

October 28, 2025

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

Sub: Transcript of the Q2 FY '26 Results Conference Call hosted on October 23, 2025

Pursuant to Regulation 30 & 46 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and with reference to our results conference call intimation dated October 09, 2025, please be informed that the results conference call for Q2 FY26 was hosted on October 23, 2025 and the transcript of the conference call is enclosed herewith.

This is for your information and records.

Yours faithfully,

For **Laurus Labs Limited**

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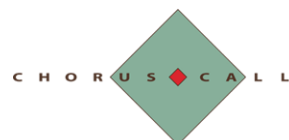
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“Laurus Labs Limited
2Q FY '26 Earnings Conference Call”
October 23, 2025



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

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

Moderator: Ladies and gentlemen, good day, and welcome to the Laurus Labs 2Q FY '26 Earnings Conference Call, hosted by DAM Capital. 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 and then zero on your touch-tone phone. Please note that this conference is being recorded.

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

Nitin Agarwal: Thank you. Hi. Good afternoon, everyone, and a very warm welcome to Laurus Labs Q2 FY '26 earnings call, hosted by DAM Capital Advisors Limited. On the call today, we have representing Laurus Labs management, Dr. Satyanarayana Chava, Founder and CEO; Mr. V. V. Ravi Kumar, Executive Director; Mr. Krishna Chaitanya Chava, ED and Head CDMO; Ms. Soumya Chava, ED Generics and Commercial; and Mr. Vivek Kumar, EVP, Investor Relations.

Before we proceed, I would like to remind you that some of the statements made during the call today could be forward-looking in nature, and a Safe Harbor statement to this effect has been included in the press release that has been shared on the company's website.

I now hand over the call to Dr. Chava to make the opening comments, and then we'll open the floor for questions. Please go ahead, sir.

Satyanarayana Chava: Thank you, Nitin, for the introduction. Good afternoon to all our stakeholders. We continue to make encouraging progress in delivering important clinical and commercial programs of our customers and also, strengthening our pipeline through collaborations with several big pharmas.

Our growth increasingly benefiting from our leadership position in anti-retroviral business as well as CDMO expansion. And at the same time, we're investing in enabling capabilities and capacities to meet growing customer demand. I have increasing confidence that our R&D-driven commercial strategy will continue to generate long-term value for all our stakeholders.

Moving to some notable updates. Early this quarter, we received allotment of 532 acres from the government of Andhra Pradesh in Vizag. And our focus is to create a world-class pharmaceutical manufacturing complex, where we propose to invest around \$600 million over 8 years.

As you are aware that over the past few years, Laurus has built significant capacities to service diverse pipeline opportunities. This new land will materially support further strengthening our global position and offering across manufacturing scale and new technologies.

Additionally, during the quarter, we invested in an ADC technology platform company with payload and site-specific linker technologies that will enhance Laurus' integrated ADC services. Also, most of the capacity around in specialized modalities, including gene therapy, ADC, fermentation, is broadly on track in line with our customer needs.

Moving to our financial results. Our Q2 performance was in line with our expectations, with revenues of INR1,653 crores, reflecting robust demand for our ARVs and CDMO revenue growth. Gross margins expanded further from the previous quarters and maintained well above 59% range, and EBITDA margins were expanded by 11 percentage points to 26%, led better operating leverage and product as well as segment mix. As we look forward, we remain confident in our outlook for the improved growth for the rest of the year.

I would request Mr. Krishna to share key updates on our CDMO business.

Krishna Chaitanya Chava: Yes. Thank you, Dr. Satya. From a CDMO perspective, the division continues to see strong demand momentum in our CDMO service offerings, recording Q2 sales of INR471 crores. And for the H1, the division recorded a sale of INR964 crores with a healthy growth of about 88%.

This growth was mainly driven by several mid to late-phase program deliveries and as well as commercial deliveries, and also, increased sales from our new manufacturing assets that have come online. The pipeline momentum and RFP flow have remained strong with a well-balanced mix of big pharma clients, small to mid-sized biotech.

In specific, we are adding multiple clinical programs of late that involve quite a lot of complex chemistries and advanced modalities. In line with that, we continue to invest on expanding our commercial capacities at our Vizag site and also, expanding some of our capabilities for some of these advanced modalities and therapies, which we will disclose as they mature. Thank you.

Satyanarayana Chava: In large molecule CDMO, Laurus Bio, we reported a healthy recovery in Q2 with sales of INR47 crores. I would like to emphasize that majority of sales seen in Q2 are accruing from customer base with long-term potential and improvement in commercial product sales.

We are seeing increased customer interest for dedicated fermentation lines. Construction work for the commercial scale fermentation facility in Vizag is progressing as planned, and we expect Phase 1 capacity of about 400 kilolitres to be handy by end of 2026.

I will request Ms. Soumya Chava to share key updates on our generic business.

