GLAND PHARMA LIMITED

February 21, 2024

BSE Limited Corporate Relationship Department Phiroze Jeejeebhoy Towers 25th floor, Dalal Street Mumbai - 400 001 Scrip Code: 543245	National Stock Exchange of India Limited Listing Department Exchange Plaza, 5th floor Plot no. C-1, Block G, Bandra Kurla Complex Bandra (East), Mumbai - 400 051 Symbol: GLAND (ISIN: INE068V01023)

Dear Sir/Madam,

Sub: Earnings call Transcript- Q3FY24

Please find enclosed the transcript of the Earnings call for Q3FY24 of the Company held on Wednesday, February 14, 2024, at 18.30 Hrs. IST. This will also be available on the Company's website and the web link to access the same is https://glandpharma.com/investors/financials

This is for your information and records.

Yours truly,
For Gland Pharma Limited

KUMAR PALLERLAMUDI SAMPATH
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Sampath Kumar Pallerlamudi
Company Secretary and Compliance Officer

Encl: As above

“Gland Pharma Limited
Q3 FY '24 Earnings Conference Call”
February 14, 2024

MANAGEMENT: MR. SRINIVAS SADU – MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER – GLAND PHARMA LIMITED
MR. RAVI MITRA – CHIEF FINANCIAL OFFICER – GLAND PHARMA LIMITED
MR. ANKIT GUPTA – VICE PRESIDENT & HEAD OF INVESTMENTS – GLAND PHARMA LIMITED

Moderator: Ladies and gentlemen, good day, and welcome to the Q3 FY '24 Earnings Conference Call of Gland Pharma Limited. As a reminder, all participant lines will be in listen-only mode, and you can ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing the star and then zero on your touch-tone phone. Please note that this conference is being recorded.

I am now handing the conference over to Mr. Ankit Gupta. Thank you, and over to you, sir.

Ankit Gupta: Thank you, Sagar. Good evening, everyone. We welcome you to Gland Pharma Earnings Conference Call for Q3 FY '24. My name is Ankit, and I drive the Investments, M&A, and Corporate Strategy for Gland. I have Mr. Srinivas Sadu, MD and CEO, and Mr. Ravi Mitra, CFO, to discuss the quarter's business performance and financial highlights. We will begin this call with the business highlights by Mr. Sadu, followed by a financial overview by Mr. Ravi.

Before we proceed, please note the safe harbor statement that we have on the press release. Some of our statements today will be forward-looking and based on management's current estimates. These statements must be viewed in conjunction with the risks involved in our business. The call is being recorded, and the playback will be available on our website shortly. We will also have the transcript in a week.

I will now hand over the call to Mr. Sadu for his opening remarks. Thank you. Over to you, Mr. Sadu.

Srinivas Sadu: Thank you, Ankit. Good evening, everyone. Welcome to Gland's Q3 FY '24 Earnings Call. I extend my good wishes for your family's health, happiness, and prosperity. May all of you have a continued upturn in 2024, and we look forward to a prosperous year ahead.

As in previous quarters, we intend to provide a comprehensive update on the stand-alone performance of Gland and the group's overall performance, including financial data from Cenexi, the CDMO we acquired in Europe. We have maintained our momentum with robust revenue growth in the third quarter. We reported revenues of INR15,452 million for Q3 FY '24, an increase of 13% quarter-on-quarter and 65% year-on-year compared to INR13,734 million in Q2 FY '24 and INR9,383 million in Q3 FY '23. The quarter-over-quarter growth has been propelled by our consistent performance, increased volumes shipped at a stable price and environment, and the introduction of new products.

Furthermore, we recorded the complete quarter sales of Cenexi. The core market generated 77% of revenue, year-over-year, increasing from 71% in Q3 FY '22. The company's largest market, the United States, witnessed a 12% quarter-over-quarter and 41% year-over-year growth. The company introduced or reintroduced nine molecules in this market during the quarter. We saw robust volume momentum for key new products, including levothyroxine, ropivacaine, ketamine, octreotide, and zinc sulfate. The pricing for the products we shipped in the quarter remained relatively stable, and we saw increased demand for several of our previously launched products.

The performance in the ex-U.S. primary markets remains consistent. Despite the longer approval process, we continue to identify products from our U.S. basket that have the potential to enter these regions, specifically in Australia and Europe.

