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May 19, 2025

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 May 15, 2025

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 year ended March 31, 2025, conducted on May 15, 2025. 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: 2025.05.19 18:52:15 +05'30'
Sarada Bhamidipati
Company Secretary

Encl: As above

“Neuland Laboratories Limited

Q4 & FY25 Earnings Conference Call”

May 15, 2025

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

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

Moderator: Ladies and gentlemen, good day, and welcome to Neuland Laboratories Limited Q4 and FY25 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to 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 Q4 and FY25 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, represented by Mr. Sucheth Davuluri, Vice Chairman and CEO; Mr. Saharsh Davuluri, Vice Chairman and Managing Director; Mr. Abhijit Majumdar, CFO; and Mr. Sajeev Emmanuel Medikonda, Head, 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 broad highlights of the business trends and what he is seeing in the market. And post that, we will open up the call for the Q&A session. As usual, the standard safe harbor clause applies as we start with the call.

With that said, I now hand over the floor to Abhijit. Over to you, Abhijit.

Abhijit Majumdar: Thank you very much, Ravi, and good evening, and a warm welcome to each of you for joining our call. The financials for Q4 are as follows. The total income is INR335.8 crores, which is a decrease of 14% year-on-year as compared to INR390.4 crores in the same period. Prime and specialty segments were the main contributors to revenue. As we have said earlier, we would like to point out that the inherent nature of our overall business is uneven on a quarter-on-quarter or even on an annual basis.

Our EBITDA stood at INR58.2 crores with a margin of 17.3%. The decrease in contribution is attributable to the business mix and the decreased revenue base and decrease in gross margins, leading to a decrease in EBITDA in Q4FY25 as compared to Q4FY24, where the EBITDA stood at INR112.2 crores.

Now coming to specifics, the gross margin for the quarter was 56.3% as compared to 58.8% in Q4FY24. This gross margin includes manufacturing expenses and other costs directly attributable to the product. The profit after tax was INR27.7 crores as compared to INR67.6 crores in Q4FY24, and the EPS stands at INR21.6 per share.

For the FY25, our total income stood at INR1,497.3 crores versus INR1,571.1 crores, a marginal degrowth of 4.7%. EBITDA, excluding exceptional items of 7.6, stood at INR342.8 crores in FY25 as compared to INR474.5 crores in FY24.

We continue to focus on cash to optimize our working capital, which stood at 107 days of sales at the end of March. We generated a free cash flow in the full year of INR111 crores. We also paid back some of our term loan debt of around INR39.4 crores. And consequently, our net debt

position stands at a negative of INR29 crores.

As part of our overall investments, we have invested INR26.4 crores in capital spends and are committed to balancing growth and profitability by continuously optimizing costs and processes to ensure long-term sustainability.

The additional production block in Unit 3 has been capitalized, and we expect to start commercial production in FY26. While FY25 was a year of consolidation, as we have stated this earlier in our earlier earnings call meeting, our customer pipeline gives us a good visibility.

We are confident that the commercialization of Unit 3 production block will give the business greater revenue momentum from the latter half of FY '26. We continue to be cautiously optimistic about our future and the potential that our business holds.

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

Saharsh Davuluri: Thank you, Abhijit. Good evening, everyone, and welcome to the call. Over the years, Neuland has steadily established itself as a dedicated API solution provider, possessing in-depth expertise and extensive complex chemistry capabilities. And we are collaborating with both innovators as well as generic formulators to create a healthy world. So before talking about the year gone by, I'd like to reiterate a few points which we have made in the past.

Our business is uneven due to the inherent nature of the CDMO business as well as the specialty GDS business, which is focused on small volume products. As a result, evaluating Neuland's trajectory on a 3-year block basis is perhaps a more accurate measure than comparing quarter-to-quarter or even an annual basis.

Again, there may be the odd year also where the trajectory will not be here due to the specific mix of how projects or products are taking off. However, the completion of manufacturing facilities, coupled with the scaling up of commercial molecules on the CMS side, gives us a great deal of confidence of achieving our stated objectives in FY26 and beyond.

We continue to see increased interest in customers wanting to partner with Neuland as they look to bring in their innovative medicines to patients. And I think in many ways, this can be attributed to three factors. First is that our reputation is continuing to grow as a result of the work we've done over the last couple of decades, especially on the CDMO business.

Second is that our business development teams, who are also seeking new relationships, are getting increasingly focused on finding the right opportunities that actually fit our long-term strategy. So being very selective, very decisive in whom we want to work with.