Soumya Chava: Good evening. The revenues for the generic division continued to do well and reported a growth of 28% to INR1,135 crores, which was mainly supported by the volume growth in ARV and also the formulation supplies. For the first half, we've achieved INR2,183 crores sales with a growth of about 20%.

The US generics continue to benefit from our recently launched products and also stability from the rest of the product line. We expect that these benefits would continue in the future quarters as well. At the beginning of the year, we stated that our focus would be to address API rebalancing capacities. And now we are glad to report that we've completed the activity, and we have achieved the capacity debottlenecking within the key API businesses, especially the ARVs. And we're also happy to report that we're meeting our delivery commitments to the customers.

To further add, our CMO activity levels are also going up, and we see good visibility on improving utilization levels for the rest of the year. On the filing side, we currently cumulatively have 91 DMFs till date. And on our finished dosage forms, we filed 3 dossiers and received 4 approvals in the first half of the year. With this, cumulatively, we have about 90 products filed till date. Thank you.

Satyanarayana Chava: Thanks, Krishna and Soumya for overview of generics and CDMO business. On the R&D front, we spent 4.3% of our sales, including spend on cell and gene therapy. The spend is in line with our full-year target, and we continue to invest in portfolio, focusing on product complexity and scale, while also pushing forward with the adoption of sustainable technology platforms.

Let me share a brief on our quality side. In the first half of this year, company underwent close to 65 quality audits by multiple customers and several regulatory agencies. Company has successfully passed these audit inspections without any critical findings.

Now I request Mr. Ravi Kumar to share the overall financial highlights.

V. V. Ravi Kumar: Thank you, Dr. Satya, and very warm welcome to everyone on our second quarter and H1 earnings call. Total income from operations for H1 at INR3,223 crores registered a growth of 33%. We have continued to deliver strong growth mainly due to ARV business, sustained CDMO momentum, and growth in other generic business.

For Q2, total income from operations was INR1,653 crores with a 35% growth. Gross margin in the range of 60% for Q2 and H1, mainly due to better product mix and the division mix, apart from process improvement efforts. EBITDA for H1 stands at INR818 crores with an EBITDA margin of 25.4%, whereas for the quarter 2, INR429 crores with a margin of 26%.

Profit after tax at INR358 crores in H1 and for quarter 2 at INR195 crores, ROCE was 16.3%, improved from 9.7% in the last previous year and has been progressively improving. However, it is compressed due to continued capex investment towards growth projects.

On the capex front, we invested INR225 crores for the quarter and INR489 crores for the H1 FY '25. Our net debt stood at INR2,100 crores, and debt to EBITDA is around 1.3x versus 1.8x in the previous quarter.

On the capital allocation front, our strategy remains unchanged, and we will continue to prioritize investment into high-value business segments to drive near- and long-term growth and return our shareholders over time. You can refer our IR presentation for more details.

With this, I would request the moderator to open the lines for Q&A. Thank you.

Moderator: Thank you very much. We will now begin with the question-and-answer session. Our first question comes from the line of Tushar Manudhane from Motilal Oswal Financial Limited.

- Tushar Manudhane:** Sir, firstly, on the gross margin front, where the proportion of Synthesis business has reduced quarter-on-quarter, API and FDF, which is largely ARV, have increased. And despite that, we are seeing reasonably good improvement in the gross margin. So, if you could just elaborate on that aspect first?
- Satyanarayana Chava:** Tushar, if we look at our first quarter FY '26, we reported gross margins of 59.4%. And this quarter, we are reporting 59.9%, almost 60%. The CDMO revenues were almost similar, both small molecule and large molecule put together. Some growth came in ARV, API, and formulations. But we have delivered more commercial molecules in CDMO during the current quarter. So, margin profile was better. So gross margins improved because of that.
- Tushar Manudhane:** And sir, on the ARV side, just if you could give the breakdown of API and ARV formulation sales for the quarter?
- Satyanarayana Chava:** We have done INR733 crores ARV, both API and formulation put together in this quarter. When you compare the last quarter, we have done about INR647 crores ARV sales, both API and FDF, about INR90 crores more we have done in this quarter.
- Tushar Manudhane:** Breakdown into API and formulation on the ARV side?
- Krishna Chaitanya Chava:** Tushar, the API was INR395 crores. So, you can balance it out for the formulation.
- Tushar Manudhane:** Sir, just on the ARV part, like for the first half, we are almost INR1,380 crores. And at the start of the year, the commentary was that ARV business would be largely stable for FY '26 at least. And in FY '25, we had done INR2,300 crores ARV sales, and we have already done INR1,400 crores. So does it mean that we see some decline in ARV sales for the remaining 2 quarters of FY '26, or we have got enough orders to sustain the first half performance of FY '26 in the ARV segment?
- Satyanarayana Chava:** Still, I will maintain my commentary, ARV sales will be around INR2,500 crores, give or take, a couple of hundred crores. So, you can't have INR2,500 crores every year. As I mentioned, INR2,500 crores plus or minus INR200 crores. The values differ based on the tender results, awards, and then our supplies. I still continue to maintain the same statement, INR2,500 crores plus or minus a couple of hundred crores.
- Tushar Manudhane:** And just one more lastly from my side. If you could just broadly help us understand the working capital cycle for Synthesis business and FDF business, if there is any difference?
- Satyanarayana Chava:** Typically, the working capital cycle for formulation and synthesis businesses are longer. In CDMO, we are handling very long complex synthesis. Because of that, the working capital cycles are higher, but margins are higher. So that will have any impact on the working capital margins. But formulations will have a long working capital cycle. Depend on the product also.
- Tushar Manudhane:** So current portfolio, broadly, what would be the working capital cycle for synthesis business and for FDF business separately, just a ballpark number?

