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February 13, 2026

To

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

**Scrip Code: 524558**

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

**Scrip Code: NEULANDLAB; Series: EQ**

Dear Sir/Madam,

**Sub: Transcript of the Earnings call conducted on February 9, 2026**

Pursuant to Regulation 30 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed the transcript of the Earnings call for the quarter and nine months ended December 31, 2025, conducted on February 9, 2026. Also please note that this transcript of the call has been uploaded on our website.

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

This is for your information and records.

Thanking you,

Yours faithfully,
For **Neuland Laboratories Limited**

SARADA BHAMIDIPATI
Digitally signed by SARADA BHAMIDIPATI
Date: 2026.02.13 11:12:16 +05'30'

**Sarada Bhamidipati**
**Company Secretary**

*Encl: As above*

# "Neuland Laboratories Limited
# Q3FY26 Earnings Conference Call"
# February 09, 2026

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

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

**Moderator:** Ladies and gentlemen, good day and welcome to the Neuland Laboratories Limited Q3FY26 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 this conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is been recorded. I now hand the conference over to Mr. Ravi Udeshi from Ernst & Young. Thank you, and over to you, sir.

**Ravi Udeshi:** Thank you. Avirat. Good evening, friends, we welcome you to the Q3FY26 and 9MFY26 Earnings Conference Call of Neuland Laboratories Limited. To take us through the results and to answer your questions, we have with us the top management from Neuland Laboratories, represented by Saharsh Davuluri, CEO and Managing Director; Mr. Abhijit Majumdar, CFO and Mr. Sajeev Emmanuel Medikonda, Head of Corporate Planning and Strategy

We will start the call with a brief overview of the financials by Mr. Abhijit Majumdar and then Saharsh will give you the broad highlights of the business trends and what he is seeing in the market. And post that, we will open the call for the question-and-answer session. As usual, the standard safe harbor clause applies as we start the call. With that said, I now hand over the floor to Abhijit. Over to you, Abhijit sir.

**Abhijit Majumdar:** Thank you very much, Ravi and good evening, and warm welcome to everyone joining our call. The financials for Q3FY26 are as follows: Total income was INR447.8 crores, which is 11.4% YoY as compared to INR401.9 crores in the same period last year. The commercial CMS projects contributed to over 50% of the revenue and other priority sustains for this quarter.

As in the past, I would like to reiterate the inherent uneven nature of our overall business on a quarter-on-quarter and year-on-year. The gross margin for the quarter was 52.1% as compared to 53.2% in Q3FY25 and was a function of the product mix within the business this quarter.

The gross margin as always includes manufacturing expenses and other costs attributed to the product. The EBITDA stood at INR85 crores at a margin of 19%. The lower gross margins this quarter, combined with the increase in overheads led to a lower EBITDA margin of 19% this quarter. The overheads include an impact of INR10 crores towards labor codes in Q3FY26.

Without this impact, our EBITDA would stand at INR95 crores with a margin of 21%. The profit before tax was INR54.3 crores as compared to INR71.8 crores in Q3FY25 before extraordinary items, which is the sale of property and the quarterly EPS stands at INR31.5 per share.

The 9-month performance shows that we have been able to maintain a 56% margin versus the same period of 55% last year. The only percentage increase of 19% are towards meeting our future growth plans. Over the last few quarters, we have seen some deterioration in our working capital because of higher inventories as well as an uneven order go leading to higher receivables at the end of the quarter.

Optimal utilization of cash remains a top priority, and we are looking at inventory optimization, accelerated customer collections needed by and even delivery flow. The working capital for the quarter stood at 145 days of sales. As part of our future plan, we continue to invest, and there

was a cash outflow of INR 254 crores towards capex for the 9MFY26.

Our capex investments are moving in line with the plan, even as we adjust them to deal with the evolving nature of our business. Inspite of this, we have been able to restrict free cash flows to negative INR9.2 crores for the year having secured substantial advances from our customers.

Our net debt stood at negative INR202.6 crores. We remain committed to balancing growth and profitability by continuously optimizing costs and processes to ensure long-term sustainability. As a result of the opportunities which are opening and the rapid changes made possible by the acceleration in technology. we are continuously evaluating options to invest, which will enable long-term growth as well as differentiating Neuland in the competitive space that we operate.

To summarize, the financials of quarter Q3FY26 was in line with our expectations even as it was a dip on a quarter-to-quarter basis. We expect FY '26 to be a year when we see growth and we continue to be optimistic about the future, given the potential that our business holds. As in the past, the presentation has been shared with the press release and contains more details.

With that, I would like to hand over the call to Saharsh for his remarks. Thank you very much.

**Saharsh Davuluri:** Thanks, Abhijit. Good evening, everyone, and welcome once again to the call. So maybe I'll just take a few minutes to give you all a broad overview of the business and the perspective from this particular quarter's performance. The numbers this quarter are in line with our expectations in terms of how we assumed the year would pan out, even as some of the key financial metrics are lower than the previous quarters.