Third is that the macroeconomic factors, which we all have been talking about have also been favorable to us. And therefore, we are enthused by the range of customers expressing their interest in working with us, and that's what's giving us the excitement about this business.

Coming to the year FY25, I would like to state that we had some molecules which contributed in FY24, which didn't contribute at the same level in FY25. This was due to the natural life cycle

of the products in our portfolio, and you would also find this evident in the business mix. Therefore, I would urge you to look at our income of FY25 from this perspective. Having said that, I would like to reiterate that this was expected, and yet we have invested in capacity building for existing as well as new molecules in FY26.

The CMS revenues, which were around INR637 crores, these were largely driven by molecules in the commercial segment. We also had a molecule which got commercialized during the year and expect another molecule to be commercialized in FY26. We are seeing good traction in terms of early-stage projects as well as customers reverting to us with more projects in their pipeline. So we expect the buoyancy in the CMS business to continue going forward.

On the GDS side of the business, we remain focused on innovating new specialty products while optimizing processes and expanding market share for the key commercial APIs. This is largely driven by Paliperidone and Dorzolamide this time.

In the Prime segment, the strong products for us this quarter were mirtazapine, levetiracetam and escitalopram. And we are confident that our dual strategy of focusing on high-margin specialty business as well as increasing volumes for the Prime API business will see good growth in FY26.

As stated last quarter, our peptide investment is on track. We continue to garner more projects in the space, which further validates our excitement about the opportunities that the segment holds. We have also filed a U.S. DMF for Difelikefalin, which is our first DMF in the peptide space.

I would like to emphasize the inherent variable nature of our business, which makes it challenging to provide any form of guidance. But having said that, our business also provides us that visibility of strong growth in the upcoming period.

Another reminder from our previous interactions. We continue to maintain that there are a variety of factors that could influence our projections. These include performance of individual products, foreign exchange fluctuations, raw material cost volatility and other dynamics. We are aware of these challenges and continue to monitor these variables closely.

Regarding the capacity building, the new production block in Unit 3, which is commercialized on schedule, and we expect to start fulfilling orders in FY26. Neuland flexibility and agility are crucial for effectively responding to the business environment and our growth strategy remains focused on pursuing high-value molecules from innovative companies, both on the CMS side and GDS side.

And we are committed to enhancing customer experience, which we believe distinguishes us as a distinguished API provider. So our commitment to the future is evidenced by our investments in enhancing our capacities as well as capabilities adhering to our foundational values, which is customer centricity, agility and operational excellence.

We have molecules in our pipeline, which are currently at the takeoff stage. Therefore, we expect our growth trajectory to resume in FY26 on the FY24 base.

In summary, I would like to conclude that Neuland is well positioned to capitalize on long-term opportunities even as we continue to navigate through some of the short-term challenges that may have come our way.

So Ravi, I think with this, we can open up for Q&A.

Moderator: The first question is from the line of Vivek Patel from Ficom Family Office.

Vivek Patel: The peptide and Unit 3 capacity utilizations, they were at the lower end of 30% to 40%. Then what was the rationale behind expanding the capacity and putting up capex of INR320 crores, INR350 crores that was announced recently?

Sucheth Davuluri: The 30% to 40% was the capacity utilization for Unit 3 it was not the indication that we gave for peptide. So the peptide capex was actually dedicated only for peptides, and that's actually happened in Unit 1 and not Unit 3. So there are two different issues. So the capex approval was for peptides whereas the capacity utilization was for Unit 3 for small molecules.

Vivek Patel: That I understood. But what was the rationale for the expansion in either or both cases?

Saharsh Davuluri: I think we have been in the peptide space for over 15 years, we have lab scale and pilot scale facilities. And with the increasing number of opportunities, the company decided that we would like to capitalize on these large-scale opportunities. So, the INR300 crores investment is actually directed towards creating very large-scale manufacturing capabilities, which currently do not exist in Neuland and these facilities are being created in Unit 1. Does that answer your question?

Vivek Patel: Yes. The next question is that, what could be the potential impact of the U.S. tariff given that the company derives about 40% of its revenues from the U.S. And also, would it be fair to assume that around 50% of these exports of 40% are coming from CMS segment and the rest is coming from the GDS and that the CMS segment might be hit a little harder than GDS. Would that be a fair understanding, sir?