Satyanarayana Chava: It is very difficult, Tushar. We can take it offline, Tushar. We can't give the details.

Moderator: Our next question comes from the line of Bharath from Quest for Value.

Bharath: Firstly, I would like to congratulate Dr. Satya and Ravi for generating good set of numbers. And also, I would like to especially congratulate Krishna Chaitanya and Soumya Chava for delivering CDMO and generic numbers consistently from the past few quarters.

And my first question is to Dr. Chava. So, if you look at our history, we generally put huge capex, and we go through short-term sales due to operating deleverage for some period. And once capacities are fully utilized, operating leverage will play out. For example, in the last cycle, we have put a huge capex in 2019 for FDF. And once it is fully utilized, we reach peak margins, EBITDA margins of around 33%.

And if you see the current cycle, we have invested a lot of capex in the last 4 years, and finally looks like the capacities are being utilized and operating leverage is now playing out. And if you compare last cycle with the current cycle, the last cycle was mainly due to -- the growth was mainly due to generic FDF. This time, the growth is coming due to high margin and more sustainable CDMO.

So, my question is, do you think in this current cycle, once the capacities are fully utilized, the EBITDA margins can easily surpass the previous last cycle peak of 30% because of better product mix and better gross margins?

Satyanarayana Chava: I would say, Bharath, it will improve. I will not give a number. As we change our product mix more towards small and large CDMO, EBITDA percentage will improve. And also, our operating leverage will also kick in as we utilize our assets better. That's what happened in Q1. That's what happened more in Q2, and we continue to see that trend. I will not comment to what extent will grow, but the indications are that we'll continue to do better in EBITDA margins.

Bharath: And my second question is to Krishna Chaitanya. Are you seeing a trend of supply chain shifting towards India due to this Biosecure Act and also due to the supply chain diversification efforts from innovators? Did you see any significant increase in RFPs due to this? And how is Laurus prepared to capture this wave of opportunity that is coming to India?

Krishna Chaitanya Chava: Certainly, there's some discussions around that and the discussion or talk around that. But it's getting immediately translated, or attributing the flow of RFPs to any of these world events is very difficult to link both of these together.

I think at the end of the day, successfully getting an RFP and delivering on it comes down to the capabilities rather than compulsion for somebody to diversify the supply chain. But there's certainly discussion around that, but not immediately -- can't fully draw correlation between the 2, at least from our perspective.

- Bharath:** And my last question is to Dr. Chava. Can you please give update on the R3 plant at Mysore? I don't see that in the presentation.
- Satyanarayana Chava:** We are constructing on a Fast Track basis a large fermentation capacity at Vizag instead of investing that in Mysore. The reason is we have better infrastructure right now. It is in industrial complex. But at Mysore, the waste treatment facilities are not ready. So, we decided to invest in Vizag as of Mysore.
- Krishna Chaitanya Chava:** It's close to our existing unit, Bharath.
- Moderator:** Our next question comes from the line of Jevan Patwa from Sahasrar Capital.
- Jevan Patwa:** Firstly, congratulations, sir, for a very good set of numbers. Happy Diwali to you, Ravi, and all your team. My question, obviously, since last many quarters, I still keep asking the same question. So it is more on the formulation side. CDMO, obviously, I'm very happy with the performance. I remain very bullish and optimistic.
- But on the formulation side, I just wanted to understand the thought process that we had since many quarters and years, is we want to be the global leader in 15 or more than 15 type of products or molecules. So are we still of the same opinion and the thought process? Or we want to move towards more CMO, like contract manufacturing kind of thing on the formulation side?
- Satyanarayana Chava:** Both are happening. We are investing more in CMO generic formulations with our European partner, going well. And we are also doing select products, global launches, and our approach of doing a few products and gaining a leadership position globally is on track. We are not deviating from that principle.
- Jevan Patwa:** But are you seeing results from that strategy?
- Satyanarayana Chava:** Yes.
- Moderator:** Our next question comes from the line of Bino Pathiparampil from Elara Capital.
- Bino Pathiparampil:** Congratulations on a great set of numbers. Just a couple of housekeeping questions from my side. One, what is the total capex for the current year that you are estimating?
- Satyanarayana Chava:** It will be closer to INR1,000 crores. We invested about INR480 crores in H1, and we expect to invest similar amount in H2 as well.
- Bino Pathiparampil:** The receivable days and inventory days seem to have come down for the midyear balance sheet compared to the March balance sheet and even compared to the earlier balance sheet. Has anything changed there materially?
- Satyanarayana Chava:** I think additional sales has resulted in the reduction in inventory, Bino.