Before getting into the details of the quarter, I just want to provide a brief summary of our business and the journey we're on. Neuland began as a quality-focused API manufacturer over 4 decades ago, establishing ourselves as he approver of choice with generic formulations in the regulated market. Over the last 15 years, we have further evolved having worked with a number of venture backed biotech companies or new chemical entity molecules.

Our business has now transitioned to a level where a majority of our revenues are derived from human health focused CDMO business. And now we have also started watching with big pharma. As we have progressed, we have grown in our understanding of the complexities of the business and can now reiterate with more confidence the natural unevenness and long gestation periods of both the CDMO business as well as the specialty GDS business.

As a result, in terms of our strategic plan, we are taking a longer-term view even as it means that in terms of measuring performance, it is meaningful to evaluate Neuland's trajectory on a 2-year or a 3-year period rather than a quarter-on-quarter basis. We are seeing this further reflected in the changing nature of our customer engagement where innovators are increasingly looking at Neuland as an integral partner in the innovation journey.

Even as the macro environment is evolving, we are seeing increasing interest from a wider range of customers interested in our capabilities as a proven commercial NCE drug substance manufacturer as well as the developer of robust processes for complex molecules. Our track

record as an agile partner is opening up more possibilities as well as create share of existing business.

While the CDMO industry is competitive, I believe we have carved out a space for ourselves with our focused strategy, even as we look to build out adjacencies as well as you to work with customers on the cutting edge of innovation. We are seeing this with traction on the peptide side of the business where customers are keen to work with us across life cycle of products, from process design to commercial manufacturing.

Given this interest, we are confident regarding the investments committed for the peptide modality. Even on the generic side, we continue to see customers keen to work with us given our track record as well as our portfolio of products. Even as we see the ecosystem becoming more dynamic, Neuland is well positioned to take advantage given the steps we are taking to further strengthen the capabilities of our team.

Coming to this quarter, as I've indicated earlier, it is in line with how we expected the year to pan out. However, the product mix within the business has meant that the gross margins have been lower than what we have seen over the last few quarters. We have seen significant contribution coming from commercial molecules, even though we didn't see contribution from 1 of our higher margin products in CMS.

Another change that we are becoming accustomed to is the larger value of individual CMS shipments as the business is prospering, which means that small changes in operational or logistical details can have a big impact on an individual quarter's performance. This also did have an impact on our overall operating leverage for this quarter.

Ezetimibe and Mirtazapine continue to be key contributors for the prime GDS portfolio. On the specialty side, we saw Apixaban, Donepezil contribute, but there was a significant impact from Paliperidone where we had some operational issues at the customer end, which has caused some sort of a delay in terms of shipments. Again, this is a reminder for us, the risks inherent of our business.

From a medium-term perspective, as I had mentioned earlier, the CMS business is seeing good traction with a range of customers across geographies. Our existing portfolio is doing well in terms of our relationships with the customers.

We did see the commercialization of a molecule, but we will see a lot more contribute over the next few quarters. We are also seeing new business coming in with deliveries expected to happen over 12 to 24 months. As indicated earlier, all our investments are going according to plan. and we are evaluating avenues to make Neuland, even a better partner for innovators as well as generic players.

During the last quarter, we were able to take that significant step as our Board had approved shifting of our R&D facility to a new campus where we can build a state-of-the-art R&D center.

As we think about Neuland, I would like to remind you that there are a number of factors which

could impact our business, and we've spoken about this before. We are constantly reminded of the high-risk nature of our customers' attempts to bring normal therapies for unmet medical needs, which does impact our projections time and again.

We have also been seeing changing regulations as well as a number of developments in underlying industries, changing the dynamics for us. Apart from that, performance of individual products, foreign exchange fluctuations, raw material cost volatility, unforeseen geopolitical risks and other dynamics of the business could also significantly influence the performance of our business. We continue to monitor these variables very closely and work towards mitigating the risks.

So having said this, Ravi, I'll request you to open this up now for Q&A. Thank you.

**Moderator:** Thank you. We will now begin the question and answer session. The first question is from the line of Amey Chalke from JM Financial.

**Amey Chalke:** First question I have on the margin. Partially, you have answered this question in your opening remarks. I understand why EBITDA margin could be lower because of the top line being lower and the fixed cost having to pay. But on the gross margin side, even if you have 1 product, which is on the CDMO side, which might be on high gross margin side. But what it tells that the remaining portion of the CDMO has lower gross margin compared to the prime segment. Is that understanding right?

**Saharsh Davuluri:** Amey, could you just repeat the tail end of the question, the last sentence?

**Amey Chalke:** See, despite having higher CDMO share during this quarter, our gross margins have moved down so does that mean that the CDMOs gross margins are lower than the prime API gross margin?

**Saharsh Davuluri:** No, I may add. I think that's not a right deduction. I think as I had indicated in the remarks, on high-margin CMS product the shipments were not there this quarter. And other than that, I think some of the higher-margin GDS products also didn't happen like paliperidone is another one, which I talked about in our remarks.

So if I have to say these 2 products had an impact but the rest of the products were pretty consistent. And I think the basic hypothesis you have is that the CMS margins are significantly higher than the prime products gross margin is very valid. So I think those would be the two major factors other than that, they may be small nuances, but overall, the margins of the CMS products are significantly higher than the prime products.

