Neuland Laboratories Limited
11th floor (5th level), Phoenix IVY Building,
Plot No.573A-III, Road No.82, Jubilee Hills,
Hyderabad-500033, Telangana, India.

CONTACT
040 6761 1600 / 6761 1700
neuland@neulandlabs.com
neulandlabs.com

February 14, 2025

To

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

Scrip Code: 524558

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

Scrip Code: NEULANDLAB; Series: EQ

Dear Sir/Madam,

Sub: Transcript of the Earnings call conducted on February 11, 2025

Pursuant to Regulation 30 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed the transcript of the Earnings call for the quarter and nine months ended December 31, 2024, conducted on February 11, 2025. Also please note that this transcript of the call has been uploaded on our website.

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

This is for your information and records.

Thanking you,

Yours faithfully,
For **Neuland Laboratories Limited**

SARADA BHAMIDIPATI
Digitally signed by SARADA BHAMIDIPATI
Date: 2025.02.14 14:45:23 +05'30'

Sarada Bhamidipati
Company Secretary

Encl: As above

“Neuland Laboratories Limited Q3 and 9MFY25 Earnings Conference Call”

February 11, 2025

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

MODERATOR: **MR. RAVI UDESHI – ERNST & YOUNG**

Moderator: Ladies and gentlemen, good day and welcome to the Neuland Laboratories Limited Q3 and 9MFY25 Earnings Conference Call..

As a reminder, all participle lines will remain 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 the operator by pressing '*' then '0' on your touch-tone telephone. 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, Ryan. Good evening, friends. We welcome you to the Q3 and 9MFY25 Earnings Conference Call of Neuland Laboratories Limited.

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

We will start the call with a brief overview of the financials by Mr. Abhijit Majumdar and then Saharsh will give you broad highlights of the business trends and what he is playing in the market and post this we will open up the call for the Q&A 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.

Abhijit Majumdar: Thank you very much, Ravi and a good evening and warm welcome to each of you for joining our call.

The financials are as follows for Q3.

Total income is Rs. 401.9 crores which is a slight increase of 1.8% year-on-year as compared to Rs. 395 crores in the same period. This growth was driven primarily by the prime GDS and specialty business. As said consistently that the, like to point out that the inherent nature of our overall business is uneven on a quarter-on-quarter basis. As we mentioned in earlier calls FY25 is expected to be flat. Our EBITDA excluding exceptional items of Rs. 55.8 crores stood at Rs. 90.3 crores with a margin of 22.5%.The decrease in contribution is attributed to the business mix and increase in operational expenditure leading to a decrease in EBITDA in Q3FY25 as compared to Q3FY24 where the EBITDA stood at Rs. 122.7 crores.

Now coming to the specifics. The gross margin for the quarter was 53.2% as compared to 59.8% in Q3FY24. This gross margin as always includes manufacturing expenses and other costs directly attributed to the product. The profit after tax was Rs. 101.4 crores as compared to Rs. 80.7 crores in Q3FY24. This includes an exceptional item of Rs. 55.8 crores arising from the sale of investment property. The quarterly EPS stands at Rs. 79 per share.

For the 9MFY25 ended our revenue stands at Rs. 1,161.5 crores versus Rs. 1,180.8 crores, a marginal degrowth of 1.7%. EBITDA excluding exceptional items of Rs. 76.4 crores stood at Rs. 284.6 crores in the 9MFY25 as compared to Rs. 362 crores in 9MFY24. We continue to focus on cash to optimize our working capital which stands at 111 days of sales. We generated a free cash flow in the nine months of Rs. 70.8 crores. We also paid some of our term loan debt of around Rs. 27.2 crores. Consequently, our net debt position stands at a negative Rs. 185.1 crores.

As part of our investments, we have invested Rs. 147 crores in capital spends during the nine months and we are committed to balancing growth and profitability by continuously optimizing costs and processes to ensure long-term sustainability. While we expect FY25 to be flat, we remain confident that our business will regain momentum from FY26 based on significant order pipeline and customer demand. Overall, we continue to be cautiously optimistic about our future, potential that our business holds.

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 to the call. Over the years, Neuland has steadily established itself as a dedicated API solution provider, possessing in-depth expertise in extensive complex chemistry capabilities. And we're collaborating with both innovators as well as generic formulators to create a healthy world.