- Bino Pathiparampil:** Okay. So, is that a level we should look forward to? Or is it temporary and for the year-end, we should go back to the levels of the previous year-end?
- V. V. Ravi Kumar:** Yes, I think it goes with the sales.
- Bino Pathiparampil:** Okay. And what is the full year consolidated tax rate that we are looking at?
- V. V. Ravi Kumar:** I think similar. Right now, we have about 28%. At Laurus Labs, we have converted into new regime, but there is other subsidiaries are going at a different. So that is the reason it is coming around 28%. But I think it will be in a similar range.
- Moderator:** Our next question comes from the line of Sajal from Antifragile Thinking.
- Sajal:** At the same time last year, the capex run rate was 11% of sales, which was very healthy, of course. And today, our sales have increased. They are significantly better Y-o-Y, but the percentage capex is not just 11%, it's 15% now. So both the sales and the capex have increased Y-o-Y. The question is what's driving this level of conviction? What kind of interactions or feedback are we getting from big pharma and other innovators, please?
- Satyanarayana Chava:** We are investing into new modalities, which are taking more capex. And we're also investing in fermentation. And we are also building some additional blocks in our animal health. So the building qualification, validation are also taking a very long time. Right now, if we start the construction of a manufacturing block, by the time we build, qualify, and do validation, it is anywhere taking between 18 to 24 months. So because of that cycle, we are investing more. And we don't expect that investment around INR1,000 crores will come down in the future years also. It probably may go up.
- Sajal:** That's helpful, Dr. Satya. And my second question is, while our small molecule CDMO pipeline is well-positioned to take us to the next level over the medium term, we will eventually need to demonstrate leadership in biologics and precision fermentation as well. So, how do you see the competitive intensity in both human and non-human bio non-food proteins and polymers evolving? And where do you think we have the sort of opportunity to differentiate ourselves, given the current industry dynamics in these segments?
- Satyanarayana Chava:** See, our current capacity in Bangalore is already sold out. And for us to grow, we need capacity. That is the reason we are doing on a Fast Track basis, an additional capacity of 400 KL in Vizag. So, especially in bio, we know what to make, how much to make. So we are not at a stage where we're putting capacity and don't know what to do. Bio, at least we need capacity. So we continue to invest in bio more and more in the next 2, 3 years.
- Sajal:** That's for sure, Dr. Satya. My question was, I mean, between these segments, whether it's ADCs or gene viral vector or whether it's non-food proteins and polymers, I mean, which area is looking more exciting to you as of today? Of course, this may change next year.

- Satyanarayana Chava:** Okay. I didn't get your initial question very well. Now I can answer. So in the next 3 to 5 years, we are not expecting any revenues coming from cell and gene therapy, except our investment in ImmunoACT. That's one statement I can make. And second is the CDMO of large molecule precision fermentation is as attractive as small molecule CDMO.
- Moderator:** Our next question comes from the line Venkat, who is an investor. As there is no response from the line of the current participant, we'll move on to the next question. The next question comes from the line of Rahul Bhardwaj, who is again an investor.
- Rahul Bhardwaj:** I would like to get a sense of how do you see the fragmentation between the generics and CDMO to evolve over the next 2 to 3 years? I think roughly as of now, CDMO contributes around 30%. How high or low do you think CDMO will be contributing over the next 2 to 3 years?
- Satyanarayana Chava:** Currently, both small and large molecule put together contributes about 30%. And we expect it will grow. Both small and large molecule CDMO prospects are looking very bright.
- Rahul Bhardwaj:** Would it be possible to give some idea, like how much growth do you expect? Like, could it be 10%, 20% every year
- Satyanarayana Chava:** We are not giving quantitative numbers of growth. But see, currently, we have 200,000 litres fermentation capacity in Bangalore. We're adding 400,000 litres in Vizag, and that's in Phase 1. We'll add another 500,000, 600,000 litres in Phase 2. So we keep adding large capacity for our threshold fermentation. Small molecule, we continue to invest, and of the requirement. So we have a visibility, but we don't want to confuse everyone by giving our visibility as a guidance. So we can say the growth looks interesting. That is the reason we are investing enough capacity.
- Moderator:** Our next question comes from the line of Chandramouli R from Techfun Capital.
- Chandramouli R.:** Season's greetings to you. I'm glad about the performance of Laurus Labs this quarter. But what is concerning me as an investor is, I make a comparison with other players like last quarter, also, I have a question about, let's say, the growth of Divis performance. So, if my capital investment between the CDMO players in the industry, I find relatively Laurus is not getting the return on investment quickly as others are.
- So why is there a delay in getting the orders from the innovators or are we not investing in the capacities where the demand is growing incrementally? So I would like some amount of clarity on this.
- Satyanarayana Chava:** Modalities of CMO offerings have changed significantly, which demands very early and a large amount of capex is required. That's the one factor contributing. Investments are being done well in advance, whereas revenues are coming in future. Another big change is, you get a Phase III molecule, you do validation and create a large capacity, and wait for NDA submission and approval and all.

