LAURUS Labs
Chemistry for Better Living

January 29, 2025

To	To
The Corporate Relations Department **BSE Limited** Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai – 400 001 **Code: 540222**	**The Listing Department** **National Stock Exchange of India Ltd.,** Exchange Plaza, Bandra Kurla Complex, Bandra (E), Mumbai – 400 051 **Code: LAURUSLABS**

Dear Sir / Madam,

Sub: Transcript of the Q3 FY25 results conference call hosted on January 24, 2025

Pursuant to Regulation 30 & 46 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and with reference to our results conference call intimation dated January 08, 2025, please be informed that the results conference call for Q3 FY25 was hosted on January 24, 2025 and the transcript of the conference call is enclosed herewith.

This is for your information and records.

Yours faithfully,

For **Laurus Labs Limited**

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“Laurus Labs Limited

Q3 FY '25 Earnings Conference Call”

January 24, 2025

MANAGEMENT: **DR. SATYANARAYANA CHAVA – FOUNDER AND CHIEF EXECUTIVE OFFICER – LAURUS LABS LIMITED**
MR. V. V. RAVI KUMAR – EXECUTIVE DIRECTOR AND CHIEF FINANCIAL OFFICER – LAURUS LABS LIMITED
MR. VIVEK KUMAR – ASSISTANT VICE PRESIDENT INVESTOR RELATIONS – LAURUS LABS LIMITED

MODERATOR: **MR. NITIN AGARWAL – DAM CAPITAL ADVISORS LIMITED**

Moderator: Ladies and gentlemen, good day, and welcome to Laurus Lab Limited Q3 FY '25 Earnings Conference Call hosted by DAM Capital Advisors Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone.

I now hand the conference over to Mr. Nitin Agarwal from DAM Capital Advisors Limited. Thank you, and over to you, sir.

Nitin Agarwal: Thanks, Steve. Hi. Good afternoon, everyone, and a very warm welcome to Laurus Labs Q3 F '25 Earnings Call hosted by DAM Capital Advisors Limited. On the call today, we have Laurus Lab management representing: Dr. Satyanarayana Chava, Founder and CEO; Mr. V. V. Ravi Kumar, Executive Director and CFO; and Mr. Vivek Kumar, AVP, Investor Relations. I will hand over the call to the management team to make the opening remarks, and we'll open the floor for questions. Dr. Chava, please go ahead, sir.

Satyanarayana Chava: Thank you, Nitin, for organizing this call. Good afternoon to all our stakeholders. We continue to demonstrate our unique platform capabilities for some of the difficult to make small molecules and effectively addressing the evolving needs of our customers. We're delivering on our key strategic priorities and successfully executing on the major pipelines that we have.

Interestingly, the strong progress we are making on the CDMO CMO business increases the confidence in our ability to achieve long-term success and create sustainable value for our stakeholders. We're applying our important platform technologies into some of the advanced clinical projects, which we believe have significant commercial potential.

And we are further augmenting it with value-creating business development efforts like new small molecule, high potent R&D center which elevates our one-stop development and manufacturing service capability with our innovators and parallelly, enhancing our business teams across the globe. We have also recently announced a strategic investment by Eight Roads into our biotech arm.

This new development further expand our efforts towards building commercial scale sustainable manufacturing capability, which will focus on creating large-scale microbial precision fermentation capacity as well as enhancing our enzymatic engineering applications as well. I would say through continuing excellent scientific and operational execution, we are achieving significant milestones for our company and for our customers.

Moving on to our financial results. Our Q3 operating results have progressively improved, and we delivered strong growth along with continued resilience in our financial health. For the current quarter, we delivered revenue of INR1,415 crores. Strong growth is driven by robust demand in our CDMO business, supported by healthy performance of formulation division. The growth was partially offset by lower offtake in our ARV business. Gross margins were healthy and maintained well above 50% for the last several quarters and EBITDA margins increased to 20.1% following better operating leverage and the product mix.

Healthy commercial execution is our top priority, and our performance remains well on track to deliver full year growth with the revenues accelerating in the near term. To begin, I would like to share key updates on our CDMO business. This division saw continued robust demand for its commercial offerings and coupled with strong operational performance, we recorded highest quarterly sales for CDMO division in the last 8 quarters, close to INR400 crores. On a 9-month basis, CDMO division recorded 33% growth, reflecting continued uptake with our new assets ramping up. I would say the division portfolio continues to shift towards high-value complex small molecules. We also saw encouraging RFPs and continue to see signing an early to mid-stage projects involving complex chemistry. This momentum is partially enabled by increasing collaboration with our new R&D center with new big pharma partners. Additionally, we are actively promoting our BD efforts to successfully deliver clinical projects to broaden project pipeline for long-term accelerated growth.

The broader outlook for CDMO industry with small molecules is positive, and we remain committed to our 2025 growth outlook, supported by scheduled project deliveries for a few late-stage projects in the Q4. We're working on over 90 active projects, mostly in human health and also some in the Animal health and Corp Protection as well.

