October 31, 2024

To,
Dy. General Manager
Department of Corporate Services,
BSE Ltd.,
P. J. Towers, Dalal Street,
Fort, Mumbai – 400 001
Ref: Scrip Code: 543322

To,
The Manager – Listing,
National Stock Exchange of India Ltd.,
Plot No. C/1, G Block,
Bandra Kurla Complex,
Bandra (E), Mumbai – 400 051
Ref: Scrip Name: GLS

Dear Sirs,

Sub: Transcript of Earning Calls

Pursuant to the Regulation 30(6) read with Part A of Schedule III of the SEBI (Listing Obligations and Disclosure Requirements), Regulations 2015, the transcript of Earning Call held on Friday, October 25, 2024 for the second quarter and half year ended September 30, 2024 is available on website of the Company at:

https://www.glenmarklifesciences.com/pdf/GLSTranscript%20of%20Earnings%20Concall%20Q2%20FY2024-25.pdf

The said transcript is also attached.

Request you to kindly take the same on record.

Thanking you

Yours faithfully,

For Glenmark Life Sciences Limited

RUDALF JOSEPH CORRIEA
Digitally signed by RUDALF JOSEPH CORRIEA
Date: 2024.10.31 22:31:44 +05'30'

Rudalf Correia
Company Secretary & Compliance Officer
Encl: As above

"Glenmark Life Sciences Limited

Q2 FY '25 Earnings Conference Call"

October 25, 2024

MANAGEMENT: DR. YASIR RAWJEE – MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER – GLENMARK LIFE SCIENCES LIMITED
MR. TUSHAR MISTRY – CHIEF FINANCIAL OFFICER – GLENMARK LIFE SCIENCES LIMITED
MS. SOUMI RAO – SENIOR GENERAL MANAGER – CORPORATE. COMMUNICATIONS – GLENMARK LIFE SCIENCES LIMITED

Moderator: Ladies and gentlemen, good day, and welcome to the Glenmark Life Sciences Q2 FY '25 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Ms. Soumi Rao. Thank you, and over to you.

Soumi Rao: Good morning, everyone. We welcome you all to the earnings call of Glenmark Life Sciences Limited for the quarter ended September 30, 2024. From Glenmark Life Sciences, today, we have with us Dr. Yasir Rawjee, our MD and CEO; and Mr. Tushar Mistry, our CFO.

Our Board has approved the results for the quarter ended September 30, 2024. We've released the same to the stock exchanges and updated it on our website. Please note that the recording and the transcript of this call will be available on the website of the company.

Now I'd like to draw your attention to the fact that some of the information shared as part of this call, especially information with respect to our plans and strategies may contain certain forward-looking statements that involve risks and uncertainties. These statements are based on current expectations, forecasts and assumptions that are subject to risks, which could cause actual results to differ materially from these statements depending upon the economic conditions, government policies and other incidental factors. Such statements should not be regarded by the recipients as a substitute of their own judgment.

The company undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. Our actual results may differ materially from these expressed in or implied by these forward-looking statements.

With this, I hand over the call to Dr. Yasir Rawjee. Thank you, and over to you, Dr. Rawjee.

Yasir Rawjee: Thank you, Soumi. Good morning to everyone. Welcome to our Q2 earnings call. Before I get into the performance for the quarter, I would like to just take a few minutes to discuss the economy and the industry trends that do have an impact directly or indirectly on the business.

So with regard to the global economy, there continue to be challenges, particularly due to the geopolitical tensions that we are seeing. There's volatility in the financial markets and that has prompted banks to adopt varying policies. So while advanced economies are easing rates, emerging markets have maintained tight monetary stance to control inflation, leaving them more vulnerable to shocks.

Notably, rising energy prices driven by instability in the Middle East, risk fueling inflation and slowing global growth, particularly in energy importing and emerging nations where higher energy and food costs erode purchasing power.

Although there are some pockets of resilience, the global outlook remains highly sensitive to inflationary and geopolitical risk. Within the pharmaceutical industry, the demand for API and CDMO companies continues to remain strong on the back of pharmaceutical outsourcing, expanding drug development pipelines and cost-effective production needs. Some supply chain and regulatory challenges remain, but the sector continues to grow steadily.

