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February 04, 2025

BSE Limited **Listing Department-** **Phiroze Jeejeebhoy Towers** **Dalal Street** **Mumbai- 400001** **Scrip Code: 544292,** **ISIN: INE013P01021**	**National Stock Exchange of India Ltd** **Exchange Plaza, C-1, Block G,** **Bandra Kurla Complex,** **Bandra (E)** **Mumbai – 400 051** **Symbol: ONESOURCE**

Dear Sir/ Madam,

Subject: Transcript of investor call held on January 29, 2025

Pursuant to Regulation 30 read with Schedule III, Part A of SEBI (Listing Obligations and Disclosures Requirements) Regulations, 2015, (herein referred as LODR) the transcripts of the investor call held on January 29, 2025 is available on the website of the Company at https://www.onesourcecdmo.com/investor-relations/stock-exchange-intimation/.

You are requested to kindly take the same on record.

For and on behalf of
OneSource Specialty Pharma Limited

A. Trisha Digitally signed by A. Trisha Date: 2025.02.04 17:29:58 +05'30'

Trisha A
Company Secretary and Compliance Officer
Membership Number: A47635

"OneSource Specialty Pharma Limited

Q3 and 9-month FY25 Earnings Conference Call"

January 29, 2025

MANAGEMENT: **MR. ARUN KUMAR – FOUNDER – ONESOURCE SPECIALTY PHARMA LIMITED**
MR. NEERAJ SHARMA – CHIEF EXECUTIVE OFFICER & MANAGING DIRECTOR – ONESOURCE SPECIALTY PHARMA LIMITED
MR. ANURAG BHAGANIA– CHIEF FINANCIAL OFFICER – ONESOURCE SPECIALTY PHARMA LIMITED
MR. ABHISHEK– ONESOURCE SPECIALTY PHARMA LIMITED

Moderator: Ladies and gentlemen, good day and welcome to the OneSource Specialty Pharma Limited Q3 and 9-month FY25 Earnings Conference Call. As a reminder, all participant 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 star, then zero on your touchtone telephone. Please note that this conference is being recorded. I now hand the conference over to Abhishek from OneSource Specialty Pharma Limited. Thank you and over to you.

Abhishek: Thank you. Good afternoon everyone and thank you for joining us today for the inaugural earnings conference call of OneSource Specialty Pharma Limited for the Q3 and 9-month end date for the FY25. We are pleased to have with us Arun, Founder, Neeraj, CEO and MD and Anurag, CFO who will walk you through the key business and financial highlights for the quarter.

I trust you have had the opportunity to review our results release and the quarterly investor presentation, both of which are available on our website as well as the Stock Exchange website. The transcript for this call will be posted on the company's website within the next week.

Please note that today's discussion may include forward-looking statements which should be viewed in light of the risks inherent in our business. Should you have any further questions after this call, our Investor Relations team will be happy to assist you.

I now hand over the call to Arun for his opening remarks.

Arun Kumar: Thank you Abhishek and good afternoon everybody. Thank you for joining us amongst a very busy day of several earnings calls. We appreciate your time. Before I let Neeraj and Anurag take over this call, I just wanted to express my gratitude to all our shareholders, especially the Strides shareholders who steadfastly supported the evolution of OneSource. It's been a 7-to-8-year journey with a lot of support from the parent organization and I'm delighted to say that OneSource has today morphed into a very special business that we had planned over the last two to three years.

In this process the shareholders of Strides have been extremely supportive with all the resolutions to support Stelis at that time and then the formation of OneSource. Several of our partners worked tirelessly to get OneSource to where it is today and I'm extremely delighted with how we have evolved as a company, a very differentiated company, but more importantly a good listing and a good outcome.

I'm also pleased that all of this has resulted in persistence for the Strides shareholders and the compounding value that has been created. Almost 8,000 crores has been delivered in this process and this continues to be our theme for several years and this is our second big distribution value unlocking after Agila and by far the largest, so we are very delighted that we continue with this strategy.

We believe that OneSource is poised with strong leadership under Neeraj and his colleagues to deliver an outstanding result. Today is the beginning of that journey where we believe that the opex leverage and the space that we are in will play through and will create significant value going forward.

With that, I will hand over for the call to be continued by Neeraj and followed by Anurag, our CFO. Thank you.

Neeraj Sharma: Thank you Arun and welcome everyone for this very first call of OneSource. We are all very excited and at the same time really humbled by the interest in our listing and also in this call. Just as a quick background about myself, I have been part of the group for 4 years as a CEO of the CDMO business, been in the industry for 3 decades and have been very fortunate to have lived and worked across multiple countries across the globe. Today I am very keen to share with you our journey as OneSource and also what we have as vision for the future.

Before I start, I will take some time to explain to you the genesis of OneSource. Why OneSource, the whole inception was basically coming from our customers' desire to simplify supply chains, to go for one-stop-shop providers, especially in the areas of CDMO. And obviously, we in the group had multiple capabilities which it made sense to bring under one roof. So, on one hand, it would obviously help our customers reduce complexity in their supply chain and obviously for OneSource it means a higher share of our customers' wallet.