The Rest of the World markets contributed 18% of our revenue in Q3 FY '24 compared to 21% in Q3 FY '23. These markets reported a 7% quarter-on-quarter increase, mainly attributable to Cenexi volumes.

The Indian market contributed 5% of our revenue in Q3 FY '24 and experienced a 7% decrease compared to the corresponding period in the previous fiscal year. While building the other markets, we remain focused on strategically important products in India and will explore avenues for value creation.

Our manufacturing sites remain operational with efficiencies, and we're committed to delivering high-quality products at scale with competitive costs and all-time compliance. We're conducting a facility upgrade activity on one of the lyophilization lines at our Dundigal flagship facility in Hyderabad. Consequently, this lyophilization line will remain non-operational for two weeks in March. This line will have temporary supply disruption; however, all the facility's other lines will remain operational.

On the R&D front, total R&D expenses for Q3 FY '24 were INR 530 million, or 5% of operating revenue. We filed 8 -- sorry, 10 ANDAs during the quarter and received approval for 3 ANDAs. As of December 31, 2023, Gland and its partners filed 346 ANDAs in the United States, of which 279 were approved and 67 were pending approval. The company has 1659 product registrations worldwide.

Discussing consolidated profitability and EBITDA margin, we reported an absolute EBITDA of INR3,557 million and a net profit of INR1,919 million for Q3 FY '24. This quarter, EBITDA margins remained similar at 23%, primarily impacted by negative EBITDA margins at Cenexi. For Q3 FY '24, Cenexi reported a revenue of INR4,439 million with a gross contribution of 75% and a negative EBITDA of INR170 million. However, the business achieved EBITDA break-even on an adjusted basis, excluding some one-time expenses.

An organizational restructuring exercise and changes to the pension provisions resulted in an effect of around EUR2 million in the quarter ended December '23. In addition, lower productivity led to reduced overhead absorption and inventory, resulting in lower EBITDA during the quarter.

Our post-merger integration review is now mostly complete, and we identified areas where Cenexi would need investments, improvements, and leadership recruitment across critical functions. We have reasonable confidence in Cenexi's current clientele and the partner's commitment for the long term. As for expansion, we have a solid order book of new programs that have been signed and are currently in various stages of tech transfer and approval. With these programs, we anticipate a medium-term incremental increase of EUR30 million to EUR40 million on our existing annual revenue base.

Despite our investment and capabilities to support this expansion, we continue to face issues with operational performance and the timely execution of our existing orders. These operational issues are causing delays in supplies and augmenting a backlog of orders. These issues have mostly affected our quarterly performance, leading us to rebalance our capacity and shift certain products to different lines, which will take time due to regulatory processes.

In addition, we'll invest in building new high-speed lines to replace the existing ones, automating processes to make them more efficient, and ensuring compliance. We plan to realize the acquisition thesis over the next 12 to 15 months. We're confident that we'll end the fiscal year '24 positively and continue to be excited about the opportunities ahead of us.

I now hand over the call to our CFO, Mr. Ravi Mitra, who will share more insights about our financial performance for the quarter. Thank you very much. Over to you, Mr. Mitra.

Ravi Mitra: Thank you, Mr. Sadu. Good evening, everyone. Thank you very much for attending our third-quarter earnings call. Let me begin by sharing the financial performance of the third quarter and nine months of the financial year 2023, '24.

Revenue from operations increased by 65% year-over-year to INR15,452 million in Q3 FY '24. The consolidation of the Cenexi business acquired during the current financial year contributed significantly to the year-over-year expansion of revenue, increasing our footprint in Europe. Revenue from operations for the nine months of FY '24 stood at INR41,273 million, a year-on-year increase of 45%.

Our base business, ex-Cenexi, also grew 17% this quarter over the previous year and 9% over Q2 FY '24, driven by our increased performance in the U.S. market. Other income for the third quarter of FY '24 was INR374 million, which primarily includes interest on fixed deposits and is lower than Q3 FY '23, which was INR615 million because of lower interest income and forex gain.

For nine months FY '24, the other income was INR1,281 million, of which interest on fixed deposit was INR1,063 million, and foreign exchange gains and operations were INR154 million. The gross margin for Q3 FY '24 was 61%, an improvement from 54% in Q3 FY '23 due to Cenexi's high gross margin. On the positive side, our base business has also witnessed an improvement in the gross margin over the last year due to the product mix.