So, before talking about this quarter, I would like to reiterate a few points which we have made in the past. Our business is uneven due to the inherent characteristics of the CDMO business, as well as the specialty GDS business, which is focused on small volume products. As a result, evaluating Neuland's trajectory on an annual basis is perhaps a more accurate measure than comparing quarter-to-quarter results. Again, there may be the odd year also where the trajectory will not be clear due to the specific mix or how products are taking off. However, the completion of manufacturing facilities coupled with the scaling up of commercial molecules on the CMS side gives us a great deal of confidence of achieving our stated objectives in FY26 and beyond.

We continue to see increased interest in customers wanting to partner with Neuland as they look to bring in their innovative medicines to patients. And I think many ways this can be attributed to three factors. I think one is our reputation is continuing to grow as a result of the work we've done over the last couple of decades, especially on the CDMO business. Our business development teams who are also seeking new relationships are getting increasingly focused on finding the right opportunities that actually fit our long-term strategy. So, being very selective, very decisive in whom we want to work. The macroeconomic factors which we all have been talking about also have been favorable to us. And therefore, we are enthused by the range of customers expressing their interest in working with us. And that's what's kind of giving us excitement about this business.

Coming to this quarter. The CMS revenues were about Rs. 156 crores as stated earlier. They were driven largely by molecules in the commercial segment. As indicated last quarter, one of

the molecules in the CMS segment got recently commercialized. We are seeing good traction in terms of early-stage projects as well as customers reverting to us with more projects in their pipeline. So, we expect the buoyancy in the CMS business to continue going forward and don't have any concerns at the moment.

On the GDS side of the business, we remain focused on innovating new specialty products while optimizing processes and expanding market share for the key commercial API's. The specialty API business actually the growth is back on track this time If you recall the last quarter, I think the growth was weak and this is largely driven by Paliperidone and Dorzolamide this time. In the prime segment, the strong products for us this quarter were Mirtazapine, Ezetimibe and Escitalopram. And we are confident we are on course to meet the overall targets for the GDS segment for the year.

I would like to emphasize the inherently variable nature of our business, which makes it challenging to provide any form of guidance. But having said that, in the manner in which the orders are currently taking shape, we expect FY25 to close on a relatively flat level, which is in line with the comments we had made last quarter as well.

And on a side note, I am happy to share that Neuland has increased its S&P ESG rating to 70 compared to 64, which was the previous rating we had. And further, Unit III, our newest manufacturing site, has recently been awarded the prestigious Sword of Honor award by the British Safety Council.

Another reminder from our previous interactions, we continue to maintain that there are a variety of factors that could influence our projections. These include performance of individual products, foreign exchange fluctuations, raw material cost volatility, and other dynamics of the business. We are aware of these challenges and continue to monitor these variables very closely. Regarding future capacity building, we are progressing as planned towards completing the new production block in Unit III and expect to commence commercial production in FY26, which is also going as per plan.

As many of our long-term investors know, Neuland has invested in the peptide space for the last 15 to 17 years. We, in fact, have a team of around 50 peptide chemists who work in our R&D side, and they have delivered multiple projects at lab at small scale. We've now reached a juncture where we need to enhance our peptide capacity to scale our business to the next level, even as we have received a lot of interest from customers in our capabilities and as we all know peptides are being considered a new modality for increasing the number of therapies. So, this led to the announcement of the capacity enhancement for which you would have seen the press release and the disclosures.

Neuland flexibility and agility are crucial for effectively responding to the business environment and our growth strategy remains focused on pursuing high value molecules from innovative companies, both on the CMS side and the GDS side. And we are committed to enhancing customer experience, which we believe that distinguishes us as a distinctive API provider. So,

our commitment to the future is evidenced by our investments in enhancing our capacities as well as capabilities adhering to our foundational values of customer centricity, agility and operational excellence. Neuland is well positioned to capitalize on long-term opportunities, even as we continue to navigate any short-term challenges that may come our way.

So, having said this, Ravi, I request you to open it up for Q&A.

Moderator: Thank you. We will now begin the question-and-answer session. The first question comes from the line of Ayush Agarwal from MAPL Value Investing Fund. Please go ahead.

Ayush Agarwal: Good afternoon, sir and thanks for the opportunity. Sir, my questions are on Bempedoic acid. I wanted to understand more on the supply chain. As I understand, there are two players currently marketing in distinct geographies and we share a relationship with the innovator. So, do we also share a relationship with the Europe partner because they are to shift their manufacturing supply chain to the Europe partner and can that affect us if we don't integrate ourselves in their supply chain?