I am really happy to say that the inception philosophy is really playing out. Today as we speak, when we started OneSource we had no customer which was common across all our service offerings. Today we have got many customers who are common across all our service offerings and several who are common at least with two service offerings, which is what the entire story was on OneSource. And that's how the birth of OneSource happened, which is India's first specialty pharma CDMO.

We are really one of a kind in this business and its for several reasons when I say that we are one of a kind. When it comes to our width of service offering, we are one of a kind. Across the drug device combinations, biologics, sterile injectables, soft gelatine capsules, here at this width we are at par with some of the leading global multi-modality CDMOs.

Then we are one of a kind because of our industry-leading capacities. Across all our service offerings, whether it is our drug device combinations, soft gelatine, we are significantly higher than anyone else. Our one of a kind story remains with the fact that we have a very stellar compliance track record.

I am very happy to share and some of you might have seen our press release yesterday that one of our key sites, which is our penicillin site here in Bangalore, has received EIR from USFDA, just to reinforce our continued compliance track record. Thanks to all these, we are also one of a kind in terms of our industry-leading EBITDA margin profile. So, that's what OneSource is about.

I wanted to give you a background on our business, how we are different as a CDMO. I will now take you to the highlights of the last quarter, which got over in December. Obviously, you are aware that a lot of work happened in ensuring that we had a successful listing in the stock market. As I mentioned, it is a very significant milestone in our journey. The fact that the group is known for a very strong corporate governance and I can tell you that we have inherited the same DNA and same legacy on this front as well as many others. Of course, we are putting together a very highly accomplished board, which we will be announcing soon.

Coming to our numbers, I am very happy to tell you that we have made a very strong debut in our first quarter as an independent company. In the quarter, we delivered a revenue of INR393 crores and an EBITDA of INR143 crores. Especially a highlight on EBITDA, where our EBITDA for the quarter was actually more than the previous two quarters combined and with a very strong margin of 36%.

This is where our biologics and drug device combination business is increasing traction, which is at a very high EBITDA margin. That is what is reflected in our EBITDA margin increase. For a 9-month period, we are at about 1,000 crores, a little over, and an EBITDA of about 284 crores.

I also want to highlight here that for our biologics and drug device combination, which is a key growth segment for us, as you are aware, predominantly the revenue in this year is coming from what we call MSA, which is basically all the revenue from the pre-approval part. Our business actually has got 2 revenue streams, especially when it comes to biologics and drug device combination, which is MSA, which is the pre-approval, and CSA, which is our commercial revenue once the products get approved.

This year, in FY25, predominantly, as I said, the revenue is coming from the MSA part, but in steady state, we would have the ratio actually 80-20 in favor of CSA, which is a commercial revenue. While we reach steady state in a couple of years, we will have FY26, which is basically a cusp year where we will evolve from predominantly MSA to a significant CSA, and we will see how the mix would change from quarter over quarter. We will talk more when we come to you for subsequent quarters.

During the quarter also, we had a number of good wins in our business across all our service offerings. To give you a sense of what these wins are about, just in this third quarter, our MSAs, we have signed more MSA contracts than we did in the full year FY24. Just to tell you that the traction to our services across all modalities is increasing. Our customer base has gone up. We have got today 60-plus logos across all our service offerings, and the fact that, as I mentioned already, a number of these customers are common to more than one service offering. Again, the story of inception is playing out very well.

I would also like to tell you an area, which obviously there is a lot of interest around the GLP-1. Here also, we have increased our customer base. Today, we have got 20 customers in GLP-1, and I can tell you these are who's who of the global generic space. Here also, there are multiple customers, who are our customers for more than one GLP-1. The fact that we have, as we speak, we have got 7 actual or potential NCE-1 programs, including GLP.

The pipeline remains healthy across all, including biologics, which, if you recall, we had mentioned earlier that we have a new biological entity as our first project, which is progressing very well. We continue to see new RFPs. We continue to see increase in visits from innovator companies, whether it is American, Japanese, or biotech companies. As we speak, we have got multiple RFPs open. Of course, our unique position that in biologics, we are having a unique site, which is an integrated biologics, drug substance, and drug product site, which is a huge value proposition for our customers.

In our oral technology soft gelatine business, as you know, we have increased our capacity, and we are right now at the capacity which we have. We are among the global leaders in soft gelatine capsules. A lot of this new capacity has been spoken for, thanks to the new CDMO customers, which we are building. Obviously, as a CDMO, the key to our reputation, apart from our capacity and our capability, is the third C, which is the third C of compliance. As I mentioned to you, our stellar track record remains reinforced. Just in last year, 2024, we have had 36 successful audits, both from regulatory bodies and the customers, including the one I mentioned to you, which we just got EIR yesterday.

Now, what does it really mean as we go into our future? Here, I would like to tell you and reinforce our medium-term guidance. And as we have guided earlier, we will be looking at a growth of anywhere between 25% to 30% on a CAGR basis, and will be a 400 million revenue company in the next 3 to 4 years, with a very significant EBITDA margin of 40%. Here, of course, this growth, a significant part will be coming from commercialization of the products which are under approval, whether these are GLPs or some of the others, as well as the customer base which we have, which continues to expand.