Coming to the performance of GLS for the quarter, we reported revenues of INR507 crores. You may recall, GPCB had temporarily halted the production at our Ankleshwar site, which accounts for approximately 65% of our capacity. So while this halt was lifted on the 14th of August, the hiatus was a little longer than what we expected. And so it did have an impact on our production, and there were delays in production as a result of this. However, despite this challenge, we are pleased to report that we were able to recover a significant portion of the delayed volumes in Q2 itself. We remain optimistic that our future prospects in H2 will demonstrate stronger momentum than the first half.

Geographically, while the impact of Ankleshwar was visible across the regions, North America and India still came through with pretty strong growth both over the year as well as the quarter. And our ex GPL India portfolio also posted strong growth, 19% year-on-year, reflecting the strength of the business.

Coming to profits, I'm pleased to announce that our product mix has led to better gross margins. For the quarter, we reported gross margins of 55.6%, up 150 bps Y-o-Y and 450 bps Q-o-Q. This is in line with our earlier guidance. We remain confident of the strength of the business and our product pipeline and continue to command premium in the market.

Driven by improvement in gross margins, we were able to maintain EBITDA at 28.2% despite the substantial impact to the top line. This not only showcases our selection of products, but also our tight control on costs. We remain optimistic on our margin trajectory on a full year basis as well.

Coming to our pipeline, we've been actively filing across the globe to match our growth aspirations. As on September 30, 2024, our DMF and CEP filings in total have crossed 539, with cardiovascular and CNS therapies seen the highest filings. We added 4 new products to our pipeline with 1 high potency API and 3 synthetic small molecules.

Coming to the high potency pipeline, we now have 21 products with a total addressable market of $43 billion. 6 products have already been validated while 5 are in advanced stages of development. On the capex side, I'm happy to announce that we have commenced operations for the additional capacities at Ankleshwar and Dahej. These enhanced capacities will help us in a big way in Q2.

Before I conclude, I would like to reiterate that our long-term business potential remains strong. Our order books across various regions are robust, and we are confident that H2 will make up a lot of the lost ground, other things remaining equal.

We expect overall revenue growth for this fiscal to be in the high single digit with steady margins. Our commitment to delivering high-quality innovative solutions to our customers and enhancing shareholder value remains steadfast. We are dedicated to upholding the highest standards of environmental responsibility and corporate governance.

Before I hand over to Tushar, I'd like to wish all of you and your families a very happy Diwali.

So with this, I turn over now the floor to Tushar Mistry, our CFO.

Tushar Mistry: Thank you, Dr. Yasir. Good morning, everyone. Welcome to our Q2 FY '25 earnings call. I would like to briefly touch upon the key performance highlights for the quarter and half year ended 30th September 2024, and then we will open the floor for questions and answers.

Our revenue from operations for the quarter stood at INR507 crores, a decline of 14.9% year-on-year and 13.9% on a sequential basis. However, as Dr. Yasir mentioned in his speech, we are looking at much stronger H2 FY '25 backed by robust order book position. The key high light of the quarter is that our gross profit margins have returned to above 55%, which we have been guiding.

Gross profit for the quarter was at INR282 crores, whereas the gross margin stood at 55.6%, which expanded 150 basis points year-on-year and 450 basis points sequentially. Gross margin was driven by favorable product mix. EBITDA for the quarter was at INR143 crores, and margin -- EBITDA margin for the quarter was at 28.2%, up 20 basis points, driven by better gross margin despite a decline in our revenues. And the PAT for the quarter stood at INR95 crores with PAT margins coming at 18.8%.

Let me quickly discuss half yearly numbers. Revenue from operations for first half of FY '25 was at INR1,096 crores, a decline of 6.7% year-on-year. Gross profit for H1 FY '25 was at INR583 crores, and gross margin was 53.2%. EBITDA was at INR308 crores, with EBITDA margins at 28.1%. And PAT for H1 was at INR207 crores with PAT margins of 18.9%.

Looking at the therapeutic mix. CVS and CNS continue to lead the growth during the quarter with both therapies contributing 58% to the top line. R&D expenditure for H1 was at INR36 crores, which was at 3.3% of our sales for the quarter. For the quarter, it was at INR19 crores.

Touching upon the balance sheet and cash flow movements. Starting with working capital. Working capital was slightly higher during H1 FY '25 at 176 days. We had indicated in our previous calls on increased receivables days. We have also been required to build up some levels of inventory in order to meet the delay in order servicing of Q2 FY '25.

Coming to capital expenditure. Capex for the quarter was INR43 crores, for H1 it was at INR86 cores. As Dr. Yasir mentioned, our additional capacities of 208 KL at Ankleshwar and 18 KL of pharma capacity at Dahej started operations in Q2 FY '25.