**Amey Chalke:** Sure. The second question I have, there are 2 things within last few calls. One was the expanded capacity for 1 of the CDMO contracts. And there was 1 CMS project, which was supposed to be commercialized in upcoming quarters. Where are these two things at present currently? And when should we see revenues coming in from these two triggers.

**Saharsh Davuluri:** Yes. I think I alluded to this, but I'll expand since you're asking a question. I think the expansion of capacity for the additional volume of the CMS product expansion has been successfully

completed. That ramp-up has started and it actually we've seen volumes being shipped in Q3 as well, but the ramp-up is still very early.

It is going to take maybe another one or two quarters to really pick up so that's with regards to the capacity that was created in Unit 3 and how it's being utilized. The additional CMS molecule, which we talked about being commercialized, they get commercialized and there were some shipments that I believe went out in the tail end of the quarter, but I think a lot of it remains to be shipped. I think going forward in Q4 and into the next year, and we believe it will be a continuous business going forward. So I think the revenues from that molecule, maybe they're just in a very small component.

**Moderator:** The next question is from the line of Shyam Srinivasan from Goldman Sachs.

**Shyam Srinivasan:** Just the first one, since it's an in-line quarter. I just want to understand Q4 and full year fiscal '26, what are we expecting again? I don't you don't give like a number. But I just want to understand what gives us optimism about Q4, which may not have happened panned out like the way in Q3 that makes us maintain our outlook for '26?

**Saharsh Davuluri:** Yes. Shyam, I think we are going through a ramp-up period right now. And the good news is that our ramp-up is going on as planned. So, I think our unit scale up new products and the order flow, I think, is continuing to go well. I think with regards to the outlook for the quarter or FY26, I think now that we are getting into the tail end of the year.

I just want to be very cautious not to kind of give any sort of guidance or input and I know that's not what you're seeking. But I just kind of try to give you two or three thoughts, which I'll leave you to connect Shyam. See, as indicated, the ramp up is happening in a very lumpy manner. We're seeing like potentially INR100 crores shipment, INR50 crores shipments going out.

In this environment, as a team, we feel a little guarded not to kind of sound very clear or directional in terms of how we see it happen. So, my request is to just kind of look at the medium-term horizon and acknowledge that we see things going largely as per that plan. If you were to draw a line on March 31, I think maybe I would not be able to give you any more indication that whatever I have said so far.

**Shyam Srinivasan:** Got it. Helpful. Sir, just a second question is on the traction from innovators. You talked about for the peptide molecule and why they are more keen and gives you the what about the renewed confidence you have in all the peptide capex that you have announced. If you could double-click on that? And are there any illustrations while not taking specific company names, what are some of the say, the work the process design work that you mentioned. Something like that, that gives us some more comfort on that particular capex?

**Saharsh Davuluri:** Yes, sure, Shyam. I think ever since we announced the peptide investment and I think even leading up to that, I think there's always been a lot of awareness in the pharma space about Neuland's peptide CDMO capabilities. And I think even this year, we've seen at least to the top of my recollection 5 or 6 innovators come into Neuland, with peptide projects, which are kind of underway there in development.

However, these are still very early stage, programs. So I wouldn't associate them with revenue certainty. But it is definitely an indication that innovators are looking at Neuland as a part of a peptide development and peptide manufacturing. I think it would be ideal for Neuland in FY27 if we were able to secure at least 1 commercial manufacturing arrangement for a peptide NCE

That's something that I think is very much possible, and that's something that we are working towards. But that would be a good outcome for us having set up this large peptide certainty, which will be ready for commissioning in July. Other than that, a lot of early-stage interest is there. Big pharma, I think big pharma is engaging with us on peptides.

We believe that our endpoint into a lot of new big pharma, not the ones that we are already working with. But the ones who are not familiar with Neuland previously, would be through peptides. But this is still in a conversation stage where discussions are happening.

This is also where our move into the new R&D campus in Genome Valley will be very helpful because the idea is to also create a very modern process development, scale up facility for peptides. And then when you have a good modern R&D setup for peptides, in our new campus in Genome Valley. And then you combine that with the newly created large-scale peptide manufacturing capacity, then we would have a configuration, which would probably not be matched by many Indian CDMOs. So that's the value proposition. Assets are still being created. So, it's very hard for us to have concrete projects or deals but I think the message is already being percolated. So, I think we'll have some exciting developments, I believe, in the next year or so.

**Moderator:** The next question is from the line of Pratiti from Param Capital.

**Pratiti:** I just wanted to know what would be the impact of the current India EU deal that has happened in the India U.S. deal as well?

**Saharsh Davuluri:** I think the deals obviously seem welcome the way I think we understand it. I think the typically, where it's the U.S., I think EU, there is a reduction in terms of what the tariff or the fees would be for import of API. But for us, that has anyway been traditionally borne by our customers, the formulators. I guess the EU trade deal just means that cost of procurement of API from India for European pharma companies becomes a little cheaper.

So perhaps we become a little bit more attractive. We don't see any material change. I think it just makes the business a little bit more attractive. With regards to the U.S. deal, there's no direct benefit because, as you know, Pharma has been exempt from tariffs all along. And therefore, we've never been subject to tariffs until now.

