“Piramal Pharma Limited Q2 FY '26 Earnings Conference Call”

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Moderator: Ladies and gentlemen, good day, and welcome to the Piramal Pharma Limited Q2 FY '26 Earnings Call.

As a reminder, all participants' 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 "*" then "0"on your touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Gagan Borana from Piramal Pharma Limited. Thank you, and over to you, sir.

Gagan Borana: Thank you, Swapnali. Good morning, everyone. I welcome you all to our Post-Results Earnings Conference Call to discuss our Q2 FY '26 Results. Our Results Materials have been uploaded on our website, and you may like to download and refer them during our discussion.

Today's discussion may include some forward-looking statements, and these must be viewed in conjunction with the risks that our business faces.

On the call today, we have with us our Chairperson – Ms. Nandini Piramal; Mr. Peter DeYoung – CEO, Global Pharma; and our CFO – Mr. Vivek Valsaraj.

With that, I would like to hand the call over to Ms. Nandini Piramal to share her thoughts.

Nandini Piramal: Good day, everyone, and thank you for joining us today for our Post-Results Earnings Call.

During the quarter and the first half of the Financial Year '25-'26, we recorded revenues of Rs. 2,044 crores and Rs. 3,977 crores, respectively. The Y-o-Y decline in the revenue is primarily an account of the inventory de-stocking by the customer in one large CDMO order for an on-patent commercial product.

We continued our focus on cost optimization and operational excellence, which helped partly mitigate the impact of the revenue shortfall on EBITDA. During H1 FY '26, the EBITDA margin moderated to 11% and 10% respectively for the quarter and half year ended FY '26.

In terms of net debt on the balance sheet, we currently have Rs. 3,971 crores of net debt, which is a reduction of Rs. 228 crores over March 2025. We have maintained this at less than 3x EBITDA, largely supported by tight control over working capital and CAPEX investments.

During the year, we successfully maintained our best-in-class quality and compliance track record of zero OAIs. We successfully closed 19 inspections, including one US FDA inspection at our Aurora facility in Canada without any observations.

On the sustainability front, we released our fourth annual sustainability report for FY '25 under the theme of 'Innovating responsibly, growing sustainably', which has also been third-party assured by DNV Business Assurance India. The report outlines our measurable progress in the areas of environment, social and corporate governance, thereby underscoring our purpose of doing well and doing good through sustainable operations.

Moving on to business-specific highlights:

Starting with our CDMO business. Our CDMO business reported revenues of Rs. 1,044 crores and Rs. 2,041 crores during Q2 and H1 FY '26, respectively, impacted by the inventory destocking.

In terms of order flows:

H1 FY '26 was a mixed bag with a good year-on-year trend in new commercial orders, but slower-than-expected pickup in early-stage discovery and development orders due to inconsistent recovery in U.S. biopharma funding, alongside with uncertainties of global trade policies, leading to an adverse impact on order inflows and customer decision-making.

However, in the last two months of September and October, we have seen a significant uptick in biopharma funding. This, along with the increase in M&A activities, are early indications of recovery. Sustenance of this momentum should provide impetus to early-stage RFPs and order inflows going forward. In recent times, we have also seen increasing inflows of RFIs and RFPs, especially in onshore facilities and differentiated capabilities like ADCs, sterile fill/finish, and on-patent commercial development and manufacturing.

We are continuously engaging with customers to build a healthy order book for the future. We are well prepared to capitalize on this emerging strong interest for our onshore facilities through our timely investments in capabilities and capacities across our North America and UK sites. We believe we are ahead of the curve with ready capacities available across our network for clients looking for immediate tech transfers.

We are also further strengthening our position in North America by investing $90 million across the Lexington and Riverview sites, part of our ADCelerate program. Also, to adapt with market dynamics and better engage our customers, we have made enhancements in our BD team, which we expect to yield positive results going forward.

In terms of the existing development pipeline:

We are making good progress. We have recently made a joint investment at our Sellersville site with NewAmsterdam Pharmaceuticals for commercial manufacturing capacity for fixed-dose formulation of Obicetrapib and Ezetimibe to meet commercial demand of the drug. Ahmedabad

site was instrumental in the development of the product. And now the product is advancing towards commercialization, establishing a dedicated manufacturing suite at the Sellersville site, as well as dual sourcing at the Pithampur site in India.