We continue to remain a net debt free company, and I'm happy to inform you that we have generated strong cash flow from operations of INR134 crores in the first half of FY '25, with cash and cash equivalents of INR446 crores on the books as of 30th September 2024.

In conclusion, despite the temporary setback, we encountered, we are confident that our robust demand environment, along with improved visibility of H2 FY '25 will enable us to achieve strong growth for the year.

With that, let us open the floor for Q&A.

Moderator: Thank you very much. The first question is from Tushar Manudhane from Motilal Oswal Financial Services. Please go ahead.

Tushar Manudhane: Sir, if I leave this Ankleshwar for the time being, then otherwise, what's the outlook in terms of the, let's say, pricing and inventory level for the products in the Glenmark Life Sciences' portfolio?

Yasir Rawjee: You're talking in general or for the second half?

Tushar Manudhane: In first place in -- for the quarter -- second quarter and subsequently for the second half FY '25.

Yasir Rawjee: You'll have to help me out a little bit. I need to -- can you repeat your question, please?

Tushar Manudhane: Sir, I'm asking that the kind of revenue decline that we have seen. So if I leave aside the Ankleshwar temporary closure facility issue, which impacted our business, and if I leave aside that aspect, then how has been, let's say, the pricing for the APIs for sale and inventory level at the industry level for the products in the Glenmark Life Sciences portfolio?

Yasir Rawjee: Okay. So the thing is the revenue decline is not on account of pricing. I mean if that's where you're going. It's basically the volume servicing did not happen because of production loss. So our pricing has been very stable across our markets. And you could see that reflected even in the margin. Otherwise, it would have hit some margin if our pricing would have been problematic. Going forward also, we expect that, that's going to continue. Does that answer your question?

Tushar Manudhane: Yes, sir. Understood. So subsequently, safe to assume that the inventory at the industry level are also pretty stable as far as the product portfolio is concerned. Not too much of disruption on account of this geopolitical tension or issues?

Yasir Rawjee: See, we did indicate in previous calls also that we are being a little careful and building up a little extra inventory because of these geopolitical issues, which have also led to a little longer time in terms of shipments and so on getting to us. So with all that, we needed to be careful right? And now because you asked the inventory question, our sort of planning for H2 is -- I mean, we normally plan on a quarter cycle, but we've sort of put our planning for both Q3 and Q4, so built up a little more inventory so that we can cover the loss of production in Q2.

Tushar Manudhane: Understood, sir. Understood. And lastly, with respect to this, the multiyear definitive agreement which we have signed for which the supply is expected to commence from Q4 FY '25 while not sharing details, maybe just to understand, so this is more to do with the innovator product, which is like sort of under patent or it's a generic product for innovator, if you could just share?

Yasir Rawjee: So we put in the deck that 1 CDMO project is going to kick off from Q3 itself. And that's again to an innovator. And another one we expect will start commercial supplies in Q4. Now that may get a little pushed out. I can't unfortunately give you too many product details, but they are both with innovators.

Tushar Manudhane: And patented or the generic?

Yasir Rawjee: So they -- the innovators have the patent. Not us.

Tushar Manudhane: No, no, obviously, obviously. But currently, they are still patented, is what I'm trying to understand?

Yasir Rawjee: Let's not get into too much detail there. I mean I can tell you that they have -- the innovators have a strong position in the market.

Moderator: The next question is from the line of Charul Agrawal from Bank of America.

Charul Agrawal: My first question is regarding the overall growth. So the guidance for the year has been given at high single digit. If I remember correctly, this was low teens earlier. So I wanted to understand what is leading -- what has led to the change in there?

Yasir Rawjee: Okay. So, Charul, basically, we are seeing a little bit of softness in LatAm, primarily driven by the Argentina business. Due to the currency, the foreign exchange controls that the new government has imposed, our customers have started operating with very thin inventories. And so there's quite a bit of destocking that is happening in the Argentinian market. So Lat Am will see softness this year. And we can see that reflected in the order book and so on.

And that's why we believe that there will -- we will have this challenge. Plus this production loss, while we've made up some in Q2 and we expect that we will make up the remaining in the second half, some low-margin products may have to take a back seat, okay, in terms of servicing. So we'll see how that goes. But just to be on the safe side, we wanted to put that out.