We have reported an EBITDA of INR3,557 million in Q3 FY '24 compared to INR2,896 million, an increase of 23% compared to last financial year. The EBITDA margin of Q3 FY '24 stood at 23% compared to 31% for the previous financial year.

For the base business, ex-Cenexi, we have reported the EBITDA margin for Q3 FY '24 at 34%, up from 31% in the same period of the previous year. We, however, reported a negative INR170 million of EBITDA at Cenexi, primarily due to certain one-time expenses.

On our base business operation, we rationalized the power cost and human resources expenses during this quarter compared to the same period of the previous year. The EBITDA for the nine months ended December 2023 was INR9,744 million compared to INR8,563 million for the same period last year, an increase of 14%. We have reported the EBITDA margin for nine months in FY '24 at 24% for the group and 33% for the base business.

During the quarter, we finalized the purchase price allocation exercise of the Cenexi acquisition. The additional impact on depreciation and amortization on account of fair valuation of net assets for purchase price allocation amounted to INR294 million and INR377 million for the quarter and nine months ended December 31, 2023, respectively.

On a go-forward basis, Cenexi would report a depreciation and amortization of approximately INR90 million to INR140 million per quarter on account of purchase price allocation.

Our net profit for the third quarter decreased by 17%, stood at INR1,919 million compared to Q3 FY '23, and decreased by 1% to the previous quarter of the current financial year for the reasons above.

During the quarter, we recorded a PAT margin of 12%. During the nine months of the current financial year, our PAT was INR5,800 million at a 14% margin.

The total R&D expenses for the third quarter were INR530 million compared to INR512 million for the same period of the previous financial year and stood at 5% of the revenue from operations on an ex-Cenexi basis. The total R&D expenses for the nine months were INR1,337 million, which was 4% of our revenue.

On a stand-alone basis, our effective tax rate was 25.5% in the third quarter and 25.8% for the nine months of the current financial year. As of December 31, 2023, on a group level, we had a total of INR24,795 million in cash and equivalents, an increase of INR2,168 million over the previous quarter of September 30, 2023.

Due to loans on Cenexi's books to INR4,058 million as of December 31, our net cash position was INR20,704 million. Cash flow from operations during the nine months was INR6,228 million. Working capital was reduced and stood at INR 22,805 million as of December 31, 2023, as compared to INR 24,010 million as of March 31, 2023, due to decreased inventory levels.

The average cash conversion cycle improved at 182 days for the nine months ending December 2023 compared to 240 days in the same period last financial year. Capex's spending during the quarter is INR810 million. At Cenexi, the plan for a new high-speed ampoule line and equipment for enhancing capacity and operational efficiencies is progressing well.

With this, I request the moderator to open the lines for questions. Thank you.

Moderator: Thank you very much. The first question is from the line of Shyam Srinivasan from Goldman Sachs. Please go ahead.

Shyam Srinivasan: The first one is on the U.S. market and the sustainability of the revenue run rate, right? So we have done about INR8.2 billion for the quarter. So, I just want to understand what's driving that. Your commentary talks about a stable pricing environment. So, is it primarily driven by volumes? Are we in a position to sustain this quarterly run rate?

Srinivas Sadu: Yes, the market looks positive. The growth came from volumes by 8%, and another 3% came from the new launches, but Enoxaparin (Enoxa) also came back, and we're seeing an uptick in volumes.

We're looking at a forecast of USD 19 million per quarter. In the last call, we said about USD 16 million-17 million. I think we're seeing a higher demand from that market. As I said, we're a little aggressive on the pricing. Also, the material prices have gone down. So we have revised the pricing and to go after the business. Also, there are several molecules where you might have seen oncology products launched, which are of higher value. So, the momentum looks positive in terms of the U.S. business.

Shyam Srinivasan: Sadu, are you any guidance on how we should look at Q4 now? Or do you think we can sustain this over 8 billion?

Srinivas Sadu: The steady growth will continue, at least in the near term. We're seeing steady growth.

Shyam Srinivasan: Understood. You broke down the 14% Q-o-Q growth for the quarter as 8 of volume and 3 of new products, right? So that still leaves another three percentage points, which would be the enoxaparin. Is that how you're breaking it down?