Moving to our Complex Hospital Generics:

In inhalation anesthesia, we further consolidated the number one position in the mature U.S. Sevoflurane segment with value market share increasing to 45% in March '25 compared to 44% in March '24. We are also working on obtaining regulatory approvals for Sevoflurane in the ex-U.S. markets from our Digwal plant in India, which should help us with the pick-up in revenue run rate in H2.

Sales of intrathecal therapy during the quarter were subdued due to temporary supply challenges, which we expect to normalize in H2 FY '26. We continue to maintain our number one rank in intrathecal Baclofen in the U.S. with 75% value market share.

In the Injectable Pain segment, our efforts to resolve supply constraints have started to yield results. We are also seeing improved supplies, helping us to capitalize on the healthy demand in the market. We are also investing in 505(b)(2)s, complex generics, differentiated generics, and branded products through in-licensing deals or co-development deals to enable long-term growth.

Moving to our Consumer Healthcare business:

Our PCH business continued to deliver sustained growth of 15% during the quarter and first half of the financial year, driven by the robust growth of about 20% in our power brands. Growth was primarily anchored by Little's, Lacto Calamine, CIR, and i-range.

We continued to make calibrated investments in media and trade promotions to grow our power brands into established and profitable brands in the market. Our spends in media and promotion in H1 FY '26 was around 12%, similar to last year. E-commerce, growing at over 40%, now contributes to about 24% to PCH sales, with quick commerce accounting for over 40% of the e-commerce channel.

During the quarter, through collaboration with different stakeholders, we smoothly transitioned to the changed GST rates with no business impact.

In terms of new product introduction:

We launched 26 new products and SKUs during H1 FY '26.

Given the slower than expected growth in the CDMO and CHG business during the first half of FY '26, we moderate our full year revenue guidance to remain flat. Accordingly, we expect our EBITDA margin to moderate-to-low teens for the year.

However, as has been the trend in prior years, we expect H2 to deliver meaningfully better revenue and EBITDA performance. The recent positive trends should also help us deliver a better performance in FY '27. These include a strong uptick in customer interest for onshore offerings and differentiated capabilities in our CDMO business. We expect to benefit from this given our timely, proactive investments in our overseas sites.

We are also seeing early signs of improvements in biopharma funding, which should help order inflows for early-stage discovery and development projects. Also, enhancements in BD Team to adapt to the market dynamics and better engage with our customers should give positive results going forward.

In the CHG business, we expect the growth to pick up on higher inhalation anesthesia sales in the ex-U.S. markets along with improved supplies for our intrathecal and injectable pain products. Portfolio expansion through in-licensing and co-development routes will also be important drivers of growth.

Lastly, we expect our consumer business to continue its growth momentum driven by power brands and e-commerce sales.

With this, I would like to open the floor for the Q&A.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Avneesh Barman from Vaikarya. Please go ahead.

Avneesh Barman: Can you give some color on the base CDMO growth? Just like, I mean, in the first quarter, there was a disclosure that the base CDMO growth grew by mid-teen. Can you give a similar color for this quarter?

Peter DeYoung: I don't think we are giving that disclosure on a go-forward basis. I think we overall are seeing growth in the base business, but we aren't quantifying with and without specific customers because we think that that will probably add more confusion than clarity in the long term if we set up a trend of every quarter giving itemized customer-wise revenue. So overall, we are seeing growth in the business absent the de-stocking, but we are trying to move away from line-by-line customer disclosures in each quarter.

Avneesh Barman: And is there any color on, you know, this large PO, which is absent in, it is going to be absent in FY '26. When does it come back? I mean, does it necessarily come back in FY '27 or the second half of FY '27? Is there any color on that?

Peter DeYoung: It is kind of a follow-on, a similar answer to the prior question stated differently. What we would say is that with that customer, we have not had any further clarity as to when they will resume reordering. That is anticipated. We will give our forward guidance for the next fiscal year a little bit later in the year as we did in other years. And you can obviously look that that customer did publish their quarterly results a couple days ago, and you can see the underlying growth of that product is in kind of the, depending on how you look between a high teens and low 20s. And so you can look at the primary source yourself and determine their overall underlying growth. And that should be a factor in their reordering pattern.