Charul Agrawal: Got it. So sir, like given that the FY '25 base now becomes comparatively lower, how should we think about the medium-term growth? Like, should we expect higher growth in the upcoming years, given the base?

Yasir Rawjee: Yes. I think, we can and we should. Because like I mentioned to the earlier questioner that both the CDMO projects are kicking -- the newer CDMO projects are kicking in. That will contribute very nicely. Plus, at the regional level, we have a few launches also that are coming up in -- from the Indian customers for North America, plus Russia and a few other markets. So we expect a good number of launches later this year as well as next year, which will drive further growth. And our base business remains very steady in terms of demand, except this Argentinian situation that I just spelled out.

Charul Agrawal: Sir, my next question is on the gross margin. So there has been quite a bit of improvement. You have mentioned that part of this was because of the mix, but could you help us understand this in more nuance because the CDMO has been a bit weaker Q-o-Q despite that gross margin has improved. So -- and even the GPL business is higher. So if you could explain what kind of products are driving this positive mix change?

Yasir Rawjee: So we had 2 launches this quarter. One was for a U.S. launch with one of our Indian customers. And that has gone very well, okay, and has had a very good margin contribution. And another launch is the Russian -- a product in Russia, okay, which has also got started off in Q2. So I would say, you're right. I mean, typically, it's the higher CDMO that drives the better margin.

But CDMO -- in spite of CDMO being lower, we were still able to deliver a very healthy gross margin, but that's primarily because of these 2 launches. And like I said in my earlier thing that our pricing is very stable across the regions.

Charul Agrawal: Sir, one last question from me, if I may. Sir, on the 2 CDMO projects, could you indicate the peak potential, the kind of revenue potential you see from these?

Yasir Rawjee: Okay. So on average, I believe that both these products once they are stable, right, they reach their peak potential. We should see between these 2 projects around $12 million of revenue.

Charul Agrawal: And this you would expect sometime in FY '26 or later?

Yasir Rawjee: FY '26 -- I think second half FY '26, all the markets should get regulatory approvals. And in H2, we should see the full potential on both these projects.

Moderator: The next question is from Suhag Patel, who's an individual investor.

Suhag Patel: Sir, a couple of questions on the CDMO and the growth outlook. So whatever CDMO you have mentioned in the deck, are these the new sign-up? Or these are some of the ones which you have already announced like the Japanese innovator where you already tied up, if you can clarify on that?

Yasir Rawjee: These are already announced ones, but they're commercial. What we are reporting is that commercially, the fourth project is going to start in Q3. And yes, that's what we're reporting on the 2 projects that we had already informed you earlier.

Suhag Patel: Okay. So second question is on the guidance, which we gave earlier in the year. So as you may know, I think last 4, 5 quarters have been very volatile as far as the given guidance and what is actually happening on ground? While we all understand there was a closure in Ankleshwar and that impacted our performance. But even if you see, even before that also, last year also, whatever guidance we gave, at the end we were actually very -- below par debt. So just wanted to understand what kind of visibility we have and why there is so much fluctuation?

I understand that business dynamics are changing and everything. But when we are talking quarter-on-quarter, till last quarter, we were talking that, okay, we will be able to factor in the losses of Ankleshwar in the quarter itself, and there will not be having material impact. But now we are saying that our growth in this year itself will be high single digit compared to the earlier given guidance at the start of the year of mid-teens. So if you can please throw some light on that?

Yasir Rawjee: So I already answered to Charul that there are basically some market softness in LatAm, that is impacting us on the demand side. And on the servicing side, we hope to sort of cover up everything by the end of the year, but you realize that our capacities have been operating at around 95%. And so we'll have to do a bit of pick and choose in terms of letting go some low-margin business.

If we recover capacity, then we might be able to pull up the top line a little bit more. But let's see how it goes. I mean, as things stand now, we believe that it is better to readjust that guidance.

Suhag Patel: Understood, sir. So see, the added capacity in Q2 for Ankleshwar and Dahej, will it help? As you said, we are already operating at 90% on the existing capacity. So are you factoring in the added capacity when you say 90% or that will be something which will be coming on stream now?

Yasir Rawjee: It's come on stream, but then it was factored already. I mean, It's not as if this has just come out of nowhere. It was factored for this year's volumes.

Suhag Patel: Okay. So with that, you are saying we are operating at 90%?

Yasir Rawjee: Yes, that's correct.

Moderator: Next question is from S.M. Kumar, who is an individual investor.

S.M. Kumar: Congratulations for a great set of numbers. Just I would like to know about how much gross debt as of now?