But I guess it does remove a little bit of an overhang for the industry because there was a little bit of an issue. But I guess this is just a personal observation is that there seems to be a continued intent for the U.S. to secure API manufacturing in the U.S. And that's something that we'll have to still wait and watch. I think the U.S. India trade deal does not really alleviate that that potential concern. So, we'll have to just monitor and also probably strategize accordingly. That's how I would read the situation.

**Moderator:** The next question is from the line of Aanchal Jalan from Ananta Capital.

**Aanchal Jalan:** My questions are regarding our capital allocation. My first question, I like to summarize in a few points. So firstly, in H1 balance sheet, our inventory is of INR550 crores, which you have outlined is for sales setup. But this number is even higher than our guy profit by around 2x. Secondly, in Q2 concall, you mentioned API manufacturing takes about 4 months?

But according to environmental content, our majority APIs have added 5 to 6 manufacturing process even our largest revenue contributing molecule has 7%. So, I believe majority API should take approximately two weeks to manufacture only because even if 4-month manufacturing is there, this inventory, even at a blended level of their raw material work in progress and finished goods seems to be for approximate 7 to 8 months at 40% of cost of goods sold?

And lastly, this 9-month revenue increase is of 10% to 15%. Inventory has increased by INR170 crores and PAT by INR150 crores. So, prima facie, it looks like whatever profits we do are due to inventory gain. So, can you please provide some clarity on these points? Or will we be seeing any write-off? I'll ask my follow-up later.

**Abhijit Majumdar:** If you look at our inventory day total days 145, right? And the inventory holding period on our current sales basis is 124 days, which is as we have rightfully said around 4 months. Now we are ramping up our inventories because we expect as the capacities generate the volumes, we hope to see a ramp up in revenue in terms of sales so I guess this is a transition period, right, between us having bought the raw materials plus the ramp-up that we are expecting.

So what will typically happen is over the next two or three quarters, you will see that it will come back to something like 90 days from the current 124 and you can already see it because inQ1FY26 it was 149 days, then it was 123 and it's 124. So maybe, hopefully, in the next 3 quarters, you'll see this coming back to something like 3 months from 4 months. Does that answer your question.

**Aanchal Jalan:** Just 1 thing. I note that the increase in PAT is by around INR150 crores in this 9 months, whereas inventory has increased by around INR170 crores. So, prima facie it is still looking at the profit are due to inventory again. Can you touch up on that?

**Abhijit Majumdar:** No, I don't think that correlation is not correct. You should see increase in inventory with reference to the ramp-up. Increase in PAT has been correlation with the increase in inventory because eventually, I kind of create inventory for future sales, right? So eventually, we should be correlated with future sales. So that's the way you should look at it. Please, I would say, don't kind of link it to profit.

**Aanchal Jalan:** Sir, can you please repeat just repeat this once again?

**Abhijit Majumdar:** Thing is that your inventory ramp up is a kind of a precursor to ramp up of revenue, right? So what we have been doing is we've been ramping our inventory to make sure that we are able to meet our revenue expectations from our customers in subsequent quarters, right? Now the conversion of inventory to sales depends on a lot of other factors like production, ability to etcetera. and obviously, the change of adding a customer, etcetera. So, the way to look at it is

that.

**Aanchal Jalan:** Sorry to interrupt the inventory increase has been more than revenue since the past 2 years. So, I was just focusing on that one?

**Abhijit Majumdar:** No. So if you look at our inventory over, say, let's take an example that if you were to look at our inventory in FY25, our inventory days was 94 days to sale. Today, that 94 is 124 days to sale. So typically, we are holding on sales days around 3 months. That has moved up to 4 months and so don't look at it as an absolute figure that is saying moving up from 386 to 548 look at it from a perspective of days. So when you look at it from a perspective of days, it actually moved up by 30 days.

**Moderator:** Thank you The next question is from the line of Ritika Agarwal from Value Quest. Please go ahead.

**Ritika Agarwal:** First question is on the number of active projects that we've seen at the end of this quarter. We've seen in API in terms of commercial one new molecule being added, which we have been speaking about, while also in the intermediate, we see two molecules being added in the commercial segment. Could you highlight a bit on this opportunity?

**S E Medikonda:** I think if you were to look at a full year perspective, I think the key molecules that we have been talking about in the past, as Saharsh had mentioned during this commentary too, we have seen the commercialization of that molecule. And I think what we have called out are the more significant molecule and if we were to look at it from the intermediates, I think there are some of the other molecule which are linked with say the API, which are there.

So they are not as high in terms of the potential, but it is more something which is linked to some of the development or commercial APIs, which is happening. So that's the way to look at it. Whatever we see, which is impactful from a commercial moving the needle perspective, we at least to give some color on them. So, I think that is the way to look at it.

**Ritika Agarwal:** So got that. Second question is on the new block of a commercialized molecule that got commercialized last quarter, and as per your commentary, we were supposed to ramp up starting this quarter. But just wanted more clarity on this. Is there a delay in that commercialization process because earlier we had said that there is a capacity constraint and once you've added this 100 metric tons of added capacity, and we've also talked about lumpiness of supply and this. So what exactly is happening on the broader terms if you could make us understand?