Saharsh Davuluri: Sorry, we will not comment on any specific CMS molecule. So, if you have any other questions We would be happy to answer them.

Ayush Agarwal: Okay on this one, maybe you can say what is the current capacity of Bempedoic acid and what are we expanding it to?

Saharsh Davuluri: Sorry, Ayush. We don't respond to any questions on a specific CMS molecule because of the confidential nature of the business. So, therefore we would not be able to comment on any question that you ask about a specific CMS molecule. So, I would encourage you to ask a question about the CMS business or anything about it or about capacities in that front. But unfortunately we will not be able to answer any product specific question. I am really sorry about that.

Ayush Agarwal: Understood, I will join back the queue.

Moderator: Thank you. Ladies and gentlemen, please restrict yourself to two questions per participant. The next question comes from the line of Shyam Srinivasan from Goldman Sachs. Please go ahead.

Shyam Srinivasan: Good evening and thank you for taking my question. Just on the peptide announcement, Saharsh and team if you could, Rs. 254 crores is what I think we have articulated. So, how should we look at that in terms of what are the next steps in terms of the timelines? I know you don't talk specific clients but is this tied to a CMS client or are you doing it for the generic GLP-1? So, some color around the entire peptide project and when can we expect like timelines and monetization of these assets?

Saharsh Davuluri: So, the investment itself, it kind of spread across three different domains, largely for creating a new large scale manufacturing facility in unit one. But a small part of that approved investment is also for enhancing the capabilities of our existing peptide facility which is also located in unit

one. So, think of it more as a pilot scale peptide facility. And another small part of that approved CAPEX is for enhancing the R&D scale peptide capabilities. So, in many ways, this entire CAPEX, I would say majority is going into creating a large-scale facility which does not exist today. A small part into the pilot facility and a much smaller part into the R&D facility. And the idea is that with this investment, we will have seamless capabilities from lab to pilot to commercial for peptides. Having said that, the idea is to create facilities which would be usable for both the GDS business as well as the CMS business. And unlike some of the other investments, these are not product-specific investments. So, to your question, there is not one anchor product or one anchor customer for which this investment is being made. We are looking at it as an opportunistic investment to kind of take us into that peptide domain by giving us a larger piece of infrastructure. So, the plan is to file maybe two DMFs for the generics business. One of it would be a GLP-1 tirzepatide and this is public information. We've disclosed it before. And another peptide called difelikefalin. Both are generic peptides. These would be scaled up in that new facility and a DMF would be filed. Other than that, there are also CMS opportunities which are currently either under R&D or under discussions with customers. And those could potentially be future projects for that peptide facility. So, the idea is to have a mix of CMS and GDS projects and if the business continues to do well and we have successful projects, then there could be subsequent investments, which we will take up in the future years to further enhance the capacities. So, that's the broad overview of the investment. At the moment, we don't have any definitive visibility on revenues or products or cash flow. So, we will have to see how it goes. It will probably take 3 to 5 years to ramp up this investment.

Shyam Srinivasan: Very helpful context. Just some follow-up. And I will take the second question if it is okay, is on when we talk about peptides are we also in GLP-1 category or these are broad-based these could be non GLP-1 as well?

Saharsh Davuluri: I think GLP-1 is also falls under the domain of our capabilities, it's a synthetic peptide so anything that's a synthetic peptide would fit into Neuland capabilities. Tirzepatide is one of the products we are developing for the generics market. That is actually a GLP-1 category product. The other GLP-1s we are evaluating, but it's too early to say.

Shyam Srinivasan: Understood. Last question on this is on the size, the capacity right, we will probably reach 6.4 kiloliters over time. First, in terms of landscape, if you look at the WuXi of the world they are at 40 KL going to 100KL. So, do you think this is a meaningful scale and will help you win orders globally?

Saharsh Davuluri: I think, Shyam, unlike our small molecule business, right, where 1,000 KL means something very definitive, in peptides, this whole KL business is a little tricky. So, I am not quite sure if it's an apples-to-apples comparison. From what we know about the space, and I think based on, you know, all the work we've done, we believe it's a substantial investment and it is a fairly large scale facility and it should provide meaningful volume of peptides. But yes, again, I don't know much about the infrastructure of WuXi, so it's difficult for me to compare, but I know it's a big jump up and it would probably be one of the large peptide facilities at least out of India.