In the generic APIs, we reported revenues of INR531 crores with a decline of 7%. This was mainly due to lower volume uptake in ARV APIs. For 9 months, the business were more or less very stable, declined slightly about 3%. The soft ARV performance was essentially due to prioritized capacity allocations towards high-yielding long-term business opportunities. Having said that, we would like to reassure that our order book in ARV is healthy and Laurus will fulfill all confirmed orders and contractual obligations.

Also, we have indicated in previous calls that our combined ARV performance, APIs and formulations, we have done better than last year and stabilizing franchisee revenues. On the non-ARV portfolio, we have seen some sequential recovery as part of ongoing strategic initiatives. We continue to work towards expanding our CDMO/CMO offerings in small molecule APIs. Overall, we see API growth returning next year with positive order book what we have.

During the 9-month period, we filed four DMFs, three in non-ARV category. With this, the total number of DMFs filed is 87. In our Formulation division, we delivered strong progression in Q3, improving our year-to-date performance. Overall revenues for the quarter were INR436 crores. For 9 months, we have returned to growth of over 5%. ARV business and developed market business portfolio increased on higher activity. We have a couple of ANDA launches that we expect to provide meaningful growth in the next financial year.

Cumulatively, we have a total of 43 ANDAs filed to date. Of this, we have a total 21 final approvals and 14 tentative approvals. We continue to have diverse portfolio and pipeline, including products franchisee comprising of ARV, cardiovascular, diabetes and CNS, apart from gastrointestinal as well. I'm also pleased to report that our collaboration with KrKa is progressing well. We have already initiated the validation of a few products under the new CMO agreement for integrated generic contract manufacturing.

On the R&D front, we have spent about 5% of our sales for the 9 months of the current financial year. We continue the investment portfolio with product-specific approaches based on complexity and scale economics. Coming to Laurus Bio, this division reported Q3 sales of INR48 crores, a growth of 14% year-on-year. If you look at the 9 months performance, the underlying growth is very healthy excluding impact of advanced shipments last year. And also we discontinued some low-margin non-core nutrition business.

Q3 continued to see increased customer pipeline with AOF and CDMO customer base increased significantly. We are further expanding on R&D capacity with installation of high throughput systems to meet our increasing demand of our R&D services. Regarding our plan to set up the large-scale fermentation capacity in Vizag, we are pleased to join forces with Eight Roads as their partner. We believe our strong collaboration will enable us to expand and accelerate high-quality CDMO services capability to global partners. The proposed investment will more than double our fermentation capacity, and we expect facility to be ready by end of calendar year 2026.

Let me share briefly on the quality side. In 9 months, the company underwent close to 120 quality audits by multiple drug regulatory agencies and also customers. The company has successfully passed the target without any critical findings.

To conclude, I want to again acknowledge the focus and commitment of our team. Based on our continued progress across diverse portfolio and pipeline projects, we are more confident about our long-term future and value creation for the stakeholders in the coming years.

With that, I'd like to hand it over to Ravi to share some financial highlights.

V. V. Ravi Kumar: Thank you, doctor, and a very warm welcome to everyone on our Q3 and 9M FY '25 earnings call. Total income from operations for 9 months is around INR3,834 crores with a growth of 6%. For the quarter, we have done INR1,415 crores, with a growth of 18% year-on-year. The fundamentals of our business have remained healthy, led by order book position and continued progress in CDMO business.

Gross margins maintained at healthy level for quarter 3, which came 56.9% and for 9 months, 55.8%, mainly due to better product mix as well as process improvements done in some of the key large volume APIs. Our EBITDA for quarter 3 stands at INR285 crores, with EBITDA margin at 20.1%, which has progressively improved. For 9 months, EBITDA came at INR638 crores with a margin of 16.6%. This is versus 15% in last year. The margins are suppressed due to continued operational deleverage, even though some of the assets may have started to ramp up, we expect quarter 4 will ramp up further.

Our profit after tax for quarter 3 is at INR92 crores and for 9 months, at INR125 crores. Our ROCE was 6.8% due to lower operating results and continued capex investments towards growth projects. On the capex front, we invested close to INR186 crores for the quarter and INR448 crores for 9 months FY '25.

Our net debt stood at INR2,766 crores and debt to EBITDA is around 3.1 versus 3.4 in the last quarter. As we have articulated in the past, we are expecting gradual deleveraging following acceleration and operating performance in the near term. On the capital allocation front, our strategy remains unchanged, and we will continue to prioritize investment into high-value business segments like CDMO. You can refer to our IR presentation for more details.

With this, I would request the moderator to open the lines for the question-and-answers.

Moderator: Thank you very much. We will now begin the question-and-answer session. First question is from the line of Sajal Kapoor from Antifragile Thinking.

Sajal Kapoor: First question is related to Laurus Bio. Recently, a 59-year-old female patient from Netherlands travelled to India for CAR-T cell therapy and her treatment was successful. And of course, this is a wonderful outcome for Indian scientists, doctors and health care infrastructure in the country, in particular. And I'm, of course, so proud to be an investor in ImmunoACT through Laurus Labs, of course. My question is about both ImmunoACT and our gene therapy Phase I progress at IIT Kanpur. Can these individually become multitherapy assets at scale?