**Saharsh Davuluri:** Yes. Sure, Ritika. I had alluded to this in my commentary, but I try to elaborate it a little bit. I think our ramp-up of our new production facility is going on quite well. And since given the large volume and the large value of this business, I think the ramp-up will happen in, I think, over a period of time. The ramp-up by itself, I would not say is delayed. I think it's continuing.

In fact, we've had significant shipments in the quarter as well. But I would also acknowledge that we have not even reached the kind of capacities that we have built. And your question which is very valid is that, okay, there is a need for more capacity and now you have created capacity then

why aren't you producing at full capacity.

I think that's where the complexity of this business kicks in. And I think whether it is not just about the supply chain complexity, which involves inventories and inventory management, but it's also about product manufacturing, modification and regulatory filings, different markets, et cetera.

And many of these CDMO molecules, there are extensive issues around all these domains, which have to be delta. And frankly speaking, even forget about the API manufacturer, but the drug product manufacturer, which is our customer, also sometimes fail to comprehend everything. So I guess the short answer is that the ramp-up is going to happen.

It has started there are no challenges or problems that are facing the ramp up but the time line of the ramp up and how it will hit full capacity is something that we are also trying to uncover and I think for us, the way our CMS business is scaling up, we see that it will ramp up fairly rapidly.

And I think maybe we should see as reaching full production soon, not just for the Unit 3 new facility, but for the other CDMO molecule as well. But I think there are too many unknowns that we are dealing with. These are all issues that we are also trying to uncover as we go. But I would definitely not put them in bucket, which I would call as a problem. I think it's just the time it takes to ramp up.

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

**Sajal Kapoor:** Yes. Couple of questions from my side. So 1 of them is unit specific, but it's not for this quarter or this fiscal the question is, I mean, as Neuland shifted from low-margin APIs to complex APIs and CDMO services, and can you recall what were the hardest part of that transition that started somewhere around 2005-2006. So ages ago, but what were the kind of hardest part of the transition that are perhaps not visible to a new investor or even your existing new employees who have joined recently?

**Saharsh Davuluri:** Yes, Sajal, I think it's an interesting question, maybe since you have put us on the spot, I'll just try to give on the fly maybe Sajeev, you want to add, you can. I think 2 challenges, I think, are fairly strong. One is when you are switching from a prime products kind of a business to a more complex business, there will be certain investments that have to be made, right, not just on the R&D side, but even in the facility.

The need for capital allocation, especially as the business that you are trying to get into is unknown and fraught with the rest because you are trying to partner with an innovator whose drug is not even yet approved. And then now you are going to spend, say, INR10 crores, INR15 crores, INR20 crores to modify your production plant to accommodate a Phase III or Phase II CDMO molecule.

That decision to allocate capital for that where there is no guaranteed retail, there is nothing to underwrite that investment. I would think that, that's perhaps one major challenge. I think the second challenge is more, I think, organizational challenge and internal challenge because the

it's very challenging to stop or discontinue a very low-margin, high-volume products where we are fundamentally not equipped to compete.

And I think many of you are aware, I think Sajal you are also aware there was products like Ranitidine we used to manufacture it used to be one of our largest products back in the day and now we don't even produce that, to make a decision to stop that product is probably the second biggest challenge because that will face resistance not only from the customers and yes, you give customers maybe a 2-year notice period saying that we're going to stop.

But it still creates a lot of resistance from the customers. It creates a lot of resistance internally within the organization, right, because your sales teams, your operating teams, even your senior management are questioning the decision to maybe stop a product. But sometimes, those are the hard decisions that we had to make in order to flip from being what we were to what we are trying to become.

**S E Medikonda:** So Sajal, to add to that, another element of it is operationally, if we look at it, the GDS business, so to speak, is coming in from a number of products which contribute, and that is the mindset of a lot of our operations team even as their mind space is taken more by the GDS products but the value that we see is coming more from the CMS projects. So making the transition from, say, the product outlook say for someone who is doing planning of the production those people making that change is also something which we have been working on, and we are seeing that team come into effect over the last 2 years or so.

**Sajal Kapoor:** Yes. No, that's helpful. I mean you guys kind of summarized the last 20 years of annual report and so to speak. And second question is I'm looking at Slide 12, and there is a kind of a pattern, and I saw you had joined the call late, so maybe I missed the initial 20 minutes. There is a pattern to my mind and help us just double-click on this one.?

So, when I look at the development pipeline, right, from preclinical to Phase III, that's kind of consistently drying up or that's the impression I'm getting as an outsider. I mean if the development pipeline is not strong, how will the commercial pick up 3, 4, 5 years out? yes, you can always do a tech transfer, a molecule is shifting from China as an example?

And that could be an inorganic addition, which is currently not in the dashboard. But looking at the organic pipeline, the development pipeline should pick up, right? I mean, otherwise, at some point in time, we may struggle with the commercial momentum. may not be immediately, but let's say, 3, 4, 5 years out?