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

Sajal Kapoor: Thanks for taking my question. Good afternoon, all. Only two questions I have. First is, any thoughts that you could share around this sudden kind of almost U-turn type of thinking from big pharma, big global innovators, they are now returning back to small molecule spaces. And there is a pattern developing. And this is not in the last one month or two. I mean, if you look what they have done over the last, let's say 18 months in particular, if not after COVID, there is a definite desire and intensity to come back to small molecules. I mean, is it related to patient compliance? The oral molecules are easier to administer or is it something to do with the cost or a combination? I mean, what is, because the reason I am asking is previously Big Pharma's statements was that biologics will rule the world and small molecules will be done and dusted with the R&D?

Saharsh Davuluri: Maybe just a short response because obviously we are not the experts in commenting on, the broader theme that you are referring to. I think definitely what you're saying is true. There is seems to be some sort of reversal in terms of the pipelines, so to speak. I think what we have been told is that sometimes companies are just pursuing a therapeutic area. Let's say a big pharma wants to go big in CNS. Now ultimately they are pursuing CNS assets because they have a CNS infrastructure. And ultimately if it's a small molecule, then it's a small molecule. If not, it's a biologic. That's the only limited understanding we have. But you're right, as in there seems to be some sort of reversal, maybe because costs are more attractive in small molecules. Maybe the formulations are more easier, but again, not the experts to comment further on that. Sorry.

Sajal Kapoor: No, that's absolutely fine. Thank you for that, Saharsh. A question for you, Abhijit. so, you mentioned the free cash. I am asking about operating cash. What was the nine month operating cash after adjusting for all the working capital? So, the nine-month EBITDA is about Rs. 272 crores. How much of that has been converted to net operating cash adjusted for working capital?

Abhijit Majumdar: Operating cash net of CAPEX is Rs. 70 crores.

Sajal Kapoor: No, including CAPEX, what is the operating cash?

Abhijit Majumdar: So, 70 plus 147. You can take that to 217.

Sajal Kapoor: Okay. So, this is out of Rs. 272 crore of nine months EBITDA.

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

Aditya Chheda: So, this was to better understand the CMS segment. Today in terms of the active CMS projects out of 97, 19 are commercial, but the bulk of them are pre-registration or below. So, whether the development income that is almost down 50% YOY in nine months, is there an element of few molecules driving the bulk of CMS development revenue today? And if you could help us understand better, in terms of your CMS pipeline, since bulk of the projects are still on the

development side, why is there more volatility in development versus commercial? So, if you could comment anything on that?

S E Medikonda: So, I think to answer your question, in terms of the revenues, they are mapped to the actual flows during the course of a quarter and during the course of the year. And as we have said in the past, we expect that a significant, a lot of the growth that we were expecting was going to come in from the commercialization of molecules. In the past, you would have seen that we have had significant revenues even from the development part is because we have had molecules which were ready or which were where the customer was looking to take quantities for launch but the product was not yet approved. So, as a result of that those revenues were recognized as development revenues, but once a molecule is approved and we are part of the filing it moves to commercial and that is why that scales faster and is a higher proportion. Whereas the development quantities are likely to be volatile because we are say waiting for a customer who takes material for Phase-II to come back for Phase-III which may take longer time. So, that largely explains the volatility in development.

Saharsh Davuluri: And I think the commercial revenues tend to be a lot more stable. And I think ultimately, the other factor that matters is different molecules contribute different scales of development revenue. So, while it is a little difficult, maybe even for investors from the outside, but the truth is that development revenues are going to be very lumpy and volatile. And ultimately, I think that's why we try to give an aggregate sense of where the business is heading. But yes, I think for us, for now, commercial revenues are what could be seen as a stable base from an outside perspective. And that's why we give the split between commercial and development.

Moderator: Thank you. The next question comes from the line of Sanjaya Satapathy from Ampersand Capital. Please go ahead.

Sanjaya Satapathy: Thanks a lot for the opportunity. My first question is that when you mentioned your commercial CDMO revenue is much more stable, but in quarter one it was some Rs. 170 crores. From that it has fallen to some Rs. 110 crores-Rs. 120 crores. What could be the reason for this decline, sir?

Saharsh Davuluri: Sorry, which revenue are you talking about that decline?

Sanjaya Satapathy: The commercial part of the CMS business.

Saharsh Davuluri: Yes, I think, commercial revenues, I would not look at the quarter-to-quarter movement to look and maybe call it a decline or a growth, because I think a lot of times these products are lined up to get dispatched across different quarters in a year. And I think the way the mix is coming out is how it is. And as I had mentioned in the opening remarks also, I think our portfolio is doing well, and I think molecules are continuing to grow steadily. So, there's nothing of concern with regards to CMS commercial for the moment. I think a quarter-to-quarter movement is very natural in our business.