Srinivas Sadu: Milestone and profit shares.

Shyam Srinivasan: If you could quantify that, please, sorry, yes.

Srinivas Sadu: I think the rest 3% comes from those two components. I don't have a break up of these 2, but that comes from those.

Shyam Srinivasan: Okay. Understood. The second question is on Cenexi, and I'll pause after that. It is on. We have looked at this asset for nearly a year now. And we have done some restructuring; you're talking about additional investments. When we made this acquisition last year, it was a 10% EBITDA margin business. Even if I add back the EUR2 million this quarter, that's an EBITDA breakeven.

So, what's the long-term outlook here? You made the changes to the purchase price as well. So, if you can, from a consideration perspective, obviously, but I just want to understand the long-term outlook for Cenexi. Do we have the ability to take it back up to historical margins, or has something changed there cyclically?

Srinivas Sadu: No, the thesis still holds good. It's just a timing. If you see, one is the one-off expenses we incurred in the quarter, which will make it break even. And we also have a lower productivity. That's where we're talking about how operational efficiencies would increase. Low productivity impacted the end-of-the-quarter inventory. It's a 75% margin asset. Any inventory- lowering of inventory impacts a big time. So, the downturn has impacted around EUR 3 million because of the lower inventory compared to the previous quarter's inventory.

Ravi Mitra: Yes. Sorry, what was your question about the purchase price?

Shyam Srinivasan: No, no. I said we have made an adjustment -- we have got the right numbers, and I believe we have made an estimate so far. This is the right number because the DNA has changed, right? So

I just want to understand from a long-term outlook, where are the margins likely to settle for Cenexi?

Srinivas Sadu: So one is, of course, the current business. At least, we're looking at 10%; like I said last time, we're still at 10% in the midterm. Then we have projects that are getting tech transferred that will add revenue of EUR30 million and EUR40 million. Most of it should trickle down to the EBITDA level because we see a breakeven point for this asset around EUR190 million and EUR200 million. Anything above that should positively impact the profitability.

Moderator: The next question is from the line of Neha Manpuria from Bank of America. Please go ahead.

Neha Manpuria: Sir, again, on the Cenexi piece, If I were to look at the revenue rate, it was doing much better than...

Moderator: Sorry to interrupt Ms. Manpuria; your line was cracking in between. So, could you please repeat the question once again?

Neha Manpuria: Okay. Sorry about that. So I said, on Cenexi, if I were to look at the revenue run rate, obviously, it's doing much better than even part of the quarter that was there. Gross margins also aren't that different. I didn't quite understand the lower productivity comment because your revenue does not seem to be showing lower productivity or lower volumes.

So, even adjusted for one-offs, why did we just break even? I would have assumed we would have returned to the usual margins here. So what -- I didn't quite understand your comment.

Ravi Mitra: Okay. So the top line number, yes, you're right, it has improved in this quarter. But the production has not been to the tune of what we had expected. So, while there was inventory that was sold out, it was sufficient to our expectations. Production was lower, which has led to lower absorption of overheads in inventory. And there were certain one-offs related to employee and management restructuring, which impacted one time. So that is the reason why this is EBITDA, INR170 million, negative this quarter.

Neha Manpuria: And, Sadu sir, you also mentioned something about operational issues and executing orders leading to delays in sort of realizing revenue. So does this mean the EUR30 million to EUR50 million incremental revenue that you talked about could come in much later?

When should we start assuming this incremental revenue is flowing through? And what did you mean by operational issues? Is this the same thing that you're talking about, that there was lower production?

Srinivas Sadu: Yes. So you'll see EUR30 million and EUR40 million only in FY '26 next year. What I'm saying is operational efficiencies with the current -- one of the facilities are, I would say, capacity-wise, it's chock-a-block, and we're not able to deliver because of the poor -- the lines are old, and we want to change those lines. Unless we substitute with a fast line, it's very difficult to get to those numbers that we talked about.

And for that, we need to sometimes- maybe in the next few months they got called off- take a shutdown and then increment this because, in the long term, this is what we want to do. We said it's a near-term pain, but the business is strong. The order book and the transfer projects for the handling are very strong.

The timing and how to streamline their operations are challenges in the near term because any movement of products from one line to another requires some regulatory approvals. And that's what we're doing now. We're moving some products from one site to another, one line to another. And getting approval to commercialize those will take some time. So, there is a near-term pain in that regard.