And, of course, because we have, as I mentioned to you, a very significant customer base, and thanks to the fact that these are the global leaders, we also have a very strong demand and a very robust forecast. And based on this, we are proactively expanding our capacities so that we ensure when our customers need the supplies, we are there for them. And for that, we will be investing about 100 million in capex over the next 2 to 4 years. While a significant part of this capex will be towards our drug-device combination capacities, we will also add new capabilities in our Strides injectable space.

So the basic idea is to be very well positioned to capitalize on opportunities. And finally, I would just say that we are hugely excited in what is in front of us, the opportunities, and are fully geared up to execute. This is what I wanted to say.

Thank you for listening. I would now request my CFO Anurag who will run you through the numbers and also tell you the key financial ratios.

Anurag Bhagania: Thank you, Neeraj. Good afternoon, everybody. Thank you for joining our first earnings call as OneSource. As a quick brief introduction, I am the CFO for OneSource, very excited to be building out OneSource through its journey right now. I have over 25 years of experience, 10 plus years of which is largely in publicly listed companies. But what I am excited about is the results that Neeraj briefly talked about. In addition to that, I will also walk you through a little

bit about some of the process initiatives and progress on the NCLT process, but first on the financial performance.

And the top line is something very, very exciting. In Q3, we stood INR3,926 million and growth of about 18%, closer to about INR400 crores for the quarter. And on a YTD basis, we are already exceeding INR1,000 odd crores. We are INR1,189 million. And these are a result of the significant wins and long-term contracts coming through our offerings, which truly reflects the amount of customer trust and the strong belief that they have in us.

On our EBITDA impact performance, we have had a very strong growth. And therefore, the impact on the EBITDA due to the operating leverage that we have in our business, we generated an EBITDA of about INR1,432 million, INR143 crores to be precise. And a normalized PAT. These are the numbers that you can also refer to in our earnings presentation that is uploaded and I am sure, you would have already looked at it.

What is normalized PAT therefore? It is excluding one-time exceptional items. It is excluding interest on discontinued debt. And it also excludes scheme-related amortization, all of which is more like one-time items and not truly reflective of the operating performance of the business. So we have taken that out. And after those adjustments, what we see is our EPS stands at INR7.8 for the quarter on a fully diluted basis. And our return on capital employed is in the mid-30s range and trending nicely towards our future outlook of 3 to 4 years.

Beyond the numbers, there are also very, very significant developments, in terms of some of the process. We went through the NCLT process. This quarter, we got all the approvals in place. And as a result of those approvals, we are now a listed company on the Bombay Stock Exchange and the National Stock Exchange. We are very thankful to all the regulatory bodies, to our professional partners and colleagues –and it gives us a huge amount of confidence in terms of the execution rigor that we are building as an organization for the future of OneSource.

In addition to that, we also had a significant amount of fundraise during the quarter. We raised about 801 crores, 8,010 million, as you would have known. And we've already used half of it to retire some of our high cost and some of our complicated guarantee backed debt. All of these actions will start showing outcomes in the future P&L, as we expect our interest pretty much to go down half of the levels that you see today. We've also significantly reduced our guarantees that were existing in the earlier quarters.

So as you see at the end of quarter three, we are net of deposits and net of cash and cash equivalents about INR5,817 million on our debt, which is INR581 crores to be precise. And we are anticipating a healthy over a medium to long term period debt to EBITDA of less than one. We actually aim to be debt free before end of financial year ‘27.

And the balance amount of cash that we generated, we have kept it aside for our capex program. As Neeraj earlier mentioned, we are eager and prepared for the future in terms of our capacity build-out, and therefore we plan to invest about $100 million. Half of it, it obviously is coming from the capital raise that we did.

And in addition to that, we anticipate a significant amount of cash generation in the business and some customer participation, which will pretty much make sure that all of that 100 million that we want to invest over time, we are taking care of that. Priorities for the quarter is obviously running on this journey further and drive on our integration process as we bring together the businesses to make the future of OneSource.

With that, I invite Abhishek back and open it up for questions.

Moderator: Ladies and gentlemen, we will now begin the question-and-answer session. The first question comes from the line of Nitin Agarwal from DAM Capital. Please go ahead.

Nitin Agarwal: Congratulations, Arun and the team, for a tremendous milestone in getting OneSource listed. Tremendous achievement, congratulations again. I just had two questions. One is, Arun, on the GLP-1 business, the DDC business, this is a little bit of a unique business to your investors out here in India. So in your assessment, how should we be thinking about this business in terms of qualitatively? How should we think about the capacity utilization of the capacity that you talk about as well as linked to it the revenue generation in this business? What framework should we use while thinking about this business?

Arun Kumar: Nitin, you see, this is a business that's evolving in terms of forecasts. So the forecast reliability is a function of constant change. At this time, we know that our existing capacity of 40 million is not enough. We are already expanding capacities as we have articulated in the deck. We strongly believe that we need to add more and therefore we are going almost -- increasing our capacity 5x from the 40 odd million to almost 220 million in the next 3 to 4 years. You are aware that these are extremely long lead times.