Yasir Rawjee: We are a debt-free company. We are not -- we don't have any debt.

Moderator: The next question is from Ahmed Madha from Unifi Capital.

Ahmed Madha: First, on the capex part. So if I look at first half, we have done about INR85 crores, INR86 crores of capex. So will we able to do entire INR350 crores as guided for the full year?

Yasir Rawjee: See, it's likely that we may come a little lower. There is one land purchase that we have for R&D. And I mean, if we -- if that comes through, and it's very likely that it will come through, then we'll be close to around INR300 -- between INR300 crores and INR350 crores. So yes, we are pretty confident that it will happen.

Ahmed Madha: Okay. Got it. And just to understand the second quarter numbers better and the second half numbers. So even if going by the high single-digit growth rate guidance, it implies more than 20% growth in second half. So could you quantify 2 data points for us. One is, what was the quantum of production loss in Q2? And second, when you say you have a good order book, if it's possible to quantify, please do it. Otherwise, what is giving you confidence to grow 20% plus in second half? More color on that will be helpful.

Yasir Rawjee: Okay. So what we lost in terms of production volume, we've nearly made that up in Q2, which will add in second half. Plus, we have these launches that I also mentioned in Russia as well as for the U.S.. That will continue. And then the CDMO project, the fourth CDMO project, we already have orders for both Q3 and Q4 to fulfill. And overall business outlook, the demand is pretty good, except for this Argentinian situation. So I believe that, yes, we'll make up the sort of loss that we had in Q2 on account of servicing. But -- and then that will add to Q2 -- H2. And then H2 on its own is pretty good.

Ahmed Madha: Okay. Got it. And in terms of margins, are we facing any headwinds in terms of freight cost or high raw material prices as such? Or we're able to maintain the current level of gross margins and EBITDA margin subject to product mix?

Yasir Rawjee: Yes. So gross margins should track at this level now. As far as the freight issue, it has been there because we are paying a lot more for airfreight now than we were paying earlier in the year. And while it's a relatively small number, it still -- there's still some contribution. We're trying to see how we sort of mitigate that with customers and try to get that back from them, but let's see. We can't do that necessarily with everyone.

But yes, just to sort of put it in context, we've been guiding between 52% and 55% on the gross margin side. So that we'll maintain. I don't see any challenge there at all.

Moderator: Next question is from Harshal Patil from Mirae Asset Capital Markets.

Harshal Patil: Just one qualitative input I wanted was basically for the CDMO business. While we are quite confident of the new projects taking shape and growing steadily, I just wanted your qualitative comments on the traction in the base business where we were operating the 3 projects? And do we see any pickup in the run rate or just demand scenario building up? So any comments around that would be helpful, sir.

Yasir Rawjee: Yes. So see, on the CDMO base business, which is on 3 projects, we've always sort of cautioned that this is a lumpy business. The demand go up and down. And some of our servicing issues have also impacted the CDMO business. So it's not as if CDMO was fully serviced. We have CDMO orders that we were not able to service in this quarter, but we'll make it up in the early part of Q3 itself. So that customers don't fall short on their side. So that remains intact.

We are not seeing upswing there. Although there has in one of the projects been an additional indication added. But that's been a little slow to pick up. So as of now, our visibility on the base CDMO business, which is the 3 existing projects remains intact. And I don't want to sort of stretch my neck out and say it's going to be better, but then the newer CDMO businesses will add.

Harshal Patil: Got that, sir. Got that. That's helpful. Sir, just one clarification. You said that the potential from the 2 new projects collectively $12 million at peak.

Yasir Rawjee: Yes, that's around second half of next year.

Moderator: Next question is from Tarang from Old Bridge.

Tarang: Doctor, just a question on the HP API pipeline. For molecules, which are validated, typically, is there a reasonable way to forecast in terms of the time line by when you could see commercial supplies? And similarly, for an advanced stage molecule, how much time does it take to then eventually get validated? I mean, is there a thumb rule that you work with or it's really difficult to forecast because it's obviously dependent on what's happening at the front end?

Yasir Rawjee: Okay. So I'll tell you what. Let me answer the second question first. So when it's in advanced, it's basically lined up to get validated in the plant, but that is driven by demand from customers. So if, let's say, on the R&D priority, we have priority 1 to 6 is done or let's say, 7 to 12. And we can push it in into production. But then there are customer demands that are asking for project #9, then 7 and 8 would have to wait. Because I would much rather -- because, again, here, what happens is it's the customer that sort of drives the priority. You get that.