Satyanarayana Chava: Thanks, Sajalji, asking a very interesting question. As you are speaking, our associated company, ImmunoACT obtained DCGA approval to conduct a clinical trial for BCMA. So it is not a one product company anymore. So they're going to start dosing the first patient in BCMA soon and they are also starting to work on other clinical assets as well. So we are moving from 1 product company to a multi-asset company at ImmunoACT. Coming back to your question on IIT Kanpur, our commitment to progress, the three assets, what we are licensed from IIT Kanpur, we are progressing them. And we'll have more to share about the timeliness and all in the coming quarters.

Sajal Kapoor: That's helpful, Dr. Satya. And my second and last question is, given our reactors are interchangeable or fungible, we can always stop ARV and switch to NCE or higher-margin products in the same block where we are currently doing ARV today should an opportunity arise in the future. So I mean, logically thinking, instead of doing a 35% gross margin in a fungible reactor, we would rather do a 70% gross margin molecule. I mean, is that how you would think as well?

Satyanarayana Chava: Currently, we are not struggling for capacities. And at the same time, ARV, both API and formulation put together is a sizable business. It is a cash cow. So we don't want to disregard that and then focused on other business. So we have enough capacities to cater to NCE programs, Sajal, yes.

Sajal Kapoor: Yes, definitely. So we won't. Yes, it's a cash cow for sure. But if there is a dramatic shift in the external environment. So US pulling out of WHO causing a near-term knee-jerk reaction on PEPFAR tender or any such kind of a scenario emerging, we always have the capability and the capacity to make a different product in the same infrastructure. That's my question precisely.

Satyanarayana Chava: You are absolutely right. I think it is definitely doable. If you look at our journey in the last 6, 7 years, we used to make more than 1,000 tons of efavirenz per year. Now we are making 50 tons per year. So that capacity converted to something else. So the reactors are fungible, as we mentioned. If there is need arises where our ability to repurpose to other APIs is quite possible.

Moderator: The next question is from the line of Tushar Manudhane from Motilal Oswal Financial Services.

Tushar Manudhane: Sir, just a bookkeeping question first. How much of the ARV formulation sales for the quarter?

V. V. Ravi Kumar: Do you have a second question? We will answer the first question.

Tushar Manudhane: So with respect to this investment by Eight Roads in the fermentation business, we were already implementing the capex for 2 million fermentation facility. So this investment goes into this 2 million facility or this is separately 400KL capacity, which we are going to come up under the deal with Eight Roads?

Satyanarayana Chava: Actually, the deal with Eight Roads, we are not creating capacity for Eight Roads, we are creating capacity for our own purpose. And we took the partner for their technical advises and their portfolio companies. But otherwise, the 400 KL capacity will come for Bio. So we will do our own products. And going back to the first question, in the Q3, our ARV sales were a little over INR300 crores, precisely INR304 crores.

Tushar Manudhane: Looking at FDF?

Satyanarayana Chava: Yes, INR304 crores is the FDF ARV sales in the Q3 period.

Tushar Manudhane: So sorry for this confusion, but the facility which we are building up, that is the 2 million fermentation facility, and then 400-KL capacity is another project. Is that the right way to understand?

Satyanarayana Chava: Actually, if you look at our large-scale bio capacity, we have two large-scale capacities will come, one in Vizag, one in Mysore. So both plants are intact. So we have accelerated construction of facility in Vizag because of operational reasons, but eventually, we'll also have another facility coming in Mysore. Both are active.

Moderator: The next question is from the line of Krish Mehta from Enam Holdings.

Krish Mehta: I just wanted to follow up on the previous participant's question on the ARV versus non-ARV mix. Is it right to assume that your ARV total revenue for this quarter was INR617 crores? If you could just break up the total ARV versus non-ARV?

Satyanarayana Chava: You're right. That's about INR619 crores. Yes.

Krish Mehta: And if I could follow up, how do you see this trajectory going forward as our API sales sort of stabilize a bit in the next, say, 1, 2 years?

Satyanarayana Chava: We can give you a broad range. We are not anticipating any growth coming from this franchise in both API and formulation put together. If you sum it up, it is INR650 crores per quarter. We expect it to remain in that range next year, year after also. So that's kind of the stabilization we expect in that ARV franchise, between INR2,300 crores and INR2,500 crores, somewhere in between. And we believe that's quite possible even now, yes.

Moderator: The next question is from the line of Bharat from Quest for Value Capital.

Bharat: May I know when is this Bio plant going live, sir?

Satyanarayana Chava: By end of 2026.

Bharat: End of 2026. Okay and regarding this FDF 3 billion capacity for Krka, may I know by when this would be starting delivering revenue for us from Unit 2?

Satyanarayana Chava: See, what we started doing, we started doing validation of the products which will go into the increased capacity already. And then the new capacity will come from November, December this year onwards in a phased manner, yes.

Bharat: Okay. And my last question is regarding Biosecure Act. Now that these actives are delayed, because of this, do you see any slowdown on momentum of the supply chain diversification efforts from innovators?