So, from late-stage supplies to commercial supplies, there is a gap of almost 18 to 24 months. So during that period, utilization will be very, very low. So if you look at our traction in the CDMO is not 10 years old. We have a significant traction happening in the last 3, 4 years. So we are catching up with our investments and the projects, commercial sales, and all. So this will continue for a few more years, and then we'll be back on track with our return on capital to a good level.

Moderator: Our next question comes from the line of Viraj Shah from PGIM.

Viraj Shah: So I have just one question on capex front. In last quarter, you had guided a capex of INR5,000 crores for 5 years. And if I see your presentation, it's US\$600 million, which comes to around INR5,000 crores again, but it's for 8 years. So are we reducing or extending the tenure of capex in this? If you could help me out with those numbers?

Satyanarayana Chava: So that \$600 million capex in the new 530-acre complex. That has nothing to do with the capex in our existing land bank.

Viraj Shah: So the total capex remains the same, that is INR5,000 crores at least for the next 5 years, it remains constant, right?

Satyanarayana Chava: Yes, you are right.

Moderator: Our next question comes from the line of Madhav from Fidelity.

Madhav: I just want to clarify on the ARV formulations business. So if I look at 1H last year, if I have my numbers right, we had done about INR350 crores, INR400-odd crores of revenue. And this is about INR600 crores plus in the first half this year. I think, sir, maintained that we will be in the same band of INR2,500 crores, plus or minus INR200 crores.

So this jump up is more in terms of the shipment timelines? Or have we sort of like doing more tenders outside of what we usually used to do? Like what's happening here because the number is quite strong first half to first half. So I just wanted to check what's happening there?

Satyanarayana Chava: I would say 2 reasons contributing to that increase. Shift in supplies is one reason. And second is there is a slight increase in demand.

Madhav: The shift in supplies means the timing of the shipments?

Satyanarayana Chava: Timing of the shipments. And there is a slight increase in the overall demand also.

Madhav: And this is in our existing market itself, like which we are servicing earlier, where there's been an increase in demand? Or are we doing some newer markets?

Satyanarayana Chava: Anything increasing demand from our existing customers, put it that way. So, more demand came from API rather than formulations.

- Madhav:** Because the ARV formulations is where it seems like there's been a big jump. So, which is why I wanted to check the API still seems quite stable year-over-year, in line with guidance--
- V. V. Ravi Kumar:** Dr. Satya indicated already INR2,500 crores plus or minus INR100 crores to INR200 crores, which was indicated. And then still we are in that statement. No change there. Probably, as we are indicating, API and formulation may be interchangeable for a few quarters.
- Madhav:** And sir, just the second question was on the newer modalities that we're investing in ADCs, for example. Could you just give some qualitative sense in terms of what kind of pipeline are we doing? Is it more early-stage work? Or do we have to get some late-stage projects here? Just any qualitative sense will be helpful. And could you give a little bit more detail about this investment that we've done in a platform for ADCs? Some more detail there as well, please?
- Satyanarayana Chava:** In the ADCs, as a company, we already make payloads and supply for multiple programs to big pharma. Because of that, we wanted to have capabilities to do bioconjugation, purification, and fill finish. To gain that, we decided to invest in a company that is developing novel ADCs.
- So that partner will give us conjugation, purification, and fill finish technology, and we will make their clinical programs. I think that's much I can share right now. There are multiple programs. They are about to file the IND for one of the molecules. Once they file IND, they will do tech transfer, and we will manufacture.
- Madhav:** And our investment is only \$2 million.
- Satyanarayana Chava:** We invested \$2 million
- Madhav:** Okay. Understood. And sir, the IND, which they filed for the molecule, like for this one, we plan to make payload and linker, or we plan to do like the integrated ADC, like if you could share some there.
- Satyanarayana Chava:** Integrated ADC.
- Moderator:** Our next question comes from the line of Manoj Bahety from Carnelian.
- Manoj Bahety:** First of all, congratulations on a good set of numbers. A couple of questions. I just need some clarification on capex. See, earlier, INR5,000 crores capex was on our existing land bank. Now with this 532 acres of land, which we got and where we put \$600 million of investment over the next 8 years, is it over and above our existing plan, or total, we should consider INR5,400 crores or INR5,500 crores over 8 years?
- Satyanarayana Chava:** I think over years, you can consider maybe INR8,000 crores...
- Manoj Bahety:** Will be INR8,000 crores, right?
- Satyanarayana Chava:** Around. See, it is too difficult to predict. So if the opportunity comes, we are prepared to invest more. We are not limited to this number. So, our current guesstimate is we need about \$600