Avneesh Barman: My second question is on the U.S. administration and the intent. Do you think whatever has been happening by the Trump administration, in your view, what are the chances of moving API manufacturing either from India or China in terms of API or let's say from Ireland in terms of formulation? How do you see that moving back to the U.S.? Is that feasible, probable? I mean, whatever you can tell about it.

Peter DeYoung: I would break this into some parts. I think the first part is that we see a general desire to de-risk from China. Not all people are moving in that direction. Some are doing what you would call budgetary quotes for Board management. Others are making decisions. And it is not necessarily driven by explicit government guidance. It is more being given by a general desire to have independent supply chains for those who feel that is important. And so that could manifest through decisions to look at India as a source if it is a higher volume situation or it could be looking onto the Western markets if it is maybe a different level of volume required.

We were recently at CPHI and we saw a significant uptick in what you would call onshore drug product interest from a wide range of stakeholders. And so it does seem the drug product is getting a little bit of a pivot towards, let's say, the U.S. from a market perspective. And that is probably driven by a variety of factors, including the administration.

That being said, in terms of specifically, let's say, a recovery of the biosecure in some new form or specifically a fear over tariffs, I am not sure that it is an explicit link. Instead, I would say that there is a general bias towards, one, moving out of China for some of our potential and current customers, and two, for a more onshore, particularly for drug product, but also, to some extent, drug substance for, again, some of our customers, but there is a practical reality of the amount of available capacity and the cost of that capacity that means that it will be percentage shifts, not wholesale shifts, because there is simply just not enough capacity in the U.S. to absorb the full amount. And so it is going to be marginal shifts of x% or y%.

Avneesh Barman: This was helpful, Peter. I will get back.

Moderator: The next question is from the line of Meghna Agarwal from Mount Intra Finance. Please go ahead.

Meghna Agarwal: I just wanted to know the capacity expansion that is happening in U.S., so which we are expecting to be completed by '27. So, when can we expect the meaningful revenue contribution from these facilities?

Peter DeYoung: So the U.S., for the CDMO, we have the Michigan facility, which is a high-potent API facility. We have the Sellersville facility.

All right. So, the point is we have three material facilities in the U.S., the Riverview facility, which is high-potent API, the Sellersville facility, which is solid oral dose and liquid cream ointment, and then we have the Lexington facility. The substantial expansion is primarily centered around the Lexington facility, and we have a modest expansion that is underway at the Riverview facility, particularly for linker payload for ADCs.

In terms of revenue growth potential, should the onshore push become more dramatic, we have immediate capacity available at all three sites, and our message to potential and current customers is that should they want to place something for tech transfer, we could do it tomorrow. And so we don't need to wait for the expansions to complete for the revenue to go up.

What we do need is for customers to make the decision to do onshore production and have the money available and the intent to move the programs. And so our message, and we were just at CPHI, which is a large trade fair, as I am sure you know, and that was a general message we shared with our customers and our potential customers, and overall the market was receptive to the onshore offering.

In terms of the Lexington facility, we have the same capabilities available at smaller scale already, and so our explanation to customers is you can start the tech transfer now, and then whenever the expansion is ready, we could qualify the additional line. And so there is no need to wait, and that is the message we share.

Meghna Agarwal: Thank you so much for the answer. Also, I just wanted to know, like, what is the addressable market size that we are targeting for this?

Peter DeYoung: I think it is important to note that for any of the areas we serve, we are in the low single-digit market share of this overall CDMO market. It is a very large market. You don't need a large number of wins to get a material revenue growth. India headquartered CDMOs are still a very modest share of the global market, and we believe that it is also a highly fragmented market, and there is a significant opportunity to growth, and so by no means is headroom or available market size the issue. The issue is our availability of clients to place work in the time frame we want, and our win rates.

Meghna Agarwal: And just one more last question. Like, how are the power brands like Little's, i-pill, Lacto Calamine performing? Like, do we have anything that is over-performing or any of the products that is not performing well, anything of that sort?