Satyanarayana Chava: We haven't seen any degrowth in visits or RFP flow. Yes.

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

Chirag Shah: Sir, first question is on Q4 of current financial year. So last quarter, you indicated H2 margins could be around 25%, so that our annualized margins would be 20%. Now, we have done around 20% in Q3. So do you still hold to your H2 guidance of 25%? And if not, has there been any delay in Q3 revenue which leads to lower margin? That's my first question.

Satyanarayana Chava: As I mentioned in the initial comments, we are still confident to what we are committed to bring the entire financial year EBITDA closer to 20%. Yes.

Chirag Shah: Okay. And sir, second is, for next year, that's '26, given the efforts you're putting on CDMO over the last 2, 3 years, can we expect '26 could be the year of the breakthrough phase and we can cross or reach INR2,500 crores of revenue on a full year basis

Satyanarayana Chava: I don't want to comment on the quantum of business we can do next financial year. But the prospects in the CDMO division looks very bright, and we expect to have growth.

Chirag Shah: And when you say growth, will it be substantial over FY25 because FY25 has been a subdued year.

Satyanarayana Chava: I think we'll reserve my comment on this. So I can still say that FY'25 will be a good year for CDMO, FY'26 will be even better year for CDMO.

Chirag Shah: Yes. Okay. And any margin guidance do you have for '26 given there are a lot of moving parts in the business?

Satyanarayana Chava: We are not giving any margin guidance.

Moderator: The next question is from the line of Jeevan Patwa from Sahasrar Capital.

Jeevan Patwa: Yes, sir. So, congratulations first to the entire team. So, we are seeing very good trajectory on the CDMO side. I think CDMO is going to fire from here on, that's what I feel. And Q4 and onwards, I think we will have a different number from CDMO. Just wanted to understand, and if you are able to give some details on this.

Any number of commercial molecules getting commercialized in FY '26, any idea on that? In terms of also the Animal health business, how do you see that Animal health business is going to shape up? And also, the agrochemical business, how it's going to shape up in the CDMO side,

Satyanarayana Chava: I think next year will be a good year for our Animal health. So we expect a significant growth will come from there. And we will commercialize our CropScience facility, and we will also expect sales coming from that unit. When it comes to human health CDMO, we have a lot of clinical programs. I don't want to comment on how many we commercialize, how many in Phase III. We never gave that number of breakup of programs. But we have a very good pipeline. As I mentioned, we are not offering RSMs or intermediates. So we moved one orbit and we are giving APIs, and which are also volume and which are also complex APIs. So that's the game we are playing and we are happy we have invested significantly in those, and our customers are also very happy with what we have been delivering.

Jeevan Patwa: Perfect, sir. No, sir, I'm also very happy with the numbers this quarter. I think next quarter is going to be really good in terms of CDMO. One more thing, sir, in terms of gene therapy, so we are saying we're going to commercialize the vector manufacturing facility in FY '26. So, is it going to be utilized for contract manufacturing also?

Satyanarayana Chava: Yes, you're right. So, the facility will also sell GMP-grade viral vectors, and also we have the ability to do plasmids, CMO, and it will be a combination of both.

Jeevan Patwa: And how big it would be, how much we are putting investments there?

Satyanarayana Chava: Our investment into GMP scale facility is about INR120-130 crores. And we invest if there is a need. So our initial philosophy continues, again, invest ahead of the time. And then we have licensed patents, we have licensed technology for viral vectors. I think as we committed, FY '26, we'll have the GMP facility up and running.

Jeevan Patwa: Perfect. So INR100 crores is a big amount for, I think, this viral vector? That's great, sir. And the last question, I think, a little difficult question again. So when do you think the kind of FY '21 kind of growth we can expect in the formulation and the API side. Do you think FY '26 will give that kind of growth in the formulation or it will be FY '27?

Satyanarayana Chava: I think we are broadening our pipeline in our API and also in formulations. That will take some time. It is not a quantum jump in FY '26, but the kind of pipeline we are developing will have a unique offering, and we expect significant growth coming in the medium term. I don't expect significant growth coming in the near term, but medium term, we're very confident.

Jeevan Patwa: So can we expect FY '27 to be the year for formulation and API?

Satyanarayana Chava: I think, see, we can discuss closer to when we are filing DMFs in the new portfolio.

Moderator: The next question is from the line of Madhav from Fidelity.

Madhav: So I just wanted to understand that you mentioned that you have shifted from doing RSM and intermediate to doing high-volume complex APIs. I mean, could you explain a little bit more like what's happening? Is that customers are asking us to do the final API itself? Or sort of what's changed there? I mean just trying to understand the thought process.

Satyanarayana Chava: I think when people come and they want volume, we're able to provide what volume our partners are asking. And also what technology platforms we have created also enables us to do complex things. We do significant work in flow chemistry, bio-catalysis, high-potent manufacturing, high-energy chemistry, and hydrogenation. So we've created some technology platforms, which helps us to add value to our partners' programs. So that's the reason we moved from RSMs to very advanced intermediates or APIs. Yes.