**S E Medikonda:** So Sajal, I think the observation is right, even as it may seem that the number of projects seems to be if you compare say to last year seems to be similar. But what you also we need to keep in mind is that we are kind of actively keep the list active. And you also know that there are a lot of pages, especially when it comes to the preclinical and Phase I the if we were to look, I see a number of projects which came in last quarter.

I think we had close to 6 to 8 new projects come in. But at the same time, we also know that some of the projects which we had worked on became unviable. So that is something that we are

actively trying to keep the list active rather than just inflate the number. And that process itself is something which is a little difficult because the time that some of the molecules spend in Phase I, Phase II sometimes customers are trying to look for funding. Those are things which are literally tricky. So as much as possible, so that is a key element. I think Saharsh, if you can just add to that in terms of the strategy.

**Saharsh Davuluri:** Yes, I think the question is very valid. And I think maybe even Sajeev, I think we should also go back and try to analyze critically as to are there any gaps in terms of our sales business development process. that is creating any kind of a downward trend. But the 1 thing that I can also disclose as an organization, we are our business development force, our presales team, etcetera, their goals are more aligned around the quality of projects to be brought in, the quality of customers that we want to engage with.

And I can also assure you that as we are becoming more successful and as we are learning more about this business, our threshold for engagement with the marketplace is also changing a little bit which means that perhaps 5 years ago, 7 years ago, if there is an entrepreneur who had absolutely no capital, but just an idea and it was maybe a generic molecule, just a different sort of a generic molecule.

We would perhaps still engage with that customer and maybe consider that to be a project. Today, we tend to be a little bit more cautious. We try to make sure that that the program is well funded and that there will be at least moderate the chance that this drug will see the clinic. So that is also becoming, I would say, as a more firmer threshold for us but notwithstanding that, we are definitely not regarding our people based on this tracker.

We do think it gives a fair representation of how the pipeline stands today. But ultimately, the way we measure the performance of the people is, are you able to engage with big pharma on any of these projects? Are you able to attract peptide projects from biotech companies. Are you able to attract projects from the by the companies that we have profiled actively.

So that's where we try to focus our energies on. And in that context, we think our pipeline is pretty healthy today compared to where it was in the past. But yes, to your point, yes, maybe there could be some gaps which we also need to go back and see how we can do better over there.

**Sajal Kapoor:** That's very comforting and reassuring.

**Moderator:** Thank you. The next question is from the line of Harshit Dhoot from Dymon Asia Capital.

**Harshit Dhoot:** Saharsh, keeping in mind the base of FY24. And as you also know that our quarterly numbers are very lumpy. So if we see from 3 to 5 years perspective, taking in mind FY24 base, how should we see the growth and margin trajectory of the Neuland going forward? Is it improving from there onwards and other part and are we entering into the multi fold growth period from next 5 years perspective, the kind of pipeline that we have and the kind of shipments that you have discussed that now we are shipping around INR50 crores, INR100 crores of the individual segments?

**Saharsh Davuluri:** Thanks for the question. No, I think we feel pretty good. Actually, I think we are in a good space. The way our business is coming together I think what makes the Neuland value proposition very attractive is the fact that the molecules that current commercial base both on the CMS side as well as on the generic side. These molecules have a very long runway of commercial prosperity.

And I think we are still in the early days of ramping them up. I believe that the current year FY26 and as we go into FY27, it's kind of the period where the ramp-up is going to happen. This is driven not only by the previously commercialized CMS molecules but also the newly expanded capacity in Unit 3, the additional the CMS molecule that just has started commercializing.

So these will probably come into formation will probably ramp up in the next two to three quarters. We expect that, that will show the potential of the business. We've also indicated earlier that if you see the EBITDA margins that we've had in FY '24, which is around 30%, is a fair representation of the kind of margins that this business is capable of. I know we had a very muted EBITDA this quarter.

But again, that's also because of the reasons that were already explained. And it's not really a representative of the business going forward. With regards to the growth itself, I think what I would like to reiterate again is our growth for the next 2 to 3 years is kind of preordained the fact that these products are already there, and we just need to execute. And yes, there will always be a little bit of hiccups around a couple of quarters here and there.

But I think the next 2, 3 years, growth is already preordained by these products. What we are working towards, which is the peptide investment, the expansion, et cetera, are kind of set growth trajectory for beyond the 3-year period.

And that's where there is also a certain uncertainty, and that's where the need for engaging more with big pharma, the need for expanding our wallet share with some of these relationships the peptide investments. I think these all start kicking in. And I believe that Neuland is very well positioned from this region to capitalize on those opportunities. So yes, so I think that's what kind of makes the picture attractive, at least from our perspective.

**Harshit Dhoot:** So when a business starts to pick up, then we see a significant growth path than the growth margin and then the business matures. And keeping in mind, the big sector tailwind, your investments into the peptides, new CMS molecules that we are witnessing, so where are we positioned in terms of the business cycle, in the starting significant growth phase or the second or the other one?

**Saharsh Davuluri:** I would still say we're in the early part of our growth rate, Harshit because the ramp-ups are yet to begin. I think these investments then perhaps create an opportunity for growth beyond the 3- to 4-year period. So I think as an organization, as a team, we are aspiring for a decadal growth. I think if you look at 2026 to 2036 I think there is a potential for a business like this to grow at 20-plus CAGR, but that requires I think, a sequence of right plans to fall in place. But I would say that we are in the early phase.