million in the new 530 acres. And current projects demand about INR1,000 crores per year investment. If there is a massive project coming, we need more investments, we are happy to invest. This is our understanding as of today.

Manoj Bahety: And see, right now, our CDMO run rate is almost INR500 crores a quarter. I just wanted to get some colour on what kind of current capacity that can take us up to what level of CDMO sales, some perspective on that? And also on this additional investment, can we consider at least 60% to 70% of this incremental investments will be towards CDMO?

Satyanarayana Chava: I would say majority, I'll leave at that stage. And see, our capacities initially once we created a fungible between generics and CDMO. So right now, we are allocating certain capacities, but we have started building dedicated capacities for CDMO. And we can't give you the capacity utilization of our CDMO assets.

V. V. Ravi Kumar: I think what we have to do is we have indicated before and even in the investor presentation, our fixed asset turnover ratio is around 0.9 today. And our average, what we have achieved before, is 1.1. I think that is 0.2 of fixed assets you need to bank on the growth that we can achieve in the coming years.

Manoj Bahety: But Ravi, at this run rate of growth, will you soon outgrow your capacity, whether, your growth will be constrained by your capacity? That is one perspective I wanted to understand from you, yes.

Satyanarayana Chava: No. We are adding capacities to meet our expected customer demands, Manoj. We are conscious of that.

Moderator: Our next question comes from the line of Praful Kumar from Dymon Asia.

Praful Kumar: Sir, congratulations on your super delivery, consistent delivery for the last many quarters now. We recently shared some observations from the U.S. FDA for one of the company. Does that add to more tailwinds for us on the ARV side, which is already delivering strong numbers -- so there were U.S. FDA observations on Hetero plans, have you seen any incremental requests or inquiries on the ARV business in terms of products?

Satyanarayana Chava: This is very recent. We haven't seen any disruptions as in.

Praful Kumar: Okay. And secondly, sir, last question on margins, which has been very strong. Is there a scope of operating leverage kicks in margins to incrementally get better in the next 12 to 24 months for us?

Satyanarayana Chava: Yes.

Moderator: Our next question comes from the line of Anubhav Sahu from McPro Research.

Anubhav Sahu: A couple of questions. First, on the CDMO business for Animal Health and Crop Science end markets. So doctor, wanted to understand how is the commercial ramp-up of these facilities

dedicated to this? And in Q2, is there any material contribution from these two end markets? And if you could also provide some understanding what would be the capacity utilization of these facilities?

Satyanarayana Chava: Krishna, would you like to answer? Yes. Animal Health and Crop Science.

Krishna Chaitanya Chava: Yes. Firstly, on the Crop Science side of things, there was not any significant material contribution from the Crop Science. Of course, it made some amount of time to go through the whole qualification filing activities for our partners, which we expect to ramp up in the coming quarters. But nonetheless, there was no significant contribution from the Crop Science side of things for this quarter.

From an Animal Health side of things, one particular asset that we currently manage, we've started doing the commercial supplies itself. But the dedicated animal health site is still undergoing validations and filings. And as and when the filings are successfully approved for our partner, we expect to start the supplies. But predominantly, validations are going on with one commercial asset that's being supplied already.

Anubhav Sahu: Okay. I mean, so largely for these two segments, the validation qualification stage is what we are in. And the CMO opportunity, if I recollect, for the animal health, that's already done with, right? And there's no contribution for that in this Q2, or is there?

Satyanarayana Chava: It is there. From the animal health side of things, it is there. But yes, Crop Sciences, no sign almost nothing there.

Anubhav Sahu: And my second question is are we positioning for GLP-1 drugs opportunity in any way in the value chain? I know we have interest in peptides, but particularly GLP-1 drugs value chain are we participating, or do we plan to participate?

Satyanarayana Chava: It's very early to comment on that. But as you mentioned, we have capabilities in that area.

Moderator: Our next question comes from the line of Ramesh Jain, an investor.

Ramesh Jain: First of all, congratulations, Dr. Chava, for the excellent set of numbers. My question is regarding capex, sir, how we are planning to finance either it will be by way of debt or by way of internal accruals? And my second question is regarding gross margin and the operating margin. Are these margins sustainable going into future?