Nandini Piramal: I think the power brands growth are actually at 20%, and that is at a higher growth rate than the rest of the portfolio where the average is 15%. I would say each of them are doing well, and we expect them to continue growing forward.

Meghna Agarwal: That's all from my side.

Moderator: The next question is from the line of Vinod Jain from WF Advisors. Please go ahead.

Vinod Jain: My first question is whether the FY '30 guidance in terms of revenue and profitability is still standing in view of the muted Q1 and Q2 results?

Nandini Piramal: I think we will give more specific guidance later on in the year, but I think we are still holding to the FY '30 numbers.

Vinod Jain: So the guidance stands?

Nandini Piramal: At the moment, yes.

Vinod Jain: The second question is, even if it is a repetition, whether the loss of demand from the concerned CDMO customer is temporary or is it long-term?

Nandini Piramal: We are continuing our relationship with the CDMO customer across many other sites and products, and I think we expect this to be temporary.

Peter DeYoung: The underlying product is growing. We believe we are their primary supplier for their largest market, and we believe it is a temporary situation.

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

Shyam Srinivasan: Just on the first half numbers and looking at Fiscal '26 guidance, I am not asking Fiscal '27, any change to revise it? We have a minus 5% decline in revenue. I know we have a second half, which is better, but what are some of the things that give you comfort in the second half if you were to retain your guidance that you shared at the Quarter 4? So, I just want to understand that piece, please.

Vivek Valsaraj: Shyam, we are moderating our guidance for revenue to be flat for the year and for the EBITDA margins to moderate to low teens. As you are aware, historically, our H2 has always been higher than H1, and we expect this year to be no different. You will see H2 to be better than H1 for the larger part of the business. Both CDMO and Complex Hospital Generics will have a better H2

versus H1. So, basis that and basis considering how H1 has been, we have moderated the guidance accordingly.

Shyam Srinivasan: And when I look at the individual pieces in that, have you also done, I think you gave some qualitative guidance on how some of these pieces are going to be like CDMO versus CHG versus ICH. So, is there some qualitative color on how it is going to work even for the three segments below that?

Vivek Valsaraj: So, we have given guidance at the overall level in terms of how the overall company revenues would pan out, and that is what we have kind of moderated now.

Shyam Srinivasan: Just the second question. I was just looking at your standalone and consolidated financials, first half versus first half. So, I know 2H could be different and comparing 2H is different, but I am comparing 1H versus 1H, and we have seen like losses in the international subsidiaries. I am just doing very simplistic consol minus standalone and arriving at either revenue or PAT. So, it has widened in terms of the net profit margins as losses have increased, I am seeing. So, I just want to understand what is driving that. When do we start seeing some of these divergence actually narrow, and we start moving closer towards breakevens on the international facilities?

Vivek Valsaraj: So, given the fact that we have multiple sites outside of India, it is actually a mixed result. Yes, some of the sites are yet to break even. Some of the sites actually are seeing a year that is better than what it was in the prior year.

Typically, overseas sites tend to have a bigger H2 than H1, even as compared to India. India is relatively more stable, but overseas has a bigger H2. So, this picture of divergence that you are seeing between standalone and consolidated results, this will narrow out as the year progresses, especially in the Quarter 4.

So, yes, we do expect the performance of overseas facilities to pick up. If the question is over a longer term, then yes, as you are aware that our overall capacity utilization at some of our overseas sites is still suboptimal. They are not yet broken even. And as the capacity utilization increases in the years ahead, which is where we have done our investments and expanded capacities, we do expect the EBITDA margins to move upwards for the overseas facilities.

Shyam Srinivasan: Helpful. Lastly, just going back to the large PO order, Peter, you did mention, it is probably a temporary phenomenon. So, anything, I know you don't like talking about individual customer and what the contracts are, but what are some of the, how do we get reassured that we have all what it takes from getting that order at the future point of time? Is there, if you could help us kind of reassure that piece, because that seems to be the big delta in how numbers are panning out versus what you are likely to see growth coming back, let's assume Fiscal '26. So, any qualitative color you can share will be very helpful.