**Moderator:** Thank you. The next question is from the line of Dheeresh Pathak from Whiteoak Investments.

**Dheeresh Pathak:** I heard you answering on gross margin, and I also saw a comment on the presentation about product mix. but still not very clear. So if you can just help me understand why gross margins look softer this quarter despite the mix of the business from a segment point of view is okay?

But it seems that within CMS, there is a product mix issue, but our CMS is not many products, commercial, if you see, right? So I'm just surprised, although you made the comment on product mix, but I'm just surprised on the margins still. So if you can maybe elaborate on the CMS product mix a little bit to the extent possible?

**S E Medikonda:** I think Saharsh answered this question a little earlier. So on the CMS side, we said our margins, gross margin, as you said, are higher and much higher than the prime. But 1 of the key products which wasn't part of our revenues this quarter has generally a much higher margin than the average for the CMS side. And the other thing is even on the GDS specialty side too.

We had 1 paliperidone, which has been a key contributor over the last few quarters, which is, again, a very high margin product, where we were not able to ship due to, say, operational issues that our customers win. So those 2 things from a product mix perspective within the businesses were things which have impacted our gross margins.

**Dheeresh Pathak:** Understood. And this paliperidone thing expected to resolve next quarter or it's slightly more structural?

**Saharsh Davuluri:** I think it will be next financial year.

**Moderator:** The next question is from the line of Rikin Shah from the Boring AMC.

**Rikin Shah:** So you have already answered questions on molecules and pipeline. So my question on that end are already answered. But I just wanted to understand the quality of discussions incrementally, you have said that growth for 3 years now only depends on execution. But for the growth ahead, like you said, decade growth will require a certain type of focus. So what are the type of conversations with innovators, we are engaging in to make CMS a really big endeavor for us down the line?

**Saharsh Davuluri:** Yes. I think the in the kind of conversations that we are engaging and these are continuous conversations in terms of trying to understand what are those white spaces for innovators where they need some kind of a partner from like Neuland. And what this would mean is typically we have a very good sense of the marketplace who are all the big pharma as well as some of the more active biotech companies out there.

Engaging with them, trying to identify what are the pain points and where Neuland could help them and then trying to make sure that they are connected with the value proposition is essentially what we have to do. What that process is also teaching us is how do we find a place in that white space, right?

So that is something that is part of our 5-10-year journey is identifying these investment opportunities and making those calls. So if I have to contextualize this and I would go back, say,

3 years in the past in 2022, '23, '24, our conversations with innovators led us to the firm believe that large-scale peptide manufacturing was a mean that innovators had.

And we could see an emergence of new GLP-1, amylin analogues, like a lot of peptides coming out require more capacity and that there was a saturation of capacity, especially in the Western world. So that conversations with innovators, coupled with our own due diligence, helps identify the white space of peptide manufacturing at large scale, and therefore, it led us to this investment.

So now our plan would be to, for the next 2, 3 years, work very aggressively to find partnerships in peptides so that we are able to kind of build business in that white space. We've identified it. We've created some. We've allocated capital. We are building assets and now the time is to actually monetize those assets, what will give us growth, say, in the 3 to 5 years. period.

Continuing on that kind of work, we would have to continue to identify other kind of opportunities white spaces. It may not just be a new modality like peptide or oligonucleotide. It could also be maybe a geographic expansion perhaps building some sort of capabilities in the U.S. or Europe. That might give us another white space to enter into that could help us sustain growth beyond a 3- to 5-year period.

So these are just kind of the ways in which we are working. On the organizational front, we also have to become more future ready, which means a team that is handling a INR1,500 crores or INR2,000 crore business, may not be well suited to handle a INR5,000 crores or INR10,000 crores business.

So what are we doing on the people side to ensure that this business can be scaled up sustainably, working on that front is going to be another important part of our plan. So I think we have to work on multiple trends on the strategy, on the business side, looking at what opportunities are there, maybe from India, maybe from a global perspective.

We'll have to look at upskilling our people, expanding our teams, designing our teams in such a way that they are also thinking from a growth perspective. And I think making sure that Capital available and capital is deployed appropriately because we also need to find that balance between not putting too much risk in our growth capital and therefore, that might require us to be very focused in how we pursue growth. So these are some of the broad thoughts in which we are working towards right now. This is what we believe will be the direction which this long-term growth can be achieved.

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

**Chirag Shah:** I have two clarifications and one question. Sir, first is on the gross margin side, you alluded to the fact that gross margins for next year can be in the ted pressure. So can you just indicate how should we look at it? Why I'm asking is because if you look at over the last 5 years from FY20 till now, we have been a constant uptrend and reaching up to 63%, which is a great achievement. So over the next 5 years, how should 1 look at gross margin trajectory?

**Saharsh Davuluri:** Yes. I think it's a very important question. I think it's been asked like three or four times. So I do

understand the underlying concern about the gross margin. What I would like to just kind of reiterate is that the margin for this quarter is a function of various things out of which the product mix is the largest factor. Please also just kind of look at our gross margin over the last three or four quarters.