Equipments, we are one of the few manufacturers producing GLPs under an isolator system which is hard to get along lead time on equipments and that supports our quality philosophy. I think from a modeling perspective, Nitin, the way to look at this is to, to understand that when we communicate that 20 of the leading generic players are partners. Our experience is that these companies have got significant market share as regional champions or global champions or European champions to kind of support their forecasts with other products that they sell.

So at this time, we say that we have to keep this capacity because we are already seeing on products like Liraglutide where we haven't put much emphasis on onboarding customers but we are seeing whichever customers we have, the volumes are increasing quite nicely. But obviously we are more excited about Ozempic and later Wegovy. And how we see this is that you need to have the capacity to meet increasing demand. We play the risk along with our partners jointly in the sense that we expect our partners to participate in capex or in reservation capacity fee.

Consequently, we have that ability to take those decisions and that is why Anurag has articulated that capex should be from internal accruals because we don't need to borrow to build these capexes. So we are doing this risk share with our partners with a minimum guarantee that our assets are properly utilized. So at this time, it's a blue sky, I can't give you a specific way of doing it but I think we are in a good position.

We think that a large part of the global files that are from the challengers come from our site and therefore we strongly believe that increased capacities would be ideal so that we can use those opportunities that come our way. Yes, so you know, 26 and 27 is a big year.

As you know, the markets form mainly in Canada in January and then in January of 26 and then bulk of it is only in the last week of March. So effective -- and that also will result and that is why in FY26, we will have fluctuating quarters because we obviously are reserving capacity. If our customers do give us money to reserve capacities, then we have to reserve capacities for them. But revenue recognition would be more kind of hard-coded towards the second half of the year.

I think FY26 would kind of be a little bit ambiguous in terms of what exactly can we sell. All the 90 million that we will have before the end of the year, we would like to believe so, but can we sell the 40 million? 100%. So that's how we are modeling our kind of guidance and if you look at our guidance, it's guarded. It's not low ball but it is based on, it's not irrationally exuberant but we are also excited about the possibilities that the plant has the ability from a model and nature of its design that we can expand very rapidly capacities and we have access to those equipments since we already ordered them.

So yes, it's a hard question Nitin. Typically you do have these difficult questions for us but I think you have to play between the 40 million and 90 million in the first phase of our evolution.

Neeraj Sharma: Just to add, I think what also gives us confidence is, our customers have increased the forecast upwards on multiple occasions. So which gives us confidence and that's why we are investing for this capacity.

Nitin Agarwal: Thank you so much. Just one quick one. Arun, when you look at the -- when the recast balance sheet post the restructuring, you see there's a large amount of goodwill because of the accounting method which is used for the merger, or rather restructuring rather, a large goodwill intangible sitting along with a pretty sharp increase in our networth. So, I mean, any thoughts about how to control the size of the -- optimize the size of the balance sheet? Because these are all sort of non-cash items sitting in the balance sheet.

Arun Kumar: Exactly. And we know that it has a negative impact on our ROCE but almost INR5,000 crores has been added because we didn't have common control. We had TPG as our partners and it'll be unfair for us to have expected a common control commitment from them as no PEs would sign up for that. And between TPG and the family office we have the ability to have common control. Had we done this, this would have been a very standard, straightforward process, without this very large amount sitting on our balance sheet.

We are evaluating the possibilities of how to address this very quickly and we are engaged with advisors and consultants and tax advisors mainly. Bear with us and I think we will have more concrete solutions for the next call considering that we've just been listed and we're very preoccupied with our results. Yes, but I think from an operating margin and flow through and the cash flow through, we will have a very significant free cash generation and an adjusted

ROCE of 30% already but then growing strongly. But I think we will find some answers around it.

We're looking at comparable situations on an international basis. We want to be sure that they meet compliance and governance requirements, shareholder approvals, if at all. And we'll come back. But, Nitin, at this time, it's a highly active matter that we are working on.

Nitin Agarwal: Thank you. Thank you so much and best of luck.

Moderator: Thank you. The next question comes from the line of Amey Chalke from JM Financial. Please go ahead.

Amey Chalke: Yes, thank you for taking my question and congrats to all Arun, Neeraj and Anurag for the first call and all the OneSource team. The first question I have is we have around 20 customers on the GLP-1 side. Is it possible to give some clarity on how many of these 20 customers would have already filed the product and how many would be in the MSAs? And how much of these would be for US or Europe kind of geographies and how much would be for RoW? Thank you.

Neeraj Sharma: So, Amey, this is Neeraj. I'll just take your question. Thanks for your wishes, first of all. You know, Amey, as a CDMO, we are in business of keeping confidentiality on who we work with and the details around that. Having said that, as I mentioned to you, the customer base we have, is literally the who's who of global generic industry. So there are companies who are global leaders.

There are companies who are regional leaders. There are companies which are leaders at a country level. So across all these, for many we have completed the MSAs, many have filed, some are in the process. And as I mentioned to you, these customers are across molecules. So, they could be different for different products. But suffice to say that, our customers are going to be present at the market formation across all major markets. I think that should give you comfort.