Neha Manpuria: Okay. Got it. And my second question is on the ROW business in the stand-alone piece. That seems to be coming off quarter after quarter. Is there some slowdown that we're seeing in a particular market? Or is it the inability to gain volumes? What's going on in the ROW? And when should we start seeing that market go back into growth mode?

Srinivas Sadu: There are some positives. We did win the tender in Saudi for 15 products. The estimated sales are around $50 million, or $55 million per annum. The previous year, Saudi was clocking around $25 million to $25-odd million in sales. So that is almost 15 products we won the tender for. So that's a good uptick.

Then, in South Africa, we got approval for four products, of which we will be launching three. That will add about a few million dollars. So, there are some positives coming up. And also another thing is the big what we had for Saudi entered in the last quarter. So, the tapering of sales happened. There are also limited sales in Saudi Arabia in the current quarter, but for the next bid, which we have won, the supplies will start in March or April. So again, the business will go back in ROW once you start supplying and doing that. So it's mostly the timing perspective, I would say.

Neha Manpuria: Understood. And one last question. The lyophilization line shut down. What could -- what kind of revenue impact can we see from the 2-week shutdown that you're talking about?

Srinivas Sadu: Quantified it will not be substantial because it's happening in March, and it's only two weeks of lyo. So, it shouldn't be substantial. But just as I know, because we have been asked last time that we should inform, so as a precautionary measure, we have informed that.

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

Amey Chalke: So I have a couple of questions. First is we're a clients company. So we have been seeing that we will -- as a source of the products we typically supply to multiple clients. But I have not seen a client addition in some of our key products. So, if you can highlight the same, are there any major client additions on the top 10 products that would have already taken place over the last 1 or 1.5 years? And how will it pan out over the next one year?

Srinivas Sadu: There are certain limited clients who invest in these products, right? And we're supplying products to most of the top injectable front-end companies. This is a part of a business where some of the clients don't meet the market share requirements. It gets transferred to another customer if they really need it because most of them might already have this product.

So it's an ongoing process. We did onboard a couple of new customers as well. But again, only so many front-end customers can invest in these products.

Amey Chalke: Sure. So there is another question related to this. There are a lot of shortages if you see the U.S. FDA shortage list. There are at least 2 or 3 products oncology products; we're already there in those products like cisplatin or a couple of platins, which are there.

Then there are two large products from our top 10 list, like heparin and Ketorolac. So are we -- have you already benefited from these products? Is it there in the numbers, U.S. numbers? Or do you expect that going ahead, there could be a volume ramp-up, which would happen in these products? Or is there any chance of client addition in this kind of product where there is a shortage, where we have the capacity, but the other competitor may not have it?

Srinivas Sadu: So Amey, to be product specific, like Ketorolac, it's always been under shortage. So we've been having a larger market share for these products for a long time. For cisplatin and carboplatin, we launched two quarters ago. And we have 55% of market share. And so we have a consistent supply for that.

So on an annual basis, I think the sales have, I would say, started from the last two quarters. So it will be increased on the -- if you look at it on an annual basis. But it's -- we already started supplying. And I think most of the shortage is going at least for these products once we started -- once we started supplying two quarters ago.

Amey Chalke: So, you see any benefits coming in because of shortages in the coming year? Or do you think it is already in the numbers?

Srinivas Sadu: Well, it's already like that, right? In the last 10 or 15 years, we have already seen some products that are always coming out -- on the shortage list because of regulatory issues. So that's part of the injectable business, where the quality of sites is important, and we pay so much attention to it.

Amey Chalke: Sure. Sir, last question on the Cenexi. We also acquired this asset due to the kind of technical capability it had. So, can we generate any synergy for the U.S. business from this unit?

Srinivas Sadu: Yes, they have several, especially the oncology. They're already working on some products. Our R&D is trying to collaborate with that asset, which we didn't have earlier.

So yes, we're working with them, but we have other issues to resolve before putting more burden on that asset. So that streamlining is happening in parallel, some development has also started working with the clients in terms of business. The customer -- the clientele of Cenexi are in discussion with us to take more products from us for other markets as well.

Moderator: The next question is from Chintan Sheth from Girik Capital. Please go ahead.