Saharsh Davuluri: I'll let Abhijit answer the split about the exports for CMS versus GDS. But I think on an overall basis, we don't really have any clarity on the tariffs at the moment. I think if they're under suspension, and I think broadly for India as a country and even for pharma. We are hearing different kinds of arguments against why tariffs should be imposed. And right now, we continue to have conversations with our customers. There is no imminent indication that it's likely to come.

And even if it would, we would perhaps they would get passed on to our customers. And I think the basic notion that we are looking at is that this would end up getting passed on to the patients eventually. And that's the basic understanding we have right now. But I think we'll have to wait and watch to see what clarity comes.

S E Medikonda: And in terms of the you're referring to the U.S. end market, I think that is a combination of both the GDS and CMS. What we share there is across both the businesses. And we have a good generic business even in the U.S. as a geography where we have a few strong customers as well as Indian customers serving the U.S. market. So it isn't just the CMS business with U.S. as the

end market.

Vivek Patel: So the CMS, GDS in the U.S. could also be about 50-50?

Abhijit Majumdar: No. So currently, tariff, I presume, is applicable when you supply to U.S. Even if you have a dollar sale, typically, what could happen is you could be supplied to an end formulator in India or to anybody that depends on where you supply it. So broadly 30% of our revenue is based on supplies U.S, right?

But we could still be doing dollar-denominated sales outside U.S. So that's the way to look at it. So it's not CMS GDS you should look at, what is your revenue generated from supplies to U.S., which is very important to determine if there's a tariff implication.

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

Shyam Srinivasan: So just two questions I have. First one, Saharsh, you mentioned growth on FY24 base, not FY25. I know you didn't give a quantitative number, but how should we look at FY26 growth over FY24, let's assume, right? And maybe just some qualitative color around GDS versus CMS as well.

Saharsh Davuluri: Yes, Shyam, I think FY25 is like a 4.5%, 5% degrowth on FY24, right? So I think basically, we want to make the reference back to FY24 because I think that's how we have always narrated our growth to investors. I think even back in FY21 or FY22, where we had a year of flattish or a slight degrowth, we stated our growth based on how the previous year was.

And I think that's the only reference that's being made. Anyway, as you know, we don't give any quantitative guidance. So ultimately, the number in terms of what growth we are pursuing, we are not disclosing that. But we are optimistic that FY26 looks good.

In terms of GDS versus CMS, I think both the segments we expect to grow. But as you would imagine, FY25 has been a significant down year for CMS for the reasons that I had explained in the opening remarks.

And I think we see a lot of that getting addressed and we actually even see a new molecule coming in. So with all those factors coming in, we see more growth coming from CMS as a percentage than GDS. But overall, both will grow. And overall, we'll see good growth in FY26 as well. But we will, obviously, not be able to quantify anything.

Shyam Srinivasan: And my second question is just on the margins. So I know we have, in the past, talked about a 25% to 30% margin. I know in DY25, we have been below that. But once growth comes back, should one bake in operating leverage and margins to get at least to the range or somewhere around the range?

Saharsh Davuluri: Yes. I think whatever we have seen in FY24, I think we had also indicated that those are highly optimized kind of margins, right? I think very favorable exchange rates, raw material costs, product mix, etcetera. We had always said that that's more like a North Star of our margins. We don't expect that to be like a basis or a benchmark.

But I think having said that, I think what we've seen in FY25 is kind of deleveraging and therefore, I think the margins are suboptimal. So I think we should try to go back to higher margin levels. I'm not sure if it helps to give a range or anything like that.

Definitely, I think the margins we achieved in FY24, it's hard to predict we'll be able to achieve that or not. But also, there's also capital being deployed more assets are getting capitalized, you're going to see more operating expenses. So I think we would like to keep it a little vague, but definitely, you can see margins going up.

Moderator: The next question is from the line of Vidit Shah from Spark Capital.

Vidit Shah: I have two questions. One is on the new product launch in CMS, if you could give some color on the size of the opportunity that we can see in the long run from this one particular product? And what are the launches that you anticipate beyond FY26? And the second one is I understand that the CMS business is a little lumpy given the model, but what caused the sharp revenue decline in the specialty molecules in the GDS segment?

Saharsh Davuluri: So I think, obviously, won't be able to reveal much about the new molecule that will get commercialized. But definitely, what I can share is that it is a commercially approved drug. It's been out in the market for a few years now. The first source is non-Indian source and Neuland is getting added as a second source. In fact, Neuland has been added as a second source. It's just that the timing of commercial supplies is set to start soon. And we are very excited.