I'm also happy to share that, even a product like Tirzepatide, which is actually going to be expiring, the patent is going to be expiring in 2036, we already have customers for those, you know, especially the ones who are targeting the NCE-1filing deadline of 2026. So as I mentioned, a very, very large and diversified customer base, and our customers will be there at market formation.

Amey Chalke: Right. So the reason I'm asking this question, because as you understand, the capacity globally is quite limited. So while choosing this customer, it is very important from our perspective as well, right? Whether that customer will be filing for the market, which is going to see patent expiry in the initial years, because you would have to allot that capacity to that particular customer, right?

Neeraj Sharma: Yes, correct. So you are right in saying, you see that the biggest challenge right now for everyone in the market is getting access to capacity. And that's the reason Arun mentioned earlier, you know, our customer contracts are such that to get access to our capacity, there are customers who are either participating in our capex program, which will give them that access.

There are customers who are giving us reservation fee, you know, again to block -- get some dedicated capacity. And then there are customers who have given us a forecast which are anywhere between 24 to 36 months forecast, out of which anywhere between 12 to 18 months are binding forecast, which is basically equivalent to take or pay. So thanks to these various models which we have with our customers, that's how we are allocating capacity.

And the very fact that, again, both Anurag and Arun mentioned, we are proactively expanding our capacity. And, quite a bit of this capacity will come online in the FY26, some will come later, but we will be prepared to support our customers.

Amey Chalke: Sure. Thank you so much. Thank you. I'll join back.

Moderator: Thank you. The next question comes from the line of Kunal Dhamesha from Macquarie. Please go ahead.

Kunal Dhamesha: Thank you for the opportunity and congratulations on a good maiden quarter for OneSource. The first question is again on the GLP-1. Probably from a market, total addressable market perspective, while we are going to increase from 40 million to 220 million, if you can provide some color as to what's the current market size or current cartridge requirement for just for GLP-1 globally and how do we expect that to kind of grow? And maybe a broad split between the markets which are opening up in 2026 versus markets which are opening beyond 2030 would be helpful.

Neeraj Sharma: Yes, sure. Thank you. You see, when you look at the market, this is a market which is an evolving market, right? I call it a fool's errand if I were to forecast where this market would be the way it is growing. I can just tell you that what IQVIA today reports and as per IQVIA, the total GLP-1 units are let's say about close to about 500 million units which is between US and the Rest of the World.

But I think what is really important for you to look at and then primarily your question related to the markets which are coming off patent early which are the ex-US, ex-EU markets. You see, what IQVIA is showing today, that's just the tip of the iceberg, simply because this market has been constrained by supplies. NOVO has been focusing almost entirely on US and then Europe. Therefore, most of these markets, these are very large markets.

If I look at the population of Brazil, especially when we are talking about having diabetic population, in 200 million people, very high incidence of diabetes, very high incidence of obesity. Some of the largest markets, India, China, are not serviced at all by NOVO. So, you know, while the current numbers are what I mentioned to you, where these numbers are going to be once the markets get genericized, once these large number of patient population get access, I think it will be a very, very different number.

And that's the reason you see us going -- increasing our capacity 5x so that we are able to, our customers are able to get maximum opportunity to access these markets.

Kunal Dhamesha: And in your view, your customers, the 20 customers, I think, earlier you were talking about 15, 17 customers. Do you think that they are finding you as the first source of the product or they are also doing their internal filings? I mean, what is your sense on that? And then how complex it is? I mean, does it require additional filing for them to add you as a source? How does it work?

Neeraj Sharma: So I can tell you, you know, to answer your first question, yes, we are the first source for our customers. And the thing is, when a customer comes to us, today a customer is spending anywhere, anywhere between $5 million to $15 million plus for each approval, right? And you can understand this level of investment.

And these are not very easy products to move. These are not easy products to switch. Arun mentioned, to have an isolator-based capacity, it is not easy to build. We are the only ones, so we don't see anyone entering with this technology anytime soon. So the fact is that we are the first ones and we see even if somebody would develop or add in-house capacity and it could happen for sure, we would still remain a significant supplier and a share of the total of these customers.

Kunal Dhamesha: Sure. One more with your permission. On the seasonality, so I see that there is a significant gross margin improvement that has happened between first half versus quarter three. So how should we look at the seasonality from a business perspective? Because a lot of the CDMO companies do have seasonality.

Arun Kumar: So, in our case, it's Arun here, the seasonality is a function of only for the next few quarters. Like Neeraj mentioned earlier, from FY27, 80% of our volumes would be predictable CSA , that is commercial sales. So, yes, we are already guiding for a top sided H2 because that's when the commercial supplies start. But we are also guiding for FY26 within that margin range of what we have reported this quarter. But there will be quarters when it will be lower, there will be quarters which are higher.

The seasonality is therefore a function of only the time when we have freedom to operate in certain markets for the GLPs. So I don't think you need to look at us as regular CDMOs, especially in the API space where they're heavily lopsided towards a particular quarter or a half. We are already guiding you that this is only a one-off year for us, the next 5 quarters. But after that, we will have a very steady-state business with growth, Q on Q. And also we are guided for more than 40% EBITDA. So I think the fluctuations in EBITDA and seasonality, fluctuations in EBITDA and not necessarily seasonality is the more apt word that you need to use for us.