Tarang: Yes.

Yasir Rawjee: So that's it because, again, R&D time lines at the customer's end also can be pretty tight. And so we don't want to sort of disadvantage the customer and make them wait for too long. That's the answer to your second question. As far as the overall pipeline and what's the commercial potential. See, the thing is that we expect a good 7, 8 molecules to sort of commercialize in the next 2 to 5 years.

So there will be a pretty good hit rate on the high potent pipeline. In fact, no, on onco, it will be about 7 to 8 molecules, and there'll be another 3 to 4 molecules on the HP API, non-onco, high potent. So we are looking at about 11 -- 10 to 11 molecules that would commercialize.

Tarang: This will be over a span of next?

Yasir Rawjee: 2 to 5 years.

Tarang: Okay. And in terms of cross-geography approvals for these products, I mean, that process is on. So when you say validated, is it meant for a specific customer in a specific market, which could be any geography? Or is it specifically U.S.?

Yasir Rawjee: See, typically, the pattern of development is to target those markets first. And depending on patent expiries, then we also chase the other markets. Because there, you have an advantage. Even if it's an earlier patent expiry, the approval time line is not that high. So you're still able to catch that business in time. You see, I mean, that's the thing. So it's very funny. It's kind of -- it's reversed.

A patent, like in the U.S. and Europe, many times the patent time line is a little far out. It's far out. But then because of NCE minus 1 and so on, you have to catch the filing date. So there, there is that race and so we want to get that done and out of the way kind of, all right? But then, there may be an earlier patent expiry in non-European and non-North American markets. But then you have time to kind of service those customers. So that's typically a pattern.

Typically. I mean, we may do something for a Japanese market, for example, where we are already late for the U.S. market. But then that's a few, not too many. Typically, our entire pipeline is sort of geared up to target all the global customers.

Tarang: Correct. So, question is specifically like, for instance, the HP API pipeline the 6 molecules that have been validated.

Yasir Rawjee: Yes. Did we lose him? Hello, Tarang, I can't hear you. Yes, I think we lost him.

Moderator: Yes, there seems to be no response from the line of Tarang. We'll move to the next question. Our next question is from Nitin Agarwal from DAM Capital. Please go ahead.

Nitin Agarwal: One quick question on -- there has been some feedback that in the recent CPHI exhibition, the Chinese sort of coming back hard on some of the commodity APIs. I mean, any feedback on your sort of impressions on that? Is there a likelihood of Chinese competition increasing meaningfully in APIs as we go along?

Yasir Rawjee: Yes, that is there. Nitin, that is there. The Chinese players are being extremely aggressive in offering prices in the market. Again, for us, it has a much lesser impact. So because less than 20% of our business is in the emerging markets, where the regulatory framework is not that stringent. But then the regulatory framework, then it's a different ball game, where in the reg market. So while we are not impacted, you're absolutely right that the Chinese players have been aggressive, very aggressive. And the -- basically, they're just playing a price game. Let's see how that pans out in the long run.

Nitin Agarwal: And for our business, as these things stand today, assuming, once we start to look out beyond F '25, we are comfortable in terms of going back to older guidance around early double-digit growth in generics and much faster growth in CDMO?

Yasir Rawjee: Yes. I mean, look, CDMO, like I said, we're moving from 3 projects to 5 projects next year. So the base goes up. I mean, certainly, the lumpiness also will reduce because of a larger number of projects. We have quite a few launches coming up in the next year and even in the following year. So all this put together should give us a much better growth going forward.

Nitin Agarwal: And lastly, on CDMO, has there been any changes in the kind of conversations we've been having with your customers? I mean, there is this whole thing about Biosecure and the impact it's having for late-stage and early-stage products. So any pickup, any change in the nature of the conversations that you've been having?

Yasir Rawjee: Yes. I mean, I've said this before in different forums, but Biosecure Act is certainly going to help us. Indian companies in general. And we are seeing that sort of wind blowing in this direction.

Moderator: Next question is from Aejas Lakhani from Unifi Capital.

Aejas Lakhani: Dr. Rawjee, could you please help me triangulate how we are expecting this 20% kind of growth in the second half? Is it that the 2 molecules that you got approved in -- with customers in the U.S. and Russia? Is that likely to ramp up significantly? And is that what is giving you the visibility to call out this high single-digit growth for '25?