Madhav: Is this a recent shift in the pipeline? Because if I understand that one or 2 years back, we did do some KSM intermediates. So I mean, this is the first time I'm hearing this shift. So is it something more recent that we've kind of realigned the portfolio or something which has been happening for some time?

Satyanarayana Chava: We have realigned our portfolio. We are getting that kind of projects. I'll put it that way. It is progressive, yes.

Madhav: Okay. Sir, just had one request. Given a lot of your peers, they do give a breakup of, let's say, you have 70, 80 human health projects. I think you do mention how many are commercialized. But if it's possible just to give a breakup into different phases, like how many in Phase III, Phase II, Phase I, that will just be more clear for the investor community. So just a request from my side here.

Satyanarayana Chava: So as I mentioned, Madhav, we don't want to dwell into those finer details. See, this CDMO business is very dynamic in nature. And we don't want people to start guessing projects and all. So we also have confidential agreement. We don't want to reveal too much. So when it is

commercialized, people know very easily on the export data nowadays. The people are dissecting so much, so we don't want to give more data further. Yes.

Madhav: Got it. And just the last question from my side was the Krka JV, which we are implementing. I don't know if you've called it out before, how much capex are we putting in for that JV? And sort of in 2, 3 years, what kind of revenue can come from that JV separately? If you could give us some sense, that will be really helpful.

Satyanarayana Chava: I think we are formulating our strategy correctly right now. The blueprint stays on the facility and also products. Maybe we'll be able to give more details maybe middle of next financial year. Yes.

Moderator: The next question is from the line of Deepak Malik from Carnelian Capital.

Deepak Malik: Congratulations for a good set of numbers. Sir, my first question is on the CDMO business. Can you please highlight what drove this strong growth in this quarter? Is it like human CDMO? Or was it animal in this quarter? So what actually drove the performance? And is it sustainable for quarter 4?

Satyanarayana Chava: I think the growth came from both. Majority came from human health, but partly also came from animal health CDMO. And we expect our pipeline is robust, and we're also doing very late-stage intermediates or APIs. We expect to do well in this division in Q4 and beyond.

Deepak Malik: In this human health and animal health, has there any new capacity which gone into commercialization? Or was it a new product which got launched? So what actually -- if you can give a little more colour on exactly -- so what exactly led to this kind of strong growth, launch of new products, the commercialization of new facility or ramp-up of existing contracts

Satyanarayana Chava: I think no new capacities came online. We have a lot of capacity, which we have created for this division. And we started utilizing and we are delivering some projects, which we delivered small quantities in the previous years. So it is a gradual growth. So this business, one has to have a lot of patience, and we patiently waited for the programs moving from earlier clinical phase to late clinical phases. And this growth is effort what we have put in the last 2 years.

Deepak Malik: Okay, sir. And you think this is something which will further scale up going forward from Q4 and Q1 and Q2? So this is like just the start and then things will further scale up from here onwards?

V. V. Ravi Kumar: Year-on-year, it scales.

Satyanarayana Chava: Yes. We expect definitely, this division will grow in FY '26. I'll leave it at that stage. I'll not quantify how much growth comes right now.

Deepak Malik: Okay. And second, sir, you have given one very good slide in the presentation, the seventh number slide, where you have given that there's INR3,000 crores of total capex from FY '22 to

'25 you have done. And in that, around 72% capex is into the API and CDMO. And then you have given the breakup also that, okay, there is 50%, which is ongoing capex and the operational is only just 21% and ramp-up stage is only 28%.

So that means like more than half of the capex is still not commercialized and that is still to come in this INR3,000 crores. Only INR1,500 crores is something which is in the various stage of scaling up.

Satyanarayana Chava: I think I'll answer this question a little differently. See, the capacity is there, but we are not doing regular production there. So when we do scale-up batches or the validation batches, multistage, so it utilize your block very inefficiently. So the real value comes when we do commercial. Yes.

Deepak Malik: Okay. Got it. And in this, so if I have to say that so approximately, what kind of sale must be coming in from this INR3,000 crores? Is INR1,000 crores or maybe even less than that? With this new capacity?

Satyanarayana Chava: We don't want to quantify that way. But on the left-hand side, you might have seen at the highest, we have done 1.4 asset turnover ratio. At the lowest, currently, we are 0.8. So when we go commercial, I think revenues will be somewhere in between.

Deepak Malik: So, you have given there that it's 0.8x. So, when you say 0.8x, of the overall INR3,000 crores?

Satyanarayana Chava: Overall gross block, including INR3,000 crores.

Deepak Malik: Okay. Got it. And whatever capex which will be coming in going forward, that will be over and above this?

Satyanarayana Chava: Yes.

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

Venkat: I just wanted to know, what is the impact on ARV business if US exits from WHO?

Satyanarayana Chava: See, WHO is a policy framing organization. WHO don't fund any ARV procurement. They do make policies. They do approve the dossiers, guidelines and all. So if the US start moving away from membership of WHO will have some impact on the guidelines, approval time lines of files and all. But in the near to medium term, we don't expect any impact on the drug purchases because the amount of money spent on drug purchase is 10% of the money spent on the HIV eradication program. So we don't expect significant impact on that.