Kunal Dhamesha: Sure, thank you and all the best.

Moderator: Thank you. The next question comes from the line of Anubhav Agarwal from UBS Group. Please go ahead.

Anubhav Agarwal: Good afternoon to all. First question is very basic. With 40 million cartridge capacity, how many end patients can it support? Would the end patient be needing about somewhere about 5, 10 cartridges in a year? What is that number?

Neeraj Sharma: Yes, so just to give you an idea, in a pen which takes a cartridge, especially if I take a product like Ozempic, it is about 12 pens in a year. So 12 pens in a year Ozempic patient takes. But if I take, similarly if I take Lira, Ozempic as you know is once a week, but Liraglutide is actually once a day. So Lira, the same ratio works actually 1 is to 3. So 3 times of Ozempic is what a Saxenda or Liraglutide patient takes.

Arun Kumar: To answer your point, it's more like 8 million or 9 million patients at 40 million and we know that's not a big needle mover.

Anubhav Agarwal: Yes, so that's the starting point, I want to understand. So when you give a capacity ramp-up schedule, 40 million going to 220, see returns are very good. In fact, superlative returns like 40% margin, 2 or 3 returns. It's a great business, right? And even on your 220 million capacity, let's use your number itself, right? Maybe you will be serving like 4 crores to 5 crores, 45 million patients, right? What would be market share at that point of time?

I'm just trying to understand that how do you think about this phase up? I mean, what is the thing which you're not sure about? So the demand is there. Yes, it's difficult to say how it will ramp up. But is something else is a constraining factor because it's such a great return? What is stopping you?

Arun Kumar: Anubhav if I may. Firstly, the 220 million cartridge capacity, kind of services all the markets that we think have big demand for markets that are going off patent before '29. So this doesn't cover our needs for Europe and for the US, we have plans. We are working around it. But we have the luxury of time for installing additional capacities, okay? So that is one.

Secondly, remember that the innovators either due to supply chain constraints or strategy have starved emerging markets and markets that can afford generics from supplies. This is a very standard problem that we're seeing. And we're seeing that even in Saxenda as Neeraj alluded that we are seeing demands being, I mean, forecasted upwards because these markets were under serviced.

So I think the 220 or even 400 million is a very small percentage given that it is expected that over a billion people would potentially be the customer base. And obviously that's not the capacity that we are developing. It probably serves 3% to 5% of that total opportunity. What we are seeing is the expansion of that patient pool with better pricing and price points and service levels.

So we will be an important player, being first to market formation with our partners. But we are also in a very strong position with our partnership in the US but that's many years away. So we have the ability in our plan and elsewhere in our group, I mean, within the OneSource ecosystem to add more capacities on a global basis. So I think 220 million units is a good starting point. It is still not a very big percentage but I think considering that most of the first generic files are housed out of our plant, I believe that we will have an important share of that market formation of the generic GMPs.

Anubhav Agarwal: Can I ask you one clarification on this, on your response? So in FY27, let's say FY28, roughly what would be your market share in the cartridge segment in the fill and finish? Would you be like 20%, 50% of the market? What would that number be?

Arun Kumar: More like 15%-20% is our estimate.

Neeraj Sharma: I think steady state, once all markets are out, I think we could be about a third of the total generic market. Now whether that happens in '27 or '28, difficult to say. I can only tell you the way the market is evolving. I think it is very important that as Arun mentioned, most of these markets which are coming off patent early, whether it is Brazil which is less than 1% of potential population is being covered right now by Novo and Lily put together.

In Canada, a market like Canada is no more than 5% or 6%. So there is a huge market out there which would be expanding and this is only with -- all the numbers we are talking about are only based upon Type 2 diabetes and obesity. We all know how the indications are expanding. Yesterday, Novo got an approval for chronic kidney disease and suddenly chronic kidney disease opens a huge different market. Therefore, as we said, this is an evolving market and everything will evolve.

Anubhav Agarwal: Thank you.

Moderator: Thank you. The next question comes from Sudarshan Padmanabhan from JM Financial. Please go ahead.

Sudarshan Padmanabhan: Thank you for taking my question and congrats on great set of numbers. My question is beyond the GLP-1 which you have very well elaborately explained to us. I also see that we have very unique capabilities in the biologic space. Probably one of the very few people I can think of in the integrated between the drug substance and drug products.

In this space specifically, can you talk a little bit more about the kind of capabilities that you have created in terms of platform technology. You have talked about lyophilization. Are we planning to extend it further towards other technologies? What are the kind of clienteles that we are working with right now and where do we see the commercialization benefiting us?

Neeraj Sharma: Sure. On biologics, as you rightly said, thank you for highlighting that point. We do have very unique capabilities and capacities when it comes to biologics. As I mentioned earlier, we are one of the few sites globally, with integrated drug substance and drug product in the same site which is a huge value to our customers. Of course, the benefit of starting with a drug substance and ending with a full finished product is something which customers really value. Here in biologics, we already onboarded our first customer in the area of microbial.