Sanjaya Satapathy: If little you can just explain that when this molecule goes from development to commercial, you get to supply for that commercial for several years together, right? It is not as if like it is a very small window of opportunity.

Saharsh Davuluri: Yes, I think typically the way the relation works with the innovator is that once it gets into commercial, we would continue supplying API until the patent expires. And of course, there are a lot of dynamics at play. There could be additional sources that could come in and that could have an impact on the volumes. There could also be, performance of the drug itself that would matter. But when we track these molecules, we are constantly looking at the IP timelines and therefore, that's what we look at. The gap between the development to commercial, as in what could be the waiting period, that again depends, molecule-to-molecule. Sometimes there's hardly any gap. You finish development, and then there's a short break, and then you start commercial. Sometimes you supply development quantities and then they go through an NDA filing and an approval. Sometimes you might have to wait for a couple of years as well. So, it's very hard to have a standard expectation for this transition from development to commercial.

Sanjaya Satapathy: I mean, it has nothing to do with any product not living up to its potential or scale. Because you had given, some 5% to 10% kind of growth guidance at the beginning of the financial year, you had brought it down to about flattish number. So, was it because of the slower response to some of the new products which is commercial or how one should be looking at it? And when we're looking at a better growth from FY26, is it going to be because of more number of products becoming commercial or same businesses scaling up much more?

Saharsh Davuluri: Again Sanjay, I don't think there's any concern per say. I think our business is such that we have limited high value products that contribute significantly. Our revenue and our focus and our budgets are based on our dispatch plans. And a lot of times due to various reasons, things get shifted a little bit. And I think we kind of expecting a moderate growth which was stated earlier and then we kind of revised that to say it's flattish, it has more to do with those dynamics rather than with how the products are performing and as I said it already our products are doing well and I think the CMS business and the GDS business I think whatever we have stated that FY25 is going to be a flattish year, I think is actually an amalgamation of how the products are picking up. But I would not read too much into that change from moderate growth to flattishness beyond what has been already said.

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

Ishmohit: Congratulations for turning around your business over the last 5 years from 12%-13% EBITDA basically operating margins to at least reaching 20 even in the flattish year. So, sir my question was, the FY24 was an inflection year for us? FY25, we understand the train is waiting at this station. Do you think FY26-27 again will be sort of inflection years for us when it comes to our product mix change in CDMO business really accelerating from it?

Saharsh Davuluri: Yes, I think as we had said earlier, we expected FY25 to be a kind of a flattish year, and we also had stated previously that we expect growth to resume from FY26 onwards and therefore we expect our business to continue growth from FY26 onwards as well. But again, we've kind of restrained ourselves from talking about FY26 versus 27 and how that will pan out because I think it's better we kind of look at a slightly broader horizon than try to kind of look at it. But 26 growth should resume. That's something that we want to say it very clearly.

Ishmohit: Sir, second question was that in a pre-commercial stage currently we have 11 molecules, I think 5 in intermediates and 6 in APIs. Are we expecting any of these to go commercial in FY26 or 27?

Saharsh Davuluri: One, at least, maybe two, but we will have to wait and see because again these are still going through trials and filings, etc. But one, we are fairly certain will happen in the next year.

Moderator: Thank you. The next question comes from the line of Sachin Kasera from Svan Investment Managers. Please go ahead.

Sachin Kasera: Hi, sir. Congrats for the progress that we achieved in the last 2-3 years. I just had one clarification. You have one of your slides number 12 in the presentation you have mentioned that the pre-registration of the Phase-III molecules, which used to earlier classify as part of development are now part of commercial. And so this is effective, which financial year you have done the reclassification? So, when you look for the 9MFY25, your development revenues are 116 versus 222. So, in that case, 222 of 9MFY25 includes the pre-registration and Phase-III or anything like-to-like, just a clarification I wanted?

S E Medikonda: Yes, so I think if you look at revenues for 9MFY24, it includes, the classification of development and commercial remains the same. It's only that a molecule which was in say pre-reg phase moved to commercial during the course of the year and I think that moved at the end of Q2, so from Q3 will be recognized as commercial revenue.