Venkat: Okay. Sir, one more question. Sir, earlier when we purchased Richcore, we thought to put up 2 million fermentation facility in Bangalore. Why was it moved to Mysore, sir? I mean just trying to understand.

Satyanarayana Chava: We have used Bangalore as a word. But otherwise, our initial plan was to put up a facility near Tumkur or Mysore. So that was the idea. And we moved our phase of construction to Vizag for operational reasons. So our plan of creating large volume facility of 2 million liter's still intact.

Venkat: When is it expected to complete, sir?

Satyanarayana Chava: The Vizag facility will be operational the end of 2026.

Venkat: It's going beyond end of 2026 in Mysore, right?

Satyanarayana Chava: Yes. Yes.

Moderator: The next question is from the line of Mayur from Wealth Managers India Private Limited.

Mayur: Sir, just one broad question. And it may appear to be a little financial, but I think from a strategic standpoint, the stakes, Eight Roads stake of 14%, when we look at, broadly, the value comes to around INR850 crores, INR860 crores for the overall Laurus Bio. And when we look at the annualized current revenue run rate, it is just slightly sub of INR200 crores.

Our own entire Laurus is valued much higher than that. So we believe the Bio segment should have been a little more, qualitatively more, higher valuation if it commands, so to say. So just wanted to understand your thought process when we looked at this and what kind of benefit shall it accrue. And is it the right way to look at? And what are your thought processes when we looked at that kind of an arrangement?

Satyanarayana Chava: The primary objective for us to bring Fidelity as a partner is to work closely with their portfolio companies across the globe. That's the primary intention. Second is, see, you might be aware, we acquired majority of the Bio stake from Fidelity itself. So they are coming back itself is a good indication that they see value right now into this. Not just money purpose, we got Fidelity into the picture to broaden our management bandwidth there and also work with their portfolio companies. I'll put it that way.

V. V. Ravi Kumar: The valuation we feel it's a fair valuation. In fact, the same valuation, even Laurus also investing. So we will invest around another INR40 crores before end of June 2025.

Mayur: And we further have both either of the partners at INR35 crores additional? That is also at the similar valuation?

Satyanarayana Chava: Yes. You're right.

Moderator: The next question is from the line of Ankur Bhadekar from ULJK Financial Services.

Ankur Bhadekar: First of all, congratulations for the good set of numbers. So, a couple of questions from my side. One was during the quarter, the onco API contribution has been low, around like 8% or so. So, I wanted to know the reason behind the same. And also, do we still hold a higher market share in the gemcitabine API?

Satyanarayana Chava: If you look at the 12-month period, answer is yes, not quarter-on-quarter. And for many of the oncology APIs, we hold significant market share. And see, it is some kind of an order book shifts from quarter-to-quarter. Otherwise, our onco pipeline looks healthy.

Ankur Bhadekar: Okay. And how do you look at the business going forward in terms of the Bio business? Like with Eight Roads coming in, what is your future growth strategy? And like how do you see the contribution from the Bio business going ahead?

Satyanarayana Chava: I think we'll be able to answer that once our new additional capacity comes online. See, until such time, we are only de-bottlenecking existing capacity. We don't expect FY '26 will see significant growth in Bio. So, the quality of business may vary, but quantum of business may not be very significant in FY '26. But year after then, we'll see a big growth in the Bio division. But we are not quantifying how much we'll do in FY '27 and onwards, but we will see growth there.

Moderator: The next question is from the line of Dhirajkumar from Tank Your Wealth.

Dhirajkumar: So my first question is around I hope we supplied a registration batch in Q3, and we are doing in Q4 as well. So my question is around and I'm not expecting any number, but my question is around, are you supplying more than one product or molecule for this Q3 and Q4? Or it's for one product or molecule?

Satyanarayana Chava: I can give broad answer. So the deliveries what we have done in Q3 and what we're going to do in Q4 are for multiple products, not for one product.

Dhirajkumar: Okay. I mean we are good then, In 2021, we supplied PO, and that's the only one product, and then it vanished. I mean, revenue has significantly declined. That's why I asked.

Satyanarayana Chava: There are multiple products, I think. Yes.

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

Nitin Agarwal: Sir, on the CDMO bit, in your presentation, you mentioned that you're working on 70-plus projects, including several breakthrough designated molecules. Sir, from a CDMO partner perspective, is there any implication we should read into this designation of molecules as fast track as breakthrough molecules? I mean, does it have any implication? What implication does it have as a CDMO service provider?

Satyanarayana Chava: The approvals will be faster for our partners.

Nitin Agarwal: Okay. And you mentioned that there are multiple of such products which are there in our pipeline.

Satyanarayana Chava: Yes. Yes.

Nitin Agarwal: And sir, such molecules typically would be what? Typically, the orphan drug molecules with smaller sort of scales or these are not necessarily orphan drug products

Satyanarayana Chava: I think I will not answer this question.