While we have capacities in both mammalian and microbial, our real niche and uniqueness is in the area of microbial where we are able to do development, we are able to supply clinical trial quantities and commercial quantities. We already have our first innovator customer in that area where we have multiple ongoing conversations with some of the large companies. This is where we are going to be doubling down. That's a unique area we have. As well as areas that you

mentioned, like lyophilization and complex injectables, that's a legacy which we have, a very long legacy and we will continue to strengthen and double down in that area as well.

Sudarshan Padmanabhan: When do you see the commercials in terms of sales and numbers benefiting us, in this space?

Neeraj Sharma: Biologics is a long gestation business. The investments which we have made were made way back in '17-'18 and we had our first customers onboarded now. This is a business which requires significant work. I can tell you between starting discussions and actually signing a contract in biologics can take anywhere between 12-24 months. That's why while it takes time because there is a lot of diligence required, but the good thing is that once you have a customer, you have a customer almost for life. That's where we see a huge benefit.

While all our customers are onboarding now, we will start seeing the commercialization. Right now while we will continue to have a significant MSA revenue over the next 2-3 years. Our really commercial will be starting 3-4 years from now. In fact, in the guidance which I mentioned earlier of 400 million, we have from biologics only limited contribution because most of the commercial revenue in biologics will be after that period. After that, we have a very long lag for our business, beyond the period we have given for guidance.

Sudarshan Padnabhan: That's very interesting because even beyond...

Moderator: Sudarshan, I'm sorry to interrupt you there. Please join back the queue for follow-up questions. Thank you. The next question comes from the line of Abdul Qadir Puranwala from ICICI Securities.

Abdul Puranwala: First question is on the capacity expansion of $100 million which you're planning to do over the next 4 years. Could you help us split this amount between what is going for Fill Finish, DDC and for Softgels and sterile injectables?

Arun Kumar: We don't get granularity. We need to understand that we can't get into these finer details of what exactly all of it is going. Everything that is mentioned in that slide will cost us a lot of money.

Abdul Puranwala: With this renewed addition on your cartridge full finish line of close to 220 million units by 2028, I mean, that is quite encouraging to also understand that how should we see the utilization levels at least starting FY'26, '27? Any color on that would be very helpful.

Arun Kumar: I think that considering that we have completed a very significant investment phase which is delivering value, in our business of CDMO, like all CDMOs do, we have to put capex ahead of business. So what we're investing 100 million is not going to give us turnovers tomorrow morning. And that is why you have to go by the guidance that we have provided on the CAGR of growth and the EBITDA range.

So you have to do your math around that and make up your model. The point I'm trying to make is that we can't give you granular details about each line item, what is it going to deliver. Because we are investing capex based on our ability to forecast what our customers will deliver, our

ability to take risks. But overall, we have committed three critical line items for you which is growth, EBITDA and ROCE. So we'll achieve all of that.

Moderator: The next question we take from the line of Alankar Garude from Kotak Institutional Equities.

Alankar Garude: Hi, thank you for the opportunity. First question, so you mentioned OneSource is the primary source for the 20 GLP-1 customers. Are you also including clients having their own capacities when you say this?

Neeraj Sharma: I think as I mentioned, I would like to know how many clients have that capacity today. But the idea is very clear that we would be the primary supplier for all of our customers.

Alankar Garude: Understood. Maybe a follow-up there, Neeraj, would be do you see any of your clients also looking to add capacities for cartridges or are they still in a bit of an unsure state at the moment about investing on their own?

Neeraj Sharma: Sure. You see, as I said, our customers are the global who's who of the industry and I'm sure as a de-risking strategy some of them would be looking at their own capacity. But I can tell you that because we are the pioneers here, we have a significant headstart the kind of both the capacity, the capability and the compliance track record we have, it's not very easy to replicate. But having said that, some will certainly do their own in-house capacity.

Anurag Bhagania: And as Neeraj already earlier mentioned, there's a significant hurdle in terms of our customers from thinking about any other site other than ours since they have already gone with us so far. There's a $5 to $15 million of initial investment which they will have to reinvest. So practically, there's a lot of value in terms of continuing that relationship.

Alankar Garude: Got it. And a second one, a quick one, you spoke about not putting too much emphasis on getting customers for Liraglutide. Should we expect minimal contribution from Lira in FY'26?

Neeraj Sharma: Yes, so by the time we started, the whole focus of the market is on SEMA, whether at the prescription level or at the company's level. So yes, a significant part will be coming from SEMA.

Arun Kumar: But to answer your specific question, yes, there would be some revenues from Lira too.

Moderator: The next question comes from the line of Vivek Agarwal from Citigroup.

Vivek Agarwal: One question is on Biologics, as you have mentioned that you have on-boarded a new customer. So is it possible if you can elaborate what kind of the customer it is, that is the product, so let's say whether it's an early stage product or for example some kind of the middle or later stage product?

Neeraj Sharma: Yes, so I can, obviously as I mentioned to you, we are a CDMO, we don't give customer details, but I can tell you that it's an innovative customer. The product, which is a new Biologic entity, the first in class, and it's already, the development work has been done.