Yasir Rawjee: Okay. So look, I mean, I mentioned it earlier, I don't recall to whom. But basically, there is a significant revenue that should have been recognized in Q2. It's falling into Q3, correct? So you take that as one component.

Then there is the newer businesses 1 -- in 1 CDMO in case of 1 CDMO, both in Q3, Q4. I mentioned that we have -- we already have POs for that supplier. So because our customer has received the regulatory approvals, you add that and then you -- we have these 2 launches also that have happened and have contributed well to this quarter and are likely to contribute well to the coming quarters as well.

So plus the base, except again -- except the Argentina piece, it's continuing to sort of deliver at a regular rate. So I'm not seeing any challenge in being able to deliver at high single digits over the year.

Aejas Lakhani: Got it. Dr. Rawjee, that's helpful. And Dr. Rawjee what is the percentage of Argentina business, if you could sort of quantify it at a yearly level or at a quarterly level?

Yasir Rawjee: I think we'll leave that for now. I mean -- yes, if you don't mind. Yes, thanks.

Moderator: Next question is from Alankar Garude from Kotak Institutional Equities.

Alankar Garude: Sir, firstly, can you take us through the progress so far in developing the newer technologies? What I mean is, by when do you expect these to come on stream? When do you expect to showcase these to your clients?

Yasir Rawjee: Okay. So Alankar, we were hoping to take qualification batches of our U.S. sort of flow chemistry project in October itself, but that's been pushed out because of we've got to cover up a lot of servicing. Because the downstream equipment is common. So we've got this technology on the flow side. But then on the downstream side, we'll get a little tight. So we're trying to figure it out, but hopefully, we should be able to do qualification batches in December itself. Let's see how that goes. I mean we are still hopeful.

Alankar Garude: And anything else which you would like to highlight apart from flow chemistry? Maybe not just over the near term, but if I look at the next year or so, maybe a couple of years? Any time lines which we should track?

Yasir Rawjee: So another platform that we are going to sort of introduce next year has already sort of started off at the lab scale. It's already on. We're developing the products. And we even offered it to some of the customers at CPHI. And we're getting good traction there. So a little early to sort of put that out there right now, Alankar, but I mean, maybe in a couple of quarters, we can give you a lot more color in terms of how that is progressing.

Alankar Garude: Understood, sir. The second one was more of a clarification. When you say stable margins through the year in FY '25, what exactly do we mean because you are at about 29.5% and about 27% EBITDA margins, excluding other income in FY '24 and first half FY '25, respectively. So are we looking at more of margins being closer to FY '24 or the first half or the full year FY '25?

Tushar Mistry: Alankar, in FY '24, we also had the benefit of PLI as we had mentioned earlier. So obviously, that benefit is -- if you exclude that benefit, then we should be within that range that we were there.

Moderator: Next question is from Alisha Mahawala from Envision Capital.

Alisha Mahawala: Just needed a little bit more understanding. You're saying that including the incremental capex at a Dahej and Ankleshwar, the debottlenecking, we are at 95% utilization. Solapur is expected in '27. Will there not be capacity constrained in '26 to achieve the kind of growth that we're talking about?

Yasir Rawjee: Okay. Alisha, let me -- let's break it up. So this capacity that got introduced in Q2 will certainly help us going forward for a much higher volume deliveries in this year itself and then going forward. What we are doing in terms of further brownfield and that's there in our investor deck, I believe, it's there, right, where we are adding further pharma capacity in Ankleshwar.

So if you go to our investor deck, we are saying that we have added -- we are planning to add an extra 60 KL of pharma capacity in FY '26. That will help us in a big way. And then, we are planning to do -- basically do 160-kiloliter capacity overall in Dahej, and that will also come online in FY '26. That work is ongoing right now.

But you're right, I mean, with the kind of volumes that we'll have to service, we will still, sort of -- until Solapur comes in and kicks in, we will still be kind of going neck to neck on capacity. FY '26 we should come through because we are hopeful that even Solapur will kind of -- this first 200 KL of capacity will come online by the end of Q3 in FY '26.

Alisha Mahawala: And the second question, again, is a clarification. The second CDMO project, which you said was supposed to take off in Q4, there is some delay maybe that is expected. So is that just by a quarter or 2? Or what is the understanding there?