Peter DeYoung: I think with that customer, we would be showing a green on their internal supply chain dashboard across all parameters based on our current performance and our recent performance because we do have other ongoing work with them, and so we would anticipate that there is no reason why they wouldn't continue to order from us when the stock is depleted.

I think just to refresh, because some of us have some time has passed, the customer had built up stocks expecting, particularly in the U.S. market, a significant growth which is the market in which we are supplying for them, and that was based maybe on their M&A case, and it didn't play out the way they wanted.

And I think in a prior call we discussed that there was some third-party validation of this in a Wall Street Journal article about how that particular product played out for them, and I think we shared that on our prior call, and overall, obviously it is still growing, but it didn't grow the way they wanted, and so then as a result, they had more stock than they needed, and so we needed to let that stock deplete, and then when that depletes, then they can reorder for that market from us.

So, overall, we have no yellow or red flags on our performance with them, and we believe we are qualified for that primary market, and the underlying product is growing. They just have to burn through the inventory.

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

Madhav: Just wanted to get an update. If you can share any color on our 30 plus Phase-3 opportunities in the pipeline. You know, how many shots on goal we could probably have in the next 12 to 18 months? Any color that would be helpful?

Peter DeYoung: We are trying a new trick because a lot of our customers don't let us talk about them, but every once in a while we are lucky and we are able to convince a customer to talk publicly, and so I think the two we can talk about that we put in the public domain, because our customers have been happy to share that, would be the NewAmsterdam opportunity, which we did, I guess, a kind of a semi-dedicated or dedicated suite for them in Sellersville, and we are actually very excited about that program and partnering with them and their trust in us for that.

I think, as Nandini described, we did the development work for that set of combinations in Ahmedabad and PPDS, and we are dual source out of Sellersville and Pithampur, which I think, again, shows the value of the global network, because we are doing the same SKUs out of two sites to give a balance of proximity and value, and you can obviously pull down analyst reports from that particular, that customer, and you can see how third-party analysts see that future, and we are just really humbled that they trusted us with that.

I think there is another one that is more modest in size, but it is the George Health, which I think we also shared as a combination drug that, again, is using our network where we developed it

and we are manufacturing it, so again, it is showing the multi-site benefit, and that is helping people with their hypertension and control, and it's got a really good value for health systems because of the combination and the adherence benefit for patients. So, we are really excited about that. I think those two we can talk about.

What I would say is that we are very excited about our Phase-3 pipeline. These are much chunkier and more meaningful than maybe some of our average ticket sizes in the past, and we think that these are going to be big drivers of our growth.

Now, we can't guarantee all of the successes, but a fair number of them are reading out in the time horizon you described, and I think also worth noting is that a lot of them are in what we call the differentiated areas, including some in the ADC category. And so we think this is part of why we are remaining confident.

And back to the original question asked by another person on the call of our 30 guidance, we think that these Phase-3s are a meaningful contributor to that, why we still think that the growth is going to be good in the medium to long term.

Madhav: That is super helpful. And then also on the opportunities for the on-shoring opportunities in the U.S., when you say tech transfer, just maybe basic question, but I would assume these are for products which are already commercialized, and the customer is looking to add another site in the U.S. like that, so it should be an on-commercial, on-patent opportunity. Is that how we should think about it?

Peter DeYoung: It is the whole spectrum. I would say that there will be people who will be in the clinic who may be, let's say, at that Phase-3 point, and they have been using an offshore provider, and they now have got to that point where they have some compelling data, and their Board is saying, in light of the current geopolitical context, do you really want to continue with your primary supplier being in China or some other location? And we are seeing requests for people to, let's say, add us as a source to their existing source, or in some cases pivot.

I think the second one would be we would see some kind of on-market commercial, on-patent projects that would be looking at extra sources. But interestingly enough, we are also seeing some generic players looking at their drug product choices as well, particularly for Sellersville as an option. So, we are seeing actually across three distinct phases some of those choices, and we are bidding on those each individually. And so it is not a monolithic. It is a little bit more broad-based.

Madhav: And these Phase-3 tech transfer opportunities are already commercial. This is above and beyond the 30 plus pipeline, which we already have, right? So, do you know like that could add to the funnel rather than already being part of it?