What I would also like to provide as context is that look at our gross margins in context of this trend, and that will probably give you a healthier deduction on what is likely to be a stable gross margin for the business going forward. while I don't want to give a guidance or a number saying that this percentage is a gross margin.

What I can assure you is that the gross margin that you've seen in this quarter is more of an outlier or an aberration for multiple reasons that it is not a steady gross margin going forward. So I think what we have seen in the last two, three quarters, I think, is perhaps a better representation of the gross margins going forward.

And the gross margin of this side is more of a one timer, which has been not only impacted it's been impacted largely by the product mix, but maybe a few other smaller factors as well. So I think that's probably what I can say to give you assurance but I think our margins on an overall basis and I think I answered this previously, we've seen a 25% to 30% EBITDA margin and we believe that this business is capable of 30% EBITDA margin and higher if everything is in favor, that kind of margins are sustainable at higher gross margins. And perhaps what we've seen in this quarter is not a true reflection of mean gross margins.

**Chirag Shah:** And second clarification was on the product pipeline, the slide that you share every quarter. So See, I wanted to ask that question. My bigger word is on the commercial projects that you have, it is stagnating at around 9 account. Why am I saying this if you look at H1, our commercial revenue is more than 93%. So if you can just elaborate on that, either the commercial pipeline number has to go up or the value of each pipeline has to see a significant jump for next 2 years, so how should we look at that?

**S E Medikonda:** No. If you compare Q2 to Q3, I think, which is probably not there on this slide, Slide number 12. If you look at it there, we have actually added that molecule and at the same time, during the course of the last year, some of the older molecules were removed.

So in terms of the commercial number of molecules, I think we don't see anything that it is a concern as such because each molecule has its own story. And I think in terms of the kind of molecules that we have, we have been able to or rather we have been highlighting the molecules where we believe the growth -- a lot of the growth is coming somewhere I think that we continue to work on.

**Chirag Shah:** Sir, my question was a bit different. I'm looking at last 4-year data. So either are we transitioning to a much bigger size molecule and hence, looking at the number, number of commercials is not relevant or has there been far more dropouts and that trend is not going to be there anymore at this for next 2 years. Only then we can achieve this 20% curve that you are indicating either of the two has to play out?

**Saharsh Davuluri:** Yes, your question is very clear now. And I think it's a very fair question. The table, and I think I answered this is actually a representation of the reality. The fact that the 19 commercial molecules are there and your observation is actually right that this number has not changed. The commercial APIs is remaining at 9. The other observation which you made is absolutely right.

The value per molecule has also gone up. And you're absolutely right, that is the intention of the organization. I think when we started off in the CDMO business, our first commercial CMS molecule was maybe INR30 crores in revenue and that used to be for us a blockbuster. Today, I think we have several multi-hundred crore molecules in our CMS pipeline.

However, it's very difficult for us to foresee whether a drug, which is in Phase III or Phase II will become a multi-100 crores molecule or will remain a INR50 crores molecule. And therefore, for us, this table is a very dispassionate representation of our pipeline. But having said that, we are able to attract innovators who have higher value needs we are able to identify innovators who have higher value even we are now able to engage with greater success with innovators who have higher value needs.

That is, in fact, it is a certainty. It is represented in all the commentary that you have seen. It is represented in all the data that you might have seen in terms of our performance, et cetera. And that is something you can certainly expect from Neuland going forward is that we will keep looking for larger value molecules. It's just that some molecules may still come in with lower value.

And therefore, the table will get populated with all kinds of molecules. So I think that's how I would look at it. The table is a lag indicator or it's rather an indicator of what is the pipeline. But the numbers are something that are dependent on the nature of each molecule and I think we've provided sufficient commentary to kind of substantiate the fact that a 20% kind of a growth rate is very much possible in the kind of pipeline that we have.

**Chirag Shah:** And last suggestion, because you indicated Q3 was on expected lines. And if you were aware that there is going to be a significant product mix, a qualitative callout would help given that our quarterly are very volatile, a qualitative callout will help us then outsiders. If it was on expected lines as you indicated in the beginning?

**Saharsh Davuluri:** No, I definitely appreciate your feedback. And I think it's something that I completely understand would help It's something that is very difficult for us to call out to. And as you know, that's what makes this business very difficult to model or predict but definitely understand your input, and we do make note of it.

I think in this particular case, it would not have been possible to make that call out I think going forward also this business, I think it will be very hard for us to make these kind of product mix-related callouts ahead of time. And that's why we emphasize I'm looking at a slightly broader time horizon.

**Moderator:** Ladies and gentlemen, due to time constraints, that was the last question for the day. I now hand the conference over to the management for closing comments.

**S E Medikonda:** We'd like to thank you all for taking time to attend the call and ask me questions, which also today got greater insight about the business in the future, even as there were some in the queue, we hope you understand the constraints on time. Having said that, please reach over to Ravi Udeshi of EY if you have specific questions, and we will be happy to answer them. Good evening, everyone. Thanks once again.

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

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(This document has been edited to improve readability)