It's a product which we have taken at a Phase 3. So, so that's how we will, and we will be taking it to cities and eventually to commercialization on approval.

Vivek Agarwal: So post commercialization basically you are going to participate and when you expect, let's say, as far as the commercialization is concerned, if it happens?

Neeraj Sharma: As I mentioned to you, these are -- keeping in mind the entire approval timeline if the commercialization is about 3 to 4 years out.

Vivek Agarwal: Okay, understood. And one more question I have on GLP-1. So what kind of competitive advantage that you have?

Because everyone is sensing this opportunity coming and can invest into the capacities, etc. So what is stopping the other players in putting the capacity as you are seeing that not seeing anyone entering the technology zone?

Neeraj Sharma: I think it's what I mentioned, we are the pioneers when we started. Nothing is stopping anyone from coming. I'll explain to you how it works. If today someone were to come in and start putting the investment, put in an order, just to get a filling line, it will take them anywhere between 24 to 36 months.

And even if they have once the machine comes in 3 years from now, to take the batches, you need to generate 6 months of data before you can go to FDA. You generate 6 months data, you go to FDA, it takes another 6 months before FDA comes to approve.

And then at least another one year for you to get the approval of the product. So today you invest, the first revenue dollar comes back in 5 years. And by the time, as I said, we as pioneers have a significant headstart.

And the fact that we have multiple customers, experienced with multiple customers, a very, very significant drug device expert team. We have taken more technical transfer batches in GLP-1 than most companies do, commercial batches. So I think all this put together, puts us as, to answer your question about competitive advantage, I think all this puts us in a very strong position versus anybody else.

Abhishek: Ryan, can we take last 2 questions in the interest of time, please?

Moderator: The next question comes from the line of Aman from Astute Investment Management.

Aman: Just 2-3 quick questions. First on GLP-1, so when we talk about this 40 million number for next year and 90 million in blue sky scenario, or maybe in FY'27, could you talk about how much, say, percentage will we take or pay where we have like definite probability of that happening?

Plus, if you can also talk about client concentration. So when we reach that 90 million, is it dependent on 3-5 customers? Because what we keep hearing, there's a lot of issues in getting the API right.

So if we are dependent on that, then can our story be revealed? And finally, on this 40 million for this year, which is base case, when you talk about minimal is Lira. So is it safe to assume that in terms of volume, Lira will be like Lira, SEMA trade will be 20-80? These are the questions on GLP-1. Just 1-2 more questions I have.

Arun Kumar: You have to go back on the queue. There are a lot of other people.

Management: Yes, you can answer these…

Arun Kumar: I think your point on client concentration, when we announced that we have 20 active customers, obviously the concentration is not at all there because 20 customers in GLP is a lot. Second, will all of them get approvals? We don't know.

That is why we have 20 in the first place. So I think the point is please be guided by our outlook. The outlook has got all of these questions sensitized in a manner that management is confident to stick its neck out to provide a guidance, which we normally would not do otherwise.

Moderator: We take the last question from the line of Anubhav Agarwal from UBS.

Anubhav Agarwal: Thanks for my follow-up question. One is on DDC. Just trying to understand the duration of contracts, particularly for you guys. What kind of duration are we talking about here?

Secondly, on the pricing, is it valid for the full duration or price changes each year or do you have some escalation clauses? Not the numbers, but what are the kinds of contracts there?

Neeraj Sharma: Our contracts are typically between 5 to 15 years. So you can take an average of about 10 years of all our DDC contracts, that's your first question.

And in terms of pricing, obviously, as a typical CDMO, we have a volume-based staggered pricing because for us as a manufacturer, it depends upon their efficiencies which come in with increasing batch sizes and increasing volumes. Obviously, most of our customers, when they started, they started at small batch sizes. Now, considering the big growth in forecasts by everyone, the batch sizes are increasing quite dramatically and our pricing, obviously, is also staggered. But it is there in the contract and staggered pricing.

Arun Kumar: Anubhav just to add to what Neeraj is saying, as a typical CDMO, we operate as an international CDMO. So, we sometimes put risk capital in partnership with our partners, which effectively means we get an upside share on profits, royalty, stuff like that. So it's a combination of low pricing from a pure manufacturing activity, but also an upside in terms of profit share.

You probably are aware that we are partnered for the first NCE-1 in the US It's a long haul, long drawn timeline, but we do have other smaller arrangements like this for other markets. The D part of our business is significantly designed, or I would say designed more like international CDMO players, and our manufacturing part has got a healthy minimum EBITDA target, and then we have these additional value streams, which gives us a lot more confidence.

Anubhav Agarwal: Sure, that was very comprehensive. Thank you.

Moderator: Thank you. Ladies and gentlemen, that concludes the question and answer session.

Neeraj Sharma: Sorry, I just wanted to say thanks once again to everyone, but also I know there are many questions today which perhaps remain unanswered. Just to make sure that we give you sufficient time, what we are organizing is actually an Investor Day. It will be done in Mumbai sometime end of February or early March, where we will be able to interact more and answer more questions. Our Investor Relations team will reach out and give you more details.

Arun Kumar: And in the meantime, please write to us if you have any specific questions and thank you so much for your time. Thank you.

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