V. V. Ravi Kumar: Both internally and then if needed debt. That's how we are going. We are not thinking on any dilution on the capex funding side. The gross margin, Dr. Satya last time indicated 55% to 60% gross margin.

Satyanarayana Chava: If We look at six, seven quarters earlier, we said our gross margins will be around 50%. And then as and when the business mix has changed, we said it will go to around 55%. Now we are saying it is closer to 60%. I think that's a good sign as the business matures, our clinical programs

move into commercial programs, we strengthened our leadership position in ARV and oncology. Things are looking better.

Moderator: Our next question comes from the line of Varun Chaudhary from ICICI Bank.

Varun Chaudhary: My compliments on a great set of numbers, sir. So my question is, before I ask the question, I would like to get back into the past first. The thing is that two or three years back that asset turn for the company was pretty high. It was close to around 1.5, and it went right down to around 0.7. Today, it is around 0.9. I'm just wanting to understand if you could give me some colour on how the future on the asset turn looks like?

V. V. Ravi Kumar: Our average asset turn was 1.1 for 5 years. That's what we are guiding, and 1.4 was the peak asset turn in one year. So first, our aim is to reach 1.1. That's how we are progressing from 0.7 to 0.9 we already progressed. We are expecting to progress from 0.9 to 1.1 over a period of time.

Satyanarayana Chava: Still we are in a growth phase. So we continue to invest aggressive in capex. And we need at least two more years where our return ratios will improve closer to 25%.

Varun Chaudhary: The question number two was around the manpower and attrition, not related to the presentation, but otherwise important for any business. So the leverage on capital, human capital, there is a lot of competitive intensity, what I'm given to understand around pharmaceutical companies, particularly based down south. How are you looking at the attrition and the well-being of employees at your organization?

V. V Ravi Kumar Our attrition is in a lower range of teens. And we have a lot of novel things we have adopted over a period of time of inducting post-graduation in the fourth semester, etcetera, that we are managing. So we are also planning to have a skill development centre to help other people, other industries and also pharma and Vizag, then that will improve. So you are right, the skill is a challenge, recruitment is a challenge, but we never face the challenge, we are getting people.

Satyanarayana Chava: One point I would like to add is in the last six consecutive years, we are recognized as a Great Place to Work. That shows we are a good employer.

Moderator: Our next follow-up question comes from the line of Bharat from Quest Value.

Bharat: My question is to Dr. Satya. So sir, whenever we put huge greenfield capex, especially, we went through significant operating deleverage. So for example, EBITDA margins fell to 14% around two years back. Of course, the gross margins were good, but the EBITDA margins 12% to 14%.

At that time, we were a small company doing huge capex. Hence, EBITDA margins were volatile and were significantly hit. But now we are transforming significantly into larger and more resilient company, and also the product mix is tilting more towards high-margin CDMO.

So my question is, do you think on this future greenfield capex of INR5,000 crores comes online maybe in FY'28 or '29, will it again cause huge operating leverage and hit EBITDA margins like

in the past and make EBITDA margins volatile like in the past or do you think we will become a significantly bigger and more resilient company, and then this greenfield capex of INR1,000 crores per year should be easily absorbed by our numbers and should not impact EBITDA margins like in the past?

V.V Ravi Kumar

I think, Bharat, in the earlier cases, it's not the greenfield, which has lowered the EBITDA. Actually, it is a new business areas where whenever we selected as greenfield that caused the EBITDA lower. For example, when we started a formulation, we got EBITDA hit for at least three years because it is a new area, one is investing in opex as well as some kind of development expenditure.

So I think we will -- as your question has an answer, I think you will also have the size also can absorb this kind of INR1,000 crores, which will be maybe 10% to 15% of our overall asset investment, which can absorb. It will not have a significant impact.

Moderator:

Our next question comes from the line of Vishal Daga, an investor.

Vishal Daga:

Congratulations on a great set of numbers. I have a couple of questions. One, we recently got to know that there was a breakthrough in the HIV drug with a \$40 jab that can come for the developing nations. Does that impact Laurus in any way? It is going to get, I think, rolled out in '27. If it does, is there any way we are going to mitigate the impact?

Satyanarayana Chava:

See, the drug is for prevention, not for the treatment. So we don't expect any materialistic impact in the near- to medium-term because of the PrEP market.

Vishal Daga:

Just one more question. On the Bio, Laurus Bio, we saw a good uptick this quarter. What would be a steady-state run rate that you are targeting from a capacity expansion perspective for, say, '27 or '28?

Satyanarayana Chava:

New capacity will come online by end of 2026. Next five, six quarters, we don't see significant ramp-up. Margin growth will be there, but no significant ramp-up in revenues will come until end of 2026.