Nitin Agarwal: And sir, the other point that you mentioned on the ecosystem for CDMO. Sir, I mean, some of the trends that you mentioned, what implications do they have, positive or negative, for Laurus as a business in whatever changes that you've seen in the landscape over the last few quarters and the things that you're seeing changing for now?

Satyanarayana Chava: I mean there are changes, but those are all positive for us.

Nitin Agarwal: I mean, the point that you mentioned about supply chain optimization by big and midsized pharma, what kind of changes are you seeing on that account, sir

Satyanarayana Chava: I think they are trying to add some key vendors to diversify their supply base. That's what is happening, and we're happy with the way things are going right now.

Nitin Agarwal: Okay. And the last question, what kind of programs do we have for the peptides drugs right now? The big talk of town in terms of GLP-1s and the other sort of products. What kind of capabilities do we have on peptides? And how do we see that part of our business scaling up?

Satyanarayana Chava: I think, see, we are not giving what products we are working, what therapies we are working, we are not giving. So we -- that's giving too much of details. We don't want to give very minute details, which is against our policy now.

Moderator: Next, we have a follow-up question from the line of Tushar Manudhane from Motilal Oswal Financial Services.

Tushar Manudhane: So just on the CDMO or the custom synthesis space, if you could just clarify, this is like more of the exhibit batches' traction, which has come in this quarter? Or this is like subsequent to product approval, the initial buildup commercial activity, that has driven the custom synthesis business quarter-over-quarter?

Satyanarayana Chava: We supplied one commercial launch quantity and multiple registration quantities.

Tushar Manudhane: So this commercial buildup activity will then probably take a breather and then drive the business Or this is more like a sustainable number to work for?

Satyanarayana Chava: The commercial API, what we supplied in this quarter will continue to be there. We know the forecast. I think that's good for us. And there are several, as I mentioned. The growth doesn't come from one product. Growth came from multiple products, so we're happy that our CDMO division now is well diversified.

Tushar Manudhane: Understood, sir. And lastly, when do we see pickup in the formulation business, where we've seen certain products filed and approved and subsequent launches?

Satyanarayana Chava: I think overall, our formulation business grew this quarter, and we expect it will do well.

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

Sajal Kapoor: Dr. Satya, culture is always the hidden factor in delivering high science and innovation, and I'm sure you know that more than anyone else. And according to some empirical studies, employees who eat together and kind of engage in social activities out of their labs and workplaces, they tend to perform better at work.

So, I mean, this is in the context of this mushrooming of life sciences global capability centers around Hyderabad. I mean, do you think this poses a threat in terms of attracting or retaining talent? And if yes, what is Laurus doing in terms of culture, work-life balance, and creating a more fun at work kind of a climate for disruptive innovation to foster?

Satyanarayana Chava: I think, see, at Laurus, most of our mid- to senior leadership feels this is their company because we give liberal stock options. And also, since many employee spends significant time in the office, unless workplace is happier, the organization will not be happier. We put a lot of effort to make the workplace a happier, safer place. And most of the time, senior leadership thinks about how we are helping our colleagues to do their job better happily.

And as I mentioned, we also moved from employee well-being to family well-being. We do a lot of programs for not only employees, for their kids, for their spouses as well. So we think we are treating our colleagues as a bigger family.

Sajal Kapoor: That's helpful, Dr. Satya. So in terms of our recent R&D -- with this new R&D center in the Genome Valley, given the mushrooming of these GCCs, I mean, was there any sort of a struggle? Or we were finding it difficult to attract the kind of talent that we were looking for that new R&D center, given what all is happening in Hyderabad? I mean, there are far too many CDMOs and GCCs in the region. Have you faced any sort of difficulty or employee attrition on the R&D side?

Satyanarayana Chava: That is a very interesting question, Sajal. You see, when it comes to global capability centers, they are more on regulatory, IT, back office kind of, which Laurus is not part of any other programs. When it comes to other CROs, CMOs in the region, I think your point is valid. It is a challenge we have to overcome, and we do that effectively. See, the kind of recruitment drive we do, the kind of opportunities our colleagues see, I think we are happy to take that challenge and then recruit the right talent.

Moderator: The next question is from the line of Bharat from Quest for Value Capital.

Bharat: Regarding this PEPFAR tender, sir, I think it's for 3 years. May I know when is it the current tender getting expired?

Satyanarayana Chava: I think global fund tenders are for 3 years, and they started last year. So it continues for 2 more years.

Bharat: Okay and the next tender cycle is from '27 then, is it?

Satyanarayana Chava: Yes.

Bharat: And may I know the split of this INR531 crores for this API in split? Can you please give the split up between ARV, Onco and other API?

Satyanarayana Chava: The ARV is INR315 crores.

Bharat: Okay. And Onco the other API?

Satyanarayana Chava: INR216 crores, yes.

Moderator: The next question is from the line of Malhar Sanghavi from Bodhi Capital.

Malhar Sanghavi: Congrats on a good set of numbers. So my first question is, are you planning to reduce the capex

Moderator: Sorry to interrupt. Mr. Malhar, can you please use your handset and speak?