Chintan Sheth: I hope I'm audible. Again, I have a couple of questions on Cenexi. If -- you elaborated that inventory-related issues resulted in losses over there apart from the one-off part. But if you look at the gross margin profile sequentially, it has contracted only 200 basis points from 77 to 75. Does that actually translate into such a large under-absorption of profits or under-absorption of cost?

Ravi Mitra: Yes. So what happens is that because it's a high-margin product and largely the overheads, which is our expenses and salary and power, etcetera, is loaded. So that is coming in the individual line items below gross margin but not loaded on inventory. So that is what has happened.

And it would have been higher in line with what the sale has happened, which will -- in the next few quarters, it will come back. So then, with the higher production, you have more overhead expenses, which are transferred from the expense to inventory.

Chintan Sheth: Okay. But the production loss of this quarter will also have some impact or element of reduced revenue in the upcoming quarter in 4Q. Will that be the right assessment? The pain will continue for another quarter. Do you think so?

Srinivas Sadu: Yes. It all depends on how soon we can make it more efficient to produce more.

Chintan Sheth: But this won't happen in the quarter, right?

Srinivas Sadu: Correct. Correct. So the pain will continue, but how much we can reduce that's what we've to see. At least the one-off items will be gone. And maybe if you can increase certain inventory levels, then it will be an addition to the positive EBITDA thing.

Chintan Sheth: Okay. Got it. And in the Indian business, the revenue run rate or U.S. revenue is coming back decently. That is also helping us improve our margin profile. You mentioned in the comment that the growth will be sustained, given the current outlook or what we're seeing. Does it also have an element to improve our gross margin profile further, given that the scale is coming back? And we will have some operating leverage, which -- the leverage we faced in the past year will start to recoup again once the scale-up happens quicker than the previous quarter.

Srinivas Sadu: Correct. So once the volumes start increasing, that's what we're seeing from the last few quarters, so we started selling more units, and absorption is more. So your margin is improving. So the idea is to reduce costs and how to improve profitability by making more volumes. That's been the -- that's where we're putting more efforts on.

With Cenexi, the issue of revenue is not there. Now, the whole focus is on how to reduce costs, be more competitive, and also increase the margins.

Chintan Sheth: Lastly, the capex outlook for this year and next, especially for the Cenexi part, would be helpful.

Ravi Mitra: Okay. So, Cenexi, we're currently framing the capex plan for this year and next year. Overall, the allocation would be around EUR30 million, both for changing the equipment and increasing the capacity level. And for Gland Pharma, the usual -- the programs, which we're running for increasing capacity like Suite 9 and for Combi-line and at Pashamylaram are going to be Bag line. So all put together, we expect to spend about INR300 crores in the next financial year.

Moderator: The next question is from the line of Ankush from Axis Securities.

Ankush: Sir, my question is regarding key products like Ketorolac and Enoxaparin. We're seeing a continuous fall in the prices. And what impact can we see on the margin side due to the key products because, excluding Cenexi, the margins are quite good for the business in this quarter?

Srinivas Sadu: So the -- both the products are not just surprising; the material -- the cost -- the raw material costs have gone down substantially, translated into end market pricing. So, that pricing got adjusted. So, from a margin perspective, there won't be an impact. It's just that from the top line, it has come down in terms of that. So there's not -- there's no issue with that. Ketorolac has been a consistent product with similar pricing for a long time.

Ankush: Okay. Sir, the second one is related to the Cenexi. So in the first quarter, we have a 10% of the margins. Any outlook, sir, for the sustainable margin for the Cenexi?

Ravi Mitra: So, as we mentioned in the near term, there would be some challenges in terms of EBITDA margin, and we expect to break even in the next 12 to 15 months. After that, we will go back.

Ankush: Sir, this is related to -- the last one is related to the India business. India's business is sustained. I mean, it's a stable business now. So, what kind of growth can we look for in the Indian business?

Srinivas Sadu: So India, honestly, we're in the hospital sales, and most of the products we have are under DPCO. So it's not been a big focus market for us, unlike branded products, right? So we're selling, which are, I would say, less competitive, but most of the injectables in India are under DPCO. So, the focus is less, and the percentage of revenue compared to the total turnover is smaller for us.

Moderator: The next question is from the line of Nitin Agarwal from DAM Capital.