Yasir Rawjee: It's just regulatory approvals, which we cannot predict really. I mean, in fact, this fourth project that came like we -- like I said, we have orders -- our order book is, I mean, we've got POs already for Q3 and Q4. That came very, I mean, just out of the blue, really. I mean, in the sense that they are like, okay, we got our approvals when can you supply? I mean that's the kind of conversation that comes -- that happens sometimes.

So we are tracking it. And we even planned like this extra capacity. Should be able to take care of it and even for the fifth project. So -- but that may get pushed out. I have a feeling it may. From Q4, it may get pushed out into first half of next year because it's all driven by regulators, I mean, we don't really control anything there, neither does the customer really.

Alisha Mahawla: So the one starting in Q3, certain and the Q4 dependent on approvals could maybe move around a little bit?

Yasir Rawjee: Yes, yes.

Moderator: Next question is from Charul Agrawal from Bank of America.

Charul Agrawal: Sir, in terms of gross margins, you mentioned that you will retain the full year guidance of 52% to 52.5%. But given how we have seen a strong 2Q and you are capacity constrained and their new launches as well, do you see an upside risk to it, given that we might have the benefit of choosing to not pursue the lower-margin projects?

Yasir Rawjee: See, that would be the sort of worst choice we make, Charul. I mean, obviously, any business would do that. Any manufacturing business would do that, where if we are seeing that we are capacity constrained, we may let go some ROW business with lower margin. So that -- if that does happen, unfortunately, I mean, we try not to let that happen. But let's say that does happen, then, yes, I think you are going in the right direction. I won't put a number at this point.

Charul Agrawal: Okay. So another question on CDMO, while you have indicated the projects that are there, but are there some other projects that are in advanced discussions?

Yasir Rawjee: Yes. There is a few CDMO projects that we are in discussions. We haven't locked in anything yet. But again, what happens is that once a decision is made is when we know that, yes, okay, we got selected. Because there's competition. I mean we are not the only ones bidding for those projects. So it's a kind of a step function here. It's a 1 or a 0. So right now, you're still 0, even though you are discussing so many things. But then, it -- if it -- we might certainly hear that, okay, the customer selected us. At that point, if it's material, we'll inform the stock exchange, and you'll know about it.

Charul Agrawal: Okay. But any rough indication that maybe a couple of projects will start next year or any ballpark on that aspect?

Yasir Rawjee: Okay. Let's say, I mean, we hope to have something in next financial year or hear something in next financial year. Let's see. I mean it's very difficult to say. Because they have a longish process in terms of how the selection works. There are -- because typically, innovators don't work like generic companies. There's a lot of focus on business continuity diligence. And this whole business continuity diligence takes a lot of time. Not predictable.

Moderator: The next question is from Sharad Jatankumar from ELA Consulting.

Sharad Jatankumar: I've been an investor for the last 2 years. My question is in FY '22, with 765 KL capacity we did INR2,000-plus crores in top line and close to a similar bottom line. And with -- we spent over INR500 crores in capex spend, doubling our capacity and our top line and bottom line is still the same. Can you explain this, please?

Yasir Rawjee: See, firstly, we've not spent INR500 crores in the last 2 years. And there is a lag. There is a lag in the way the capex pans out. So if I spend the money this year, I mean, very likely, I won't even see it next year. I mean, in this year. So the point here is that we've got to keep that fact in mind. We've spent closer to INR300 crores, in fact, under INR300 crores, not INR500 crores in the last 2 years. This is something you need to factor. Plus a fair amount of that money has gone in projects which have a longer gestation to begin with.

So, I mean, we've got to put the numbers in the right perspective. The point here is that our capacities that are coming online are getting utilized and are contributing to top line as well as bottom line. So we can probably have a discussion offline. We'll give you the numbers and how that sort of stacks up, but this -- you need to go back and look at your numbers again.

Sharad Jatankumar: Okay. Sure, I appreciate it. So maybe leave out the capex numbers just for the moment, what is adding to the confusion is just from the earlier part of this call where we are saying that we are close to 95% capacity utilization on the current capacity. So which assumes that Ankleshwar and Dahej, whatever we have commissioned so far, if we are at 95% utilization and our top line and bottom line are still not -- the needle has not moved too much. That is what is slightly worrying. So if it's okay with you, I will drop an e-mail to Corporate Communications and Investor Relations, and would love to reach out offline as well.

Yasir Rawjee: Sure. Not a problem. Please do that, yes.

Moderator: Thank you very much. That was the last question. On behalf of Glenmark Life Sciences, that concludes the conference. Thank you for joining us, ladies and gentlemen, you may now disconnect your lines.