I think the reason for the excitement is also that it is a relatively high-volume product. But again, if you look at the entire gamut of CMS commercial APIs we have, we have contributing from very, very large value to low value. I think this will be somewhere in the top. Maybe it's, I would hold back to say how much, etcetera, because, again, that would reveal too much. And we expect this business to be a steady business, which means that it's not just going to start in FY26, but we expect it to continue for a long period. I think in terms of the contribution, the second part of the question, Sajeev, do you want to answer that?

S E Medikonda: In terms of the GDS business in terms of the specialty thing, I think we have had a few products where the volumes are more uneven because of they are small volume products. Some of them are ophthalmic kind of products, which have contributed in the past. And as a result of it, as Saharsh had also mentioned during his opening remarks, in certain quarters, it's likely to be uneven because of the small volume nature of those products.

Vidit Shah: Just as a follow-up to the first response, when in FY26, can we expect delivery to begin?

Saharsh Davuluri: We won't get that specific. So I think you should start seeing it in FY26, likely.

Moderator: The next question is from the line of Ritika from Valuequest.

Ritika Agarwal: Again, in addition to the earlier participant's question on the new molecule, sir, what therapy is this molecule in, if you could indicate that?

Saharsh Davuluri: Yes. I think we don't want to answer that, Ritika. I think over time, you guys will look at export

data and everything and figure that out, but we don't want to disclose that information.

Ritika Agarwal: Last call, you had mentioned looking at molecules in CMS and COPD segment. Would it be one of those?

Saharsh Davuluri: Yes.

Ritika Agarwal: Sir, secondly, we recently saw data point for COBENFY, adjunctive schizophrenia Phase III data that came up. Does it change anything for us versus maybe what we would have thought earlier or got demand from the innovator?

Saharsh Davuluri: I appreciate the question. But I think, again, on the CMS molecule-specific questions, we won't be able to answer. And also, we never, as a company, get into the development strategy and clinical trial outcomes, etcetera, of these individual drugs. We go largely based on the outlook given by customers and operate on those outlook.

And if you look at the kind of customers that we have, whether it is big pharma or biotech, I think typically, the visibility we get is a fairly reasonable distance like we get 1 to 2 years visibility. And usually, these forecasts are fairly robust. They don't get changed fairly easily. So obviously, I'll not comment on individual molecules.

But at the same time, I just want to give you an insight on how the business works because for us, at the end of the day, it is about making X kilos of API. And those are based on our contracts and the forecast that we have in place. So just trying to give you a little bit insight, but I won't be able to answer the question directly.

Moderator: The next question is from the line of Akul Broachwala from Avendus Investment Managers.

Akul Broachwala: So I just wanted some further details on how you are planning to ramp up Unit 3. I understand that the facility is already ready, but in terms of regulatory approvals and how are you looking at the time lines for ramp-up of Unit 3, that would be great.

Saharsh Davuluri: As we had mentioned in the opening remarks the investment for Unit 3 we have now fully capitalized and it's ready. I think product validations are also going on. We expect to start commercial supplies in FY26. I think that's also mentioned. Yes. So if we are starting commercial supplies, then it obviously is that the product is having regulatory approval. So we expect the ramp-up to start pretty quickly. There's not going to be a big gap.

Akul Broachwala: And do you believe that Unit 3 is going to be a fair contributor for our overall growth that you envisage over the next 3 to 4 years? Or is there anything else as well apart from, maybe, in terms of facilities that's going to add up to our growth prospects?

Saharsh Davuluri: Yes. See, I think if you look at how the business has grown, Akul, I think Unit 2 was driving a lot of the growth until a couple of years even until recently. Unit 3 was acquired by us, and it was kind of dormant for a few years before we started adding some products, especially on the CMS side. Now as those products are ramping up, Unit 3 contribution has started going up.

Now as you would imagine, with the additional investments that our Board had approved in

December 2023 and those assets coming in line, we expect further ramp-up of Unit 3 to happen. But what we are also seeing is that over time, Unit 3 will also get saturated because there's only limited number of additional capacity that will be created.

We also have, as you may have seen in our previous disclosures, expanded Unit 1. And we are also building a peptide facility over there. We are also creating small molecule facilities in Unit 1. So over time, although nothing is specified, Unit 3 will drive growth for the immediate period, maybe the next couple of years, and then maybe Unit 1 will drive the growth again. But this is just a very broad sketch. I think we'll have to see how the product mix plays out, and that will eventually determine how these numbers come.