Sachin Kasera: Sure. And so when I understand that quarter-to-quarter is not fair, but if we look around 9 months-to-9 months, and if I look at your filing, the number of products in preclinical Phase-I, Phase-II, Phase-III are more or less the same. So, this decline from 222 to 116 is primarily because one large molecule which was earlier where we moved revenue as commercial is not being booked under commercial, is that what is causing this type of sharp decline in your development revenues, 9 month-to-9 month?

S E Medikonda: Yes, that is correct. And I think in general, when there are large increases in development revenue, that is usually an indicator that means either there is a large clinical trial, or there's a molecule where the quantities are going for launch. So, I think those are two indicators, especially when the development volumes go up.

Sachin Kasera: My second question on peptide, we have a fairly large CAPEX. Over a period of time, once it is fully utilized, can you give us some sense in terms of what type of revenue we could see 2-3 years after the commercialization of the peptide block? Thank you.

Saharsh Davuluri: Sachin, at the moment we would not share anything because I think it's a very wide range and I think maybe over time we will probably be able to give a better color because again it depends on what molecules scale up over there and therefore there is a very wide range and it might not be very helpful for you guys. But I think maybe in the course of time, we will try to give a little bit of color on that. But for now, maybe we will just hold off.

Moderator: Thank you. The next question comes from the line of Yasser from M3 Investment Private Limited. Please go ahead.

Yasser: Yes, could you just sort of put in the terms of big pharma, small biotech, and the mix of that? And secondly, typically, when you've seen this increase in projects, how many customers have more than one project with us? Could you give us some sort of?

Saharsh Davuluri: Could you repeat the first question again? It blanked. You said something about Big Pharma, Biotech. But could you just complete that question?

Yasser: Yes, just in terms of your customer mix in these 97 active projects, like have we sort of graduated towards moving towards working with Big Pharma, or if you could give some qualitative sort of insights on that?

Saharsh Davuluri: Sure, and the second one again?

Yasser: And the second one is like, do we have like customers that probably do have more than one project?

Saharsh Davuluri: Yes, so I think the Big Pharma Biotech split is something that we don't have but we're largely a Biotech company and as we stated also in the past. Usually if we are working with Big Pharma it's either for a very specialized area like peptides or it's because Big Pharma has come and acquired our customers We don't have that mix and we will see if we can provide that maybe at a future date But you can presume that we are largely biotech focused. With regards to a multi project customer and we do have several customers that we do multiple projects with and we don't have the number for that maybe that is something that we get back to you. But I would say maybe at least 20%-30% of projects are second or third projects with the same customer and its just an intuitive number.

Yasser: As you sort of alluded to earlier, when a Big Pharma company acquires our customer, so what be your experience over the years where you've seen, they switch over to, maybe someone in their CDMO sort of value chain, or do they tend to persist with, Neuland and if you could sort of share some experience over the years, like how does that play out?

Saharsh Davuluri: Yes, again, maybe this will be a generic response based on our own experiences. What we have observed is that because there is a regulatory filing involved and Neuland is registered as an API manufacturer, there is anyway a certain level of stickiness that is involved with our site. So, it's not very easy to displace Neuland as an API company even the Big Pharma is not very familiar. So, its point number one. Point number two, I think even from a Big Pharma perspective I think they just look at things from a risk point of view and as long as they feel comfortable that this company that is currently producing the API is not going to create any significant risk for their API supply, they would tend to continue working with us. That's the second point. Third point is ultimately I think the long-term relationship is dependent on our ability to execute and deliver. And I think that's where the relationship is built. And I think that's the journey that Neuland has is kind of going in right now. But I think just given the advanced nature of these programs, even if there is not a lot of familiarity with Big Pharma, we have not seen any kind of reluctance or hesitation to work with a new API supplier, provided the risks are manageable. And I think that's where Neuland stands out, because our facilities, in terms of our quality management system, in terms of our ESG practices they all are top tier, not just in the country, but even at a global level. And that also creates a certain level of comfort for these large MNCs when they come to evaluate Neuland as an API company.

Yasser: Fantastic, that was really helpful. Secondly, on the prime and specialty side, I just wanted to sort of get a long-term vision here for this business in terms of like, eventually do you plan on probably becoming a cost leader in a few molecules? What are your thoughts on sort of backward integrating in some of them? And do we look at this sort of the prime and the specialty piece more as a capacity utilization play to sort of combat the cyclicality of the CMS business? Or is it like that, as I said earlier, do you want to become a cost leader and eventually a market leader and some key molecules on the portfolio. If you could shed some light, that would be really helpful?

