creates a very attractive value proposition. So, I think the short answer is that it has the potential to create another Neuland for sure.

It may take a few years, it may take more than a few years. I think that really depends on the nature of the opportunity. I think from Neuland point of view, I think we are looking at this business as a current capability plus peptides. So, we're not really looking at leaving our small molecule capabilities. We are looking at adding that on.

And we think there's a lot of magic that can happen between small molecules and peptides. There's a lot of also work you can do on the small molecule side, which lead into the peptide business. So, I think aggregately, it will be a very exciting business model. How big this business can be, I think, really depends on how the opportunities play out.

Our goal is simply to just be kind of one of the on the forefront, at least from our part of the world and make investments, be ready and create the opportunities. But we really have to see how it plays out. It's kind of like the CDMO story we were talking about 5, 7 years back the CMS business was like 10%, 15% of our total revenues, we knew that it has potential, but we were not quite sure how it would scale up. I think we're in a similar kind of a situation with peptides where we believe it will grow. But obviously, we also don't want to get ahead of ourselves by making it sound concrete.

Moderator: The next question is from the line of Raghunath, an Individual Investor.

Raghunath: Yes. Sir, how we are using the AI for our operations for manufacturing processes? Are we gaining some advantage because of using the AI?

S E Medikonda: So, Raghunath, thanks for your question. I think at this stage, we are in terms of manufacturing, we are still exploring. I think there are certain areas in, say, R&D and certain other operations where we have done a few pilots. I think that is where we are at this point of time.

Saharsh Davuluri: I think there are three basic areas of AI. And I think the base layer, which is trying to get repeat tasks or tasks which are kind of redundant if you can get AI to use them. So, I think R&D is definitely one area as Sajeev talked. In manufacturing, I think the only area that we are exploring is if we can get AI to scan a lot of manufacturing data and be able to point to where the root cause of investigations are I think that's an area that's being explored. But I think it's still very early days for us, but we're very committed towards bringing in AI applications meaningfully into the

business.

Moderator: Ladies and gentlemen, that was the last question for today. I would now like to hand the conference over to management for closing comments.

Sajeev Medikonda: Good evening, everyone. Thank you once again for your interest in Neuland and for your questions, which helped us to also answer as well as think a little bit more about the business. Even as we probably haven't been able to answer all the questions in the queue because of the paucity of time, please do reach out to Ravi of EY in case you have further questions. With that said, good evening, everyone.

Moderator: Thank you. Ladies and gentlemen, 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)