Moderator: The next question is from the line of Prolin Nandu from Edelweiss Public Alternatives.

Prolin Nandu: I just have one question, and this is more like a qualitative color on your CMS part, right? Now if I look at the how you have done exceptionally well on the CMS part. In FY18, you had whatever, INR100 crores of sales. We are close to INR800 crores right now. So from here on, the ask rate to probably is very very high in some sense.

So when I look at, let's say, your Slide number 12 and in terms of the numbers that you give in terms of number of projects that you're working on. So let's say, this 81 of FY22 is now 97, right? So in terms of one is the number97 is higher than 81. But in terms of the quality of these 97 projects, how different are they versus what they were, let's say, in FY22 in terms of chemistry, in terms of size?

And apart from the peptide part that you have probably discussed, right, and you're also putting up the capex, any other chemistry which you have developed year or so, which you are very optimistic about also, which is also based on we have something related to that chemistry in the pipeline. So some qualitative color on your pipeline for CMS project will be helpful.

Saharsh Davuluri: Thanks. I think it's a very good question. Maybe what you're really trying to understand is that, yes, the pipeline the numbers are showing some improvement, but qualitatively, is that going to result in higher growth? I think just given the fact that we are already at a sizable CMS business, will we be able to sustain growth given that we are at a larger base now compared to where we were in FY18?

Maybe if I have to answer this question qualitatively, if you can just kind of recall what was said in the opening remarks, we are seeing kind of a snowballing of our past efforts in this CDMO business. I think we've been there in the CDMO business for almost 20 years now. We have been working steadily with innovators, primarily biotech companies in the U.S., and we've actually gone through many cycles of development. What that has given us is a lot of credibility in the market.

This, coupled with also having a very, very focused business development team, right? One thing that's also very different about Neuland's business model is we're not a one-stop shop. We are a pure-play API company. So we also seek out those kind of projects. And when you couple that with, I think, favorable industry tailwinds, we are seeing a very good momentum in terms of how the business is looking.

Now if you have to just look at the pipeline quality itself, what I would say, and this may sound a little anecdotal, but it is true. The quality of projects that are entering the system every year, the overall quality is only improving. And if I have to illustrate that, let's say, if we say, okay, how many INR100 crore opportunities are entering the system? Maybe 10 years ago, we would barely see INR100 crore CMS opportunity. I think today, we see a far higher number of INR100 crore opportunities. It doesn't mean that we only pursue INR100 crore opportunities, but that is fairly evident in our efforts.

So one, I would say to your question that we are seeing higher quality opportunities come our way because of the 3 factors that I mentioned that we have established credibility, our BD teams have become more focused. And I think Neuland with all its investments, infrastructure and the market conditions, is looking more and more attractive.

The other part, which is also important, which you asked is I think getting recognized on specific technologies is very important for us. We have initially been recognized as a deuterated API player. I think we have a few molecules in our development pipeline. We have one in our commercial, and we continue to be seen as an expert in deuterated chemistry.

Peptides is something we've talked about. I believe we have maybe 10 to 15 projects in our pipeline, which are peptides. Those tend to be an area that make us stand out even if you look at the Indian landscape, we become kind of a very obvious choice if an innovator is having a peptide molecule and is looking at India as a region where they want to outsource the API.

Other than that, there would be specific areas like chiral chemistry or hydrogenations or ability to do like the physical aspects of the API, like getting targeted particle size distributions, etcetera. I think a lot of this information, we have published numerous white papers. So again, I wouldn't trouble everyone by going through all those details.

But the overarching point I want to make is that we don't go and typically try to offer a Chinese menu to customers. We try to identify where there is a technical fit, and we try to have deeper conversations with those limited customers. So therefore, the number in the table may not increase dramatically, but whatever numbers are increasing are higher value opportunities than what we have seen in the past. So tried to cover all the questions that you've asked. But yes, does it make sense? Did I miss out?

Prolin Nandu: No, no, it makes a lot of sense. Let me just one follow-up on this, the same aspect, right? See, you have outlined the quality of pipeline in depth in great detail. Now in terms of, obviously, the success rate obviously it's not in our hand, right? But in terms of that conversion rate, right, could you just comment a little bit there as to what have we done to improve the probability of, let's say, whatever molecule that we are working on going to the next phase, right?