Saharsh Davuluri: Yes, sure. See, I think Neuland as a company, I think for us, the GDS business is as important for us as the CDMO business. And in many ways, they're not really competing with each other, right? Because ultimately, there's a lot of synergies in these businesses and they cater to different customer segments. And because of that, our strategy over the long term is to pursue both the businesses environmentally. However, the way we have nuanced our approach in the GDS business is to try to move a little away from prime and go deeper into specialty. And we believe that going into specialty gives us the ability to command that market share leadership, which sometimes is very difficult to achieve in the prime products where price tends to be the key determining factor. So, I think over a long-term perspective, I don't want to get into the growth rates and the business mix because again that's too detailed kind of guidance that we would give but ultimately both businesses our idea is to grow them to their best potential. Even if you take the example of the new peptide facility, it has been designed to cater to both GDS customers and CMS customers. And ultimately, what products, what segment will do more revenue in the peptide facility remains to be seen. So, I think that's the effort. And but however, I think we will not focus as much on prime just because it's not really area of our strength to compete on price, but we will focus more and more on specialty products. And eventually, a molecule like peptide will also become a part of the specialty portfolio.

Moderator: Thank you. The next question comes from the line of Rahul Bhardwaj, an Investor. Please go ahead.

Rahul Bhardwaj: Thank you for the opportunity and congrats on the numbers. So, one question, great performance over the last decade, I think more so over the last five years. How should we as investors kind of look into this trajectory? If you can kind of color this, what are the company's expectations for the next 5 to 10 years? How do you see the business mix changing? And I know you won't give guidance but in terms of numbers your PAT has grown round about 30% in the last 10 years I don't know maybe 70% plus in the last five years. Should we look at the growth in the last five years more of an exception? How should we kind of look into this data and how do you see the business going in the next 5-10 years. I think just to add, I think in the past, we've kind of focused on moving from Prime to Specialty in CDMO side of business. If you can give a bit of color into this, that will be helpful for everyone, I think.

Sucheth Davuluri: Thanks for your question. Saharsh, alluded to this in his previous response. But just to reiterate that, I think going forward, we have equal emphasis in terms of growing our genetic business as well as our CDMO business. Our sweet spot in the CDMO business is to work with biotech companies which have molecules all the way from pre-clinical to Phase-III, all the way to commercialization. On the generic side, we focus more on the specialty APIs, where the barriers to India are much higher. Obviously, many years ago, 80% of our revenues came from prime sort of products, but over the years, we've systemically focused on developing molecules with higher barriers to entry, more IP protecting it, and our ability to hold on to our market shares for a longer period of time. I think in terms of efforts, both in terms of capital expenditure, the resources allocated, the number of molecules that we select, the life cycle management that we do, our supply chain strategy, everything is geared in the organization to make sure that we focus on both of these segments equally. Obviously, we see the CDMO business to have a little bit more potential because the market is larger, and we still look at ourselves as an organization that can gain a lot more market share on the CDMO side, and therefore you see higher growth in that business as well. But from an emphasis point of view, it's going to be equal going forward.

Rahul Bhardwaj: Thank you for your response. I think I had one pending question from some of the previous calls, which was in regards to any thoughts on stocks that the management would have thought about if it's good or not good for business and investors, if there's any update on that?

Sucheth Davuluri: No specific update at this point of time, but obviously the board of the organization from time to time does examine this sort of issues from a shareholder point of view, but currently we don't have any specific updates.

Moderator: Thank you. The next question comes from the line of Gaurav Mahidhar, an Investor. Please go ahead.

Gaurav Mahidhar: Hi. Firstly, I would like to thank the management for being so forthcoming and honest with the guidance. It really makes a difference. Thank you so much for that. So, I have a couple of questions. I will try the first one. What percentage would the cost of an API form for an NPE

from an innovator's point of view? I guess it would vary from molecule-to-molecule. And if my guess is correct, what are the factors that affect it? Like does the complexity or a certain scale of manufacturing required by the API supplier affected? That's the first question.

Saharsh Davuluri: It's actually, I think maybe this question was asked in the past and it's a very difficult question to answer because there is a very wide range of what percentage an API could be in terms of the final drug product pricing. We've seen products where it could be as high as 10%-12%. We've seen products where it's like 0.1%. And honestly, I think it's very difficult to be able to determine even for us what would be appropriate number to take. So, I think maybe it's a very, I am not quite sure how much we can help you on that front. So, maybe if you can go ahead and ask your next question.