Moderator:

Our next question comes from Tushar Manudhane from Motilal Oswal Financial Services.

Tushar Manudhane:

Sir, just couple more. How much investment we are doing in this facility for genes and ADC facility, which is expected to be completed by CY '26?

Satyanarayana Chava:

We are investing both opex and capex in the next 3 years, about INR250 crores.

V. V Ravi Kumar:

Next 3 years. Yes.

Tushar Manudhane:

And this is like principally, this would be like once we build the facility, we'll then sort of try to get the contract from the prospective customers?

- Satyanarayana Chava:** Yes. One thing I would like to add, Tushar, here. All the expenditure on CGT or preoperative expenses and R&D, everything is expensed. We are not capitalizing single rupee out of it.
- Tushar Manudhane:** Sure, sure. So how much of that would be like for first half '26?
- Satyanarayana Chava:** As I mentioned, next three years will be about INR250 crores of capex and opex.
- Tushar Manudhane:** And sir, on the Animal Health, the earlier commentary was that the site is undergoing validation for one commercial asset. So broadly, if this converts to a commercial success, then how much of the capacity will get utilized for this asset?
- Krishna Chaitanya Chava:** Sorry if I was not clear enough, Mr. Tushar in the previous comment. There's multiple product validations that are ongoing in the Animal Health site, with one of them being commercially supplied as we speak, but there's multiple different projects or APIs that are being validated as we speak.
- Tushar Manudhane:** Understood, sir. And when this validation-related business would also be coming, right, at this point of time within the Animal Health segment?
- Krishna Chaitanya Chava:** That's correct. As soon as the validations are complete, we'll be able to invoice, of course, the material and the service related to that. But significant amount of the revenues would actually come when the commercial supplies would start. But there will be certainly some addition from the suppliers of the validation quantities itself.
- Tushar Manudhane:** And just to extend on this, so while you might not indicate current quantum of business from Animal Health segment, but considering the timeline for this validation, when do we see meaningful pickup in the Animal Health segment broadly at the portfolio level?
- Krishna Chaitanya Chava:** We expect Animal Health revenues to contribute meaningfully or continue to grow over the next financial year and going forward.
- Moderator:** Our next question comes from the line of Gaurav T from Antique.
- Gaurav T.:** Just a couple of questions. So firstly, on the CDMO, doctor you mentioned that this quarter we saw a higher contribution from commercial supplies. So do we expect this mix of commercial to clinical supplies to stay at Q2 levels for the rest of the year as well or do we expect clinical supplies to go up again in Q3 or Q4?
- Satyanarayana Chava:** We're not giving a specific indication on what those numbers would look like. But at an overall year level, we expect to post a growth over the last year certainly. But as you are aware, our CDMO business tends to be lumpy in terms of how the revenues are come through. But nonetheless, we are seeing a good healthy growth when you look at the year in totality. But your observation is right. There will be more commercial late stage than commercial supplies that will continue. We are not giving a proportion of sales, but it will continue to be like that.

- Gaurav T.:** A couple of financial bookkeeping questions. So have seen higher other income this quarter. So would that be largely driven by forex income this quarter?
- Satyanarayana Chava:** Yes.
- Gaurav T.:** Okay. And we saw a lower significant debt repayment in 1H of this year and the finance costs were also lower in Q2. Given operational cash flows were significantly higher and should be higher in H2 as well, can we expect more debt repayments in the second half of this year as well?
- V V Ravi kumar:** No, we are not expecting that. We're not expecting that. But the interest cost reduction also helped through an interest rate come down.
- Moderator:** We have the last question coming from the line of Malhar Sanghavi from Bodhi Capital.
- Malhar Sanghavi:** Congratulations first on a great set of results. And I wanted to know your views on the MFN policy, which means that the prices of drugs wanting to come down in the U.S. and what kind of effect will that have on the outsourcing by the global pharma companies?
- Satyanarayana Chava:** No impact.
- Malhar Sanghavi:** So there will not be a positive or negative impact at all to the company itself. I'm not talking about us specifically. What will the outsourcing impact be in general?
- Satyanarayana Chava:** It is difficult to predict. We can say about our revenues are not impacted by that.
- Malhar Sanghavi:** Okay, sir. And one more question. I'm sorry if I missed this, but this new acquisition which you've done called Aarvik Therapeutics. So what part of ADC manufacturing do they have expertise in?
- Satyanarayana Chava:** They have expertise in both conjugation, payload linker conjugation, purification and then fill finish. So they don't make mabs. They outsource mab manufacturing.
- Moderator:** Ladies and gentlemen, I now turn the conference over to the management for closing comments.
- Satyanarayana Chava:** Thank you all the stakeholders for interesting questions and your keen interest on Laurus Labs. Thank you.
- V V Ravi Kumar:** Thank you.
- Moderator:** Thank you. On behalf of DAM Capital, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.