Again, as I mentioned, we have limited things in our hand, right? It depends on the innovator. But what could we do to help us improve that success rate, so to say? And what have we done, let's say, in the past, right, 5, 6 years to improve that?

Saharsh Davuluri: Yes. So I think if you look at the commentary we've made over the years, I think one area we've emphasized a lot is on strengthening our project management area because I think we look at

ourselves as a service provider. And for us to be able to create that deep meaningful relationships with our customers, I think we've been always talking about strengthening our project management systems, making sure that our customers feel like they look at us as collaborators.

I think that's an area we've worked a lot on. I think that's helped us a lot. If you've seen, I think as we did our brand re-launch last year, we also talked a lot about our value systems and how we function. And we've been kind of harping a lot on the agility part. I think trying to stand out as an agile CDMO, I think that's been something that we've been trying to stand true to that.

Because to back yourself as an agile CDMO, you need to have flexibility in capacities, you need to be accommodative, especially working with biotech companies. And that requires you to invest in certain kinds of buffers and systems. And I think we've done a lot of work in that area. Measuring the right things. I think we've started measuring what we call as FTR or First Time Right, because one thing that does shatter the confidence of a CDMO customer is that when you take their molecule into the plant for the first time and if you fail, that can become a red flag.

And irrespective of everything else that you do, if you're not able to do that on point, that's going to be a challenge. We've been looking at those metrics. We've been incorporating that into our individual performance metrics across the organization. So these are some of the additional things that we are doing to just kind of make sure that the customer is at the forefront.

And yes, mistakes will happen, but to be able to kind of collaborate with customers in the process is also very important. So those are some of the other things qualitatively that we are doing.

Moderator: The next question is from the line of Ishmohit from SOIC Research.

Ishmohit: Congratulations over the last 2, 3 years for really turning the fortunes of the company. Sir, I just have a question for the CFO. What could be the ballpark margins we could expect in FY26, FY27? we don't need a firm number, but just a ballpark basically number.

Abhijit Majumdar: So we don't give guidance on what a ballpark number is because that was a question asked, I think, so by a previous participant, Ishmohit. So you should for example, we did 30%, then we have dropped down to 17%. I think so the trending is clear that if you grow faster than the market in terms of your growth, your margins will kind of typically go up. It's for you to figure that out.

Saharsh Davuluri: Yes. I think, see, qualitatively, if you look at it, the business model remains what it is. I think it's not changing that much. I think the scale of the business is going up. The kind of molecules that we are adding, I think, are consistent with the theme we have said. You've looked at our past performance. I believe that you should be able to deduce what could be that range. It's just that we don't want to spell it out.

Moderator: The next question is from the line of Sanjaya Satapathy from Ampersand Capital Investment Advisors.

Sanjaya Satapathy: No, my question is that to some earlier question that you had said that one molecule in which has been commercialized and you are the second supplier to that. And there is some delay, but

you are going to start that shipment soon. So can you just reconfirm that?

Saharsh Davuluri: No, actually, I didn't mention there's a delay. I think the question earlier was if we could throw some color on the molecule that is getting commercialized in FY26. What I had indicated was that it's a molecule which is already approved in the market. It's been in the market for a few years and Neuland has been qualified already as a second supplier and the commercial supplies are starting shortly. That's all I have said. I had not made any reference to any delay.

Sanjaya Satapathy: Understood. And this is in addition to the first molecule that you already have in your bucket, right? Because you mentioned that it will be 2 molecules is what commercial molecule that you will be supplying in FY26. So the first one is something which you already have, and this is the second one?

Saharsh Davuluri: Yes. There's one molecule that has been commercialized in FY25. There's another one which is going to get commercialized in FY26.

Moderator: The next question is from the line of Keshav from RakSan Investors.

Keshav Kumar: In the CMS pipeline, we have been seeing a reduction in the number of molecules in preregistration over quarters without a commensurate migration to commercial. Quarter-on-quarter also, it has gone from 6 to 4 molecules. So I don't know if it's the right way to do, but commensurately our high-margin development revenues have also come off. So what is happening there? And also how should it have a bearing on our business going forward?

S E Medikonda: So in terms of the number I think as we had mentioned earlier, the products which are under pre-reg, reg, they could be two kinds of products which are there. One is products where the customer is moving forward, has filed the NDA and is waiting for approval.