Gaurav Mahidhar: Alright, no issues. Like we currently garner 40% of our revenues from the US if push comes to shove. How will import tariffs affect us and our supplies to the USA?

Saharsh Davuluri: I think, we have considered all possibilities, and we have also as part of our enterprise risk management, we kind of look at all kinds of risks including tariff risks, geopolitical risks, etc. I think just looking at all possible scenarios, I think one thing to consider, I think just from a Neuland perspective is that we make APIs, right? We don't do drug product. And most of the APIs we make are, the alternate sources are either in China or in Europe or in India. There's not a lot of captive capacity for these APIs in the US. And therefore, it seems very unlikely that tariffs could be affecting our business directly. But having said that, I think also take into consideration that for most of the products we operate on both in the GDS and CMS side, we are typically one of the only suppliers or maybe one of the two suppliers and a supplier risk would actually harm US patients. And that's also something to be taken into consideration. And yes, so I think for us we will have to figure it out. I think worst case, also understand our business. We, I think almost all our CMS as well as GDS specialty customers consider us to be partners. And if something substantial like a tariff would happen, we would work with the customer to ensure that that tariff cost is absorbed by the customer to ensure that there is a seamless supply of material. I think these are the few responses maybe I can offer

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

Meet Katrodiya: My question was on, in the cardiovascular segment, one cholesterol-lowering drug therapy is doing very well in the global market, right? So, what factor does Neuland consider to gain more market share in the supply chain?

Saharsh Davuluri: I think it's again a difficult question to answer, right, because the product you're referring to falls into our CMS business. And again, we will not be able to talk about product specific questions due to confidentiality reasons.

Sucheth Davuluri: The only thing I will add to what Saharsh said is that I think as an organization, we focus on making sure that we are delivering the product on time, on the quality, on the compliance, as

well as maintaining a competitive position. So, basically based on our history, what we've seen is that the market share that we gain is directly proportional to how we perform from a customer perspective and that's why we focus. The wallet share or the market share is a direct outcome of that. Thanks.

Meet Katrodiya: So, growth guidance for which you are giving for FY26 and beyond, is due to the visibility in this cardiovascular API or any other molecule which drives the growth? Only this.

Saharsh Davuluri: I mean, I think the outlook we've given about growth resuming in FY26 is at an aggregate business level. It is not at a segment level or at a product level. So, what we would like you to just take away from our message is that you can expect Neuland's business to grow in FY26. It grew well in 24. It was flat in 25. And you can expect the growth to come back in FY26. I think that's the only message we have given. Beyond that, we will not be able to give any further details to it.

Moderator: Thank you. The next question comes from the line of Sanjay Kohli from Goldstone Capital. Please go ahead.

Sanjay Kohli: Yes, good afternoon and thank you. So, I just wanted to understand that essentially we are a 100% chemistry company. So, when we supply to the biotechs, what happens? There's a further biological manipulation of our products, and then in some plant overseas, it gets developed into a biologic in case of the CMS and in case of the generic, either biologic or biosimilar? Is that what happens basically, because essentially our customers are biotechs?

Saharsh Davuluri: No, I think maybe the confusion also comes because we call these companies as biotech companies but essentially these are all small molecule companies. They don't really do any biotechnology work or they don't do any biologics. The products Neuland makes are all small molecules, so they are synthetic and chemistry based and they are not biology based. It works similarly in the generics business. Our customers, these biotech companies procure the API, they get them formulated at another CDMO, packaged and then sold. But the entire product value chain is only synthetic and there is nothing to do with biology. I think perhaps what can create a confusion sometimes is that because the industry nomenclature calls these small and mid-size US-based companies, they are called as biotech companies. Ironically, although they don't do biotechnology, they are called biotech companies. But as you know, we are not in the biotech space. And therefore, we are not involved in creation of any biologics. I hope that clarifies. I know it may not be a comprehensive answer, but I hope it helps.

Moderator: Thank you. Ladies and gentlemen, due to time constraint, we take that as the last question. I now hand the conference over to the management for their closing comments.

S E Medikonda: Yes, thanks. Good evening, everyone. We want to thank you for taking the time and participating in the call. Your interest and the questions help us think deeper about the business and the future. We hope we have answered all your questions, and in case of any further questions or feedback, please reach out to Ravi Udeshi of EY. Thank you all once again and wish you a good evening.

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

(This document has been edited to improve readability)