Malhar Sanghavi: Is it better now?

Satyanarayana Chava: Yes.

Malhar Sanghavi: The question was are you planning to reduce capex…

Moderator: Malhar, your voice is cracking. Can you please rejoin the queue again? The next question is from the line of Chirag Shah from White Pine Investments.

Chirag Shah: Sir, I have a question on CDMO again. So if you can just highlight the predictability of the revenue of CDMO as it was a bit more volatile at least on a quarterly basis. So what is the change or the nature of the CDMO revenues that we'll have, which will make it more predictable versus the past? It will be volatile, so I understand that.

But I'm just trying to understand, is there a major change in the nature of CDMO revenue stream? We did INR400 crores, for example. And looking at the synthesis business altogether, INR400 crores for them in Q3. If we take that as a base, how should one look at the predictability going ahead of the CDMO business?

Satyanarayana Chava: I think as I mentioned, the pipeline in our CDMO business is robust, and growth came from multiple projects, not from one. And we have a large number of clinical programs running. So I think all of us are aware, it is absolutely impossible for all programs to succeed. It is also difficult to guess all programs fail. And these are coming from multiple big pharma for us. So we believe the chances of success of our CDMO pipeline is very high right now because of the therapy areas where we are involved in those programs. We expect the chances of success is bright. I'll leave at that stage.

Chirag Shah: So, is it right versus the history? Is there a much bigger pipeline executing at the same time and probability of those achieving success is also higher versus the past? And that will bring in a bit more predictability versus our past? That is the right way to understand?

Satyanarayana Chava: You're right, absolutely. So yes, see, previously, the large PO came and then after that, there is a gap. Now with this growth, we believe it's sustainable growth.

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

Vivek Agrawal: So, the question is on 4Q NCE product deliveries that we are talking, right? So, any deliveries happened in 3Q as well? Or it is going to be completely the new supplies that are going to reflect in the 4Q on top of what we have done in 3Q?

Satyanarayana Chava: It's a combination. Yes.

Vivek Agrawal: So, some part of supplies you also made in 3Q as well, right?

Satyanarayana Chava: Yes. We will do more products in Q4. We'll continue to augment our supplies of the launch quantities what we gave in Q3. We'll continue to do in Q4 as well. So, I think I would say the pipeline is robust. So yes, we're happy. Our efforts came to this stage, yes.

Vivek Agrawal: Just one more question on the six ongoing growth projects that you're talking about, including three small molecules, 1 drug product and 2 CGTs. So, is it possible if you can give some more colour on what stage these products are, whether it's a Phase I, Phase II, later stage, or either filed with the FDA

Satyanarayana Chava: In the generic portfolio, two products approvals we expect this quarter or next quarter, so we hope to launch those. And then CGT is very early for us to give any guidance and because our facility is only coming up in FY '26, GMP facility. So I think on CGT, we are only investing, nurturing that. And I think we are happy for the investment what we are doing here.

As we mentioned earlier, our commitment to put about INR120 crores in the facility itself is a good commitment, and we are happy to do that. And we believe our facility will cater to not only for the viral vectors but also the ability to make plasmids for others.

Vivek Agrawal: And just one more, I think, repetitive question earlier participants have also asked. I think it would be super helpful if you can highlight that how many new products that you see that can be commercialized in the next, let's say, 1 year. Or even if you can give a broader range, let's say that like in the next 3 years, we are going to commercialize this number of molecules, especially in the CDMO, that would be super helpful.

Satyanarayana Chava: I think it's difficult to give that number.

Moderator: Ladies and gentlemen, this will be the last question. It's from the line of Malhar Sanghavi from Bodhi Capital.

Malhar Sanghavi: So, my question was in the presentation, you mentioned that there are around 2,600 scientists and around 1,250 R&D scientists. So, I just wanted to know if you have front-ended the hiring and if we can handle much more amount of molecules if we currently have the same number of team?

Satyanarayana Chava: That is the intention we opened a new R&D last quarter. And that R&D is as big as our current R&D. And currently, we are not doing much early-phase programs because our late-stage programs are taking away a lot of resources. So, we will offer more early-stage work that will also fill our pipeline. We are augmenting, and we'll augment further our scientific talent to take more clinical programs.

Malhar Sanghavi: Right, sir. And one more question. Are you planning to reduce the capex going forward in the next couple of years because that's been the trend over the last 2 years? So is it going to continue?

Satyanarayana Chava: I think capex-wise, if we see an opportunity, we invest. That's the way, our philosophy, and we continue to do that. If somebody comes in looking for a project, we're happy to invest.

Moderator: Ladies and gentlemen, that was the last question for today's conference call. I now hand the conference over to the management for their closing comments.

Satyanarayana Chava: Thank you, Nitin, for organizing this call. And also, thanks for all the participants of the call for their outside-in view. And some of the questions asked by you are very thoughtful and also help us to guide our business forward. Thank you.

V. V. Ravi Kumar: Thank you.

Moderator: On behalf of DAM Capital Advisors Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.