And there are other cases where customers possibly look to add a second source for a commercial product. But at times, even though they wish to add a second source, it takes a much longer time for them to reach the scale. And in certain cases, they don't even reach the scale where they go for a second source.

So in this category, I think we have certain products like that, which we keep looking at. We look at what is happening in the market too. And some of those products get removed based on our judgment and our discussions with customers. So I think that is all the read that we should take from that.

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

Gaurav Mahidhar: I hope I'm audible. I actually wanted to ask that I see a lot of companies signing long-term supply agreements with innovators. Have you ever been approached for something on those lines? Or are there negotiations of that sort that you participate in?

Saharsh Davuluri: I think typically in the CDMO business, it's quite common that these innovators have these kind of long-term supply agreements. And I think for all our CMS molecules, we have such contracts in place.

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

Gyanprakash Yadav: Yes, just a normal feedback. I am an individual investor. So I would request that the management, whenever they are announcing the results and putting up the investor presentation, better to have a 1-day delay so that we can go through the results and investor presentation and cash flow statement and everything and be ready with the questions. Unfortunately, I'm not ready.

Second thing, the FY25, we started with somewhere 10% growth, then we came to breakdown. And last few con calls, we are very confident about our growth. So do you have some guidance when is the growth going to resume? It will be quarter 1, quarter 2? And what will be the ballpark range, something like this?

Saharsh Davuluri: Thank you for your question. I think with regards to maybe staggering the call a day after the results, I think we'll definitely take that feedback and see if there's something that we can do. I think with regards to the performance of the year, you're absolutely right. I think we started the year, we had indicated that we would expect to see a moderate growth.

But I think as we were getting into the year, we realized that it's likely not to happen. And therefore, we kind of changed our narrative and said that it's going to be flattish. And I think if you see how we ended up, we ended up with a small degrowth. It actually points to the reality of our business, right? I think it shows that we're not really fully in control of our numbers. And it is for those several factors that I had also reiterated in the opening remarks today. A small shift in the product mix could have an impact.

Exchange rate, raw material costs, a lot of things can contribute to this. I think these are some of the reasons why I think these kind of fluctuations happen. And I think that's the reason why we also hesitate to give any kind of guidance. But having said that, I think we also know that when there is a visibility of orders and we have production plans that match those orders, I think we also think it's fair to give that indication that we expect to see growth.

But having said that, I think we only say that growth is in FY26 and onwards. We would not say what quarter or how it would happen. I think that is indication we would not be able to give. And unfortunately, I think that is something that as investors, you would have to take an independent call.

And I think we will keep trying to give as transparent messages as possible on the performance, but it would also be very realistic to expect that some changes will happen based on how things are moving in terms of execution.

Gyanprakash Yadav: But you all are in the business. You are working day in and out. You're very close to the customer. We, as an investor, we are not close to them. So some sort of guidance could always be since we are already in the middle of the May. It answers my question.

Saharsh Davuluri: Yes. No, thank you. I definitely understand your frustration. And I think a lot of analysts, I know you're an individual investor, but even a lot of analysts struggle to model our business because of these reasons. The confidential nature of the business creates additional challenges for us.

So we definitely empathize with your concern, but also we are also very limited in terms of how much outlook we can give because of the nature of the business and the confidentiality, etcetera. So I hope you will keep tracking us and you will be able to see a pattern. And our objective is to try to be as honest and transparent in terms of our information flow. but thanks anyway.

Moderator: The next question is from the line of Chintan Shah from JM Financial Family Office.

Chintan Shah: So I had two questions. So one is looking at Slide number 12 again, that is on the project pipeline. So if I look at the Phase III as well as registration, so that number has been -- seems to be on a declining pace. So I understand that size-wise, this could be much different and numbers do not really make a big difference here.

But just beyond this one molecule that's going to get commercialized next year, just wanted to get a sense from this pipeline, are the molecules, say, such large that beyond that also, we could see a steady or sort of a high growth for the company continuing into the next few years? That is one.

And second, just supplementing on to this, now Neuland has reached certain scale and we have demonstrated your capabilities in peptide side. So can we expect that there could be a possibility more such projects or molecules where we get added as a second supplier getting on the commercial side and that could be a further big driver for us in the coming years? Those are my 2 questions.

Saharsh Davuluri: Yes. So you're absolutely right. I think it's difficult to deduce whether it's a high-value asset or not when you just look at the pipeline. I think that's why what we also try to do to help shareholders understand if there is a specific large value opportunity that is getting commercialized, we try to highlight that as part of our communication.