Nitin Agarwal: Sir, two questions. One is, in the past, you used to talk about our clients getting into biosimilar biologics manufacturing. Are there any updates on how you're thinking about the space now after the vaccine opportunity didn't take off?

Srinivas Sadu: Still, we're actually pursuing that; it's not that it's out of the window. We signed one plasma project, and it's active -- we've started booking some revenue. Due to this project, we're estimating about INR14 crores, INR15 crores per year. It's a 5-year contract. But there are also other biologics companies we're visiting. But as you know, the funding for a lot of small buyers has slowed down. So because of that, it kind of slowed down, but we're still pursuing that space as well.

Nitin Agarwal: Okay. And just secondly, when you look at your business ex of Cenexi, there is- obviously the U.S. has been- that it has come back pretty strongly over the last couple of quarters. Other segments seem to have their own sort of struggle for now.

When you sort of look at -- take a 3-, 5-year view of your business, so what is the cost -- the steady rate at which the business can grow? Is it more like a mid-teens growth business, a late-teen growth business when things stabilize? Or what kind of growth characteristic would you sort of be comfortable looking at for a 3- to 5-year view of our ex-Cenexi business?

Srinivas Sadu: The good thing is a lot of complex product filings are happening. And while we've already filed 7, we have few approvals; we're going to file four more this year. So that -- those product launches will happen.

And we're also seeing an increase in the CDMO space, where a lot of companies are transferring products to us. So, as you can see, the CDMO revenue is also going up. So there's a shift in that. So, on the overall basis, you also have to consider the base at which you're operating now. So, of course, as a company, on a consolidated basis, we have to see, but on this ex-Cenexi basis, mid-teens could probably be a target internally. But we have to see where we're going slowly and how we're devaluating because of the several options we're looking at. But that's what we're looking at, at least in the next 2 to 3 years.

Nitin Agarwal: And sir, over this period where you're talking mid-teens target for the business. This would be what, again, is driven by the U.S. or ROW, or is it going to be equally? Do you see any particular geography as being a primary driver for this growth?

Srinivas Sadu: See, there's a lot of opportunity in ROW also, like you said, so that growth will come from there. And U.S. complex generics are there. We have entered contracts with cartridges and pen products. So that will add some revenues.

We're also looking at contract manufacturing for some of the big pharma companies. So it's a combination of these few things.

Moderator: The next question is from the line of Neha Manpuria from Bank of America.

Neha Manpuria: Just a clarification on the Cenexi margins. Did I hear correctly that Cenexi would continue to be loss-making for the next year and also for fiscal year 25? And is the margin guidance that we had only for FY '26?

Srinivas Sadu: Not at the EBITDA level. I think Ravi mentioned the PAT level because of the depreciation and amortization, but the EBITDA level will be positive.

Neha Manpuria: Okay. Okay. So, is the 10% guidance that you gave for EBITDA reasonable? I mean, is this margin reasonable to assume in FY '25?

Srinivas Sadu: Yes, I think FY '25 is reasonable.

Neha Manpuria: Got it. Okay. And Ravi, on the depreciation and amortization, in your opening remarks, you gave a number of INR90 million to INR140 million. It seems like a very wide range. So this is the number that you would see in Cenexi -- for Cenexi as an incremental D&A. What's the D&A base that I should look at for the consolidated business?

Ravi Mitra: Yes. So, if you see Q2, consolidated depreciation was about INR80 crores. Now, going forward, there would be around INR10 crores in addition to that, so INR90 crores. Instead of this quarter, it is higher because we have made a catch-up depreciation here because the PPA was finalized this quarter. But going forward, there would be around INR90 crores on a consolidated basis.

Neha Manpuria: Okay. So INR90 crores is the number I should look at. So the -- okay, got it. Understood. That's clear.

Moderator: The next question is from the line of Chintan Sheth from Girik Capital.

Chintan Sheth: The question got answered.

Moderator: As there are no further questions from the participants, I would now like to hand the conference over to Mr. Ankit Gupta for closing comments.

Ankit Gupta: Thank you, everyone, for joining us today. We appreciate your participation. If there are some questions with us still unanswered, you can reach out to us any time, and we'll be happy to address them. I am looking forward to connecting with you next quarter and also in case there are more questions. Thank you.

Moderator: Thank you. On behalf of Gland Pharma Limited, this conference concludes. Thank you for joining us. You may now disconnect your lines.