Peter DeYoung: Correct. What we are describing as RFPs would be for work we don't yet have, and that therefore would be additive to what we have disclosed that is already in our customer pipeline.

Madhav: Just one more, if I could ask. The NewAmsterdam opportunity, given that it is already in the public domain, any timeline you can share? Could this be an FY '27 opportunity for us as well, if sort of the customer's commercialization pipeline goes as per plan?

Peter DeYoung: I would encourage you to look at analyst reports for that company. There are many excellent analysts covering them, and you can look at that in excruciating detail or at high level to your discretion.

Moderator: The next question is from the line of Bharat Gupta from Fair Value Capital. Please go ahead.

Bharat Gupta: Just one question with respect to the entry of a new Chinese player in the Isoflurine market. So, can you provide some colors like how it can impact our market share? And what is the total addressable market size for this kind of a molecule?

Peter DeYoung: So, there is no patents on the production technologies for Isoflurine. We expect that there will continue to be new players entering and maybe even existing players working with new distributors or new companies that process downward steps. And so you will continue to see moving pieces in that market.

Based on whatever math we have done, we think we have a world competitive cost position, and also distribution does matter. And so we generally see the Isoflurine market as stable, not particularly growing or shrinking, and we think that we have a meaningful, strong position in it from a market share perspective.

And so, while there could be some minor perturbations with entries and movements, I think what we found with the Chinese, particularly in the larger Western markets, they find it harder to succeed than maybe some of the ROW markets. And so overall, we are not anticipating any major shifts there, but we continue to watch, obviously, day to day.

Bharat Gupta: That's really helpful. That’s it from my side.

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

Amey Chalke: So, I have first question on patent product sales. So, is it possible for us to give patent product sales for the first half of this year?

Nandini Piramal: I think that will be hard. We generally update it once a year, and so we will do that with our annual disclosures.

Amey Chalke: Second question I have on the ADC is what amount of investment so far has gone into the ADC's assets? Is it possible to estimate some number around that?

Peter DeYoung: Let's come back to you on that. I want to say it is north of $100 million because some of the investments are commingled or multipurpose. So, the example would be the $19 million into the Lexington and Riverview. While the Riverview portion is dedicated specifically for a linker payload, the investment in the Lexington expansion is multipurpose. So, it could be ADC, it could be not ADC. So, if you could maybe talk with our IR later, we can figure out how we answer that because the answer is, I could give you different numbers depending on what store you want because of the multipurpose assets.

Amey Chalke: And you have said that some of the assets overseas have been sub-optimally utilized. Is it possible to quantify the number particularly for Lexington and Riverview in terms of capacity utilization?

Vivek Valsaraj: So, Lexington, per se, as you are aware, that we wanted to create commercial scale capacities, which is why we have announced an investment of about $90 million. That investment is currently underway. So, Lexington, in a way, was largely development-scale capacities, and the commercial-scale capacities are currently being put into place.

As far as Riverview is concerned, we had done expansion a couple of years ago. And currently, we do have some capacity available to be able to meet the interim requirements. And we have also done a small investment recently or commenced it to be able to handle payload linkers at the site.

Peter DeYoung: One clarification to augment what Vivek shared is that the Lexington site does currently provide commercial supplies, but that size we can support is more modest. And so the whole benefit of the expansion is that it can handle much larger batches and double the volume of the filling capacity, but orders of magnitude more lyo capacity.

Amey Chalke: That's super helpful.

Moderator: The next question is from the line of Kunal Randeria from Axis Capital. Please go ahead.

Kunal Randeria: Sir, what would be the growth outlook for inhalation anesthesia? Because in Sevoflurane in U.S., you have seen now we will be hitting a ceiling at close to mid-40% market share. So, while I do understand you have spoken of non-U.S. markets, what would be a realistic growth outlook for the next three to four years?

Peter DeYoung: So, I think you have rightly noted that in the U.S., we are already on all the major GPO awards. Many of them are dual source. They are unlikely to go to single source. And so it is going to be hand-to-hand combat in the U.S. market. And you can see that in that combat, we are showing

market share growth. So, we think we are well positioned. That being said, it would be modest in the U.S.

So, the primary growth opportunity remains in the ex-U.S. markets where we think we still have significant opportunity. If you look at our overall global positioning, we are still number four in the market. And so therefore, there is room for us to move to number three or number two, and that is through market share gains.

Now, that is where the Digwal expansion plays in and the Dahej expansion plays into the cards because they give us further capacity at a lower unit cost and a lower variable cost per unit. And so then our whole plan is to register a number of markets with these new sources of Digwal, and that is taking some time.

Also, just to be clear, we are trying not to go too aggressive on price too early to make sure that we can be disciplined in how we approach the market. And so we had hoped for and anticipated maybe more growth in the first half here, but we are trying to be responsible market participants. And so therefore, we are being careful in how we approach it. And so we have significant headroom available.

Our cost position is globally competitive, but we are trying to make sure we protect the product margin as we go down these steps. So, we do see that as being a meaningful growth contributor for us in the medium term.

Kunal Randeria: And second, just on this NewAmsterdam product. So, is this supply just for the U.S. market or it is a global supply agreement? Because NewAmsterdam has outlicensed the European rights to another player. So, who calls the shots here? Is it NewAmsterdam or the marketing partner?

Peter DeYoung: Our relationship is with that client. They have their own agreements with other partners, which are their decision and their purview, but our supply at the moment is to them, and then they can do pass that onwards however they feel appropriate.

Kunal Randeria: I mean, sorry, I meant, would you be supplying just for the U.S. market or even for the European market? Because that is going to get approval, I think, in the next few months.

Peter DeYoung: We are qualified to supply those markets, and we don't believe they have other CDMOs qualified for those markets. So, it is our expectation, but not our right to supply all of the markets. But ultimately, they will have to have their individual discussions with their individual marketing partners. But we are ready and qualified and able to.

Moderator: The next question is from the line of Abdulkader Puranwala from ICICI Securities. Please go ahead.

Abdulkader Puranwala: Just taking the question from the previous participant about your collaboration with NewAmsterdam, could you highlight what is the kind of investment you are doing here? And in terms of the commerciality of this project, by when should we see that getting reflected in your numbers?

Peter DeYoung: We have to be a little bit modest in how we describe this because while we are able to describe that we are working with them, the alignment was that it is a modest investment in the plant that they supported. And we have been asked not to disclose the specifics, but it is modest, and it is largely equipping the facility, the rooms in the facility to handle the particular APIs mentioned because they have specific handling requirements. And so that is what was put in for that at the Sellersville plant, and we think that is going to be part of why they picked us.

In terms of the timing, I think I answered that earlier to another person asking, is I would encourage you to look at the analyst reports for that company. And if you were to anticipate the revenue for us, it would be in line with whatever the analysts think that the approval would be. And I would encourage you to look at primary sources. It is going to be better for you.

Abdulkader Puranwala: And secondly, on the FY '30 guidance you guys have maintained, on the top line front, do we still kind of hold to the previously shared revenue contribution across your three segments and on the EBITDA margin as well?

Nandini Piramal: I think for FY '30, yes, we are continuing to hold to that guidance.

Abdulkader Puranwala: And last one from my end. So the FY '26 low teen EBITDA margin guidance, which has been revised, does that also include other income in your assumptions?

Vivek Valsaraj: Yes. That's right.

Nandini Piramal: Yes.

Abdulkader Puranwala: I will get back in the queue.

Moderator: The next question is from the line of Sucrit Patil from Eyesight Fintrade Private Limited. Please go ahead.

Sucrit Patil: My question is, as more global players enter the CDMO space, what is Piramal Pharma doing to build a strong edge, not just through capacity or client wins, but something deeper than that, like a way of working or thinking that grows over time and makes the company hard to replace?

Peter DeYoung: So, I think we obviously were just at CPHI, and we were able to see how our positioning would match up against our competition. And I would say there is a couple of elements. First of all, there is what I would call table stakes. You have to have the right approach to EHS and quality.

We think that we are very good in those two areas. Our quality track record gives customers a lot of comfort that we won't have any supply interruptions due to quality issues. That is the first point.

The second one is we have been putting disproportionate investment into technologies that not everyone can offer. And I will give an example, but I won't give all the details. One example is ADCs. Everyone says they want ADCs, but we have been doing it for 20 years. So