There might be even smaller molecules that might get commercialized in the same period, but they might not add substantially. So for now, I think we are seeing a good healthy influx of projects. I think even in the last 12 months, especially as these geopolitical tensions are emanating, biotech companies moving away from China. We are seeing projects flowing into Neuland, and those are all coming in Phase I, Phase II opportunities.

We do also see commercial opportunities coming our way. They don't happen as naturally as early clinical opportunities. So to the example of the molecule that is getting commercial this year, we do see occasionally opportunities where a drug is in Phase III or nearing commercial and the customer wants to add us as a secondary supplier. And in those cases, there's an opportunity to start commercial revenue sooner.

But if you look at Neuland and how we are visualizing our growth for the CMS business, I think if you look at FY25, FY26, FY27, FY28, FY29, looking at this pipeline, we do believe that we will have opportunities commercializing almost every year and big molecules commercializing every year.

And also to a question that I answered earlier, we're also seeing a snowball effect. So we're seeing more and more opportunities coming our way. So while this is anecdotal, we generally

feel confident that we will be able to sustain the growth by adding high-value molecules. It's just very difficult to separate the small ones from the big ones, and that's why we just show you the table.

Moderator: The next question is from the line of Naveen Baid from Nuvama Asset Management.

Naveen Baid: Sir, in the past 3 to 4 quarters, you have consistently said that look at us from a 2- to 3-year kind of a time frame, and you've been saying that you will continue to maintain the 20% to 25% top line CAGR growth. Since we have seen almost 4 quarters of very, very muted growth, and you already have some color on the pipeline that is in front of you, you still believe that we can look at you from that kind of a lens that, okay, 20% to 25% kind of CAGR is possible as we look into, say, FY27, FY28, FY29?

Saharsh Davuluri: As we had explained earlier, the performance of FY25 is very evident as in I think we knew there were lesser orders to fulfill. I think molecules, which we had fulfilled orders for in FY24, we knew orders were not there in FY25. And we see that again changing in FY26. and I think you're referring back to that 3-year block we talked about. I think growth at that rate, what we had talked about is something that's possible.

The part that I'm slightly disconnected is that 25% that you're talking about because I think we have not given any kind of a hardline number in terms of what kind of growth we are exactly targeting. But we are fairly confident that FY26 will be a year of growth. Again, let's not look at it at a quarter-to-quarter basis.

Moderator: The next question is from the line of Mehul Panjwani from 40 Cents.

Mehul Panjwani: Sir, thank you so much. Your commentary has always been very transparent. And I'm tracking this company for the first time. So, I wanted to ask, when you said that one molecule has been commercialized in FY25, and yet FY25 has been a muted year for us, so when another molecule will be commercialized in FY26, how much impact will it have on growth? Can you just share a comparison?

Saharsh Davuluri: I think when we mentioned that the molecule got commercialized, I think what we would do is if the drug is commercially approved, and Neuland is an approved supplier, we would indicate that it is commercialized. And that's why that change would happen in our table that you see on Slide number 12.

Now what we also expect is that growth will come when we start seeing orders for that molecule. And sometimes the year it gets commercialized, you may not necessarily see the orders. And therefore, it is not directly connected. So, what I would suggest is please don't connect the commercialized comment with the growth comment.

Because ultimately, when we are giving you an indication that, okay, FY26 will be a year of growth, we are actually looking at the order values and we are looking at the aggregate business, and therefore, we are giving you that indication. Because sometimes the year of commercialization may not be the year that the revenue contribution happens.

Mehul Panjwani: Right. And likely this molecule will be commercialized in the first quarter or second quarter?

Saharsh Davuluri: Again, sorry, I won't be able to give a specific quarter level breakdown. You will see it happening in the course of the year. That's what we can say.

Mehul Panjwani: And sir, in which business is CMS or GDS?

Saharsh Davuluri: CMS.

Moderator: Due to time constraints, we take this as the last question. And now I would like to hand the conference over to the management for closing comments.

S E Medikonda: Once again, we want to thank everyone for joining this call and for your interest in Neuland's business and Neuland as a company. We try to answer every question that is possible. But given the constraints of time, we may not be able to answer all of you. So in case you have further queries, please reach out to Ravi Udeshi of EY. And once again, thank you, and good evening.

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

(This document has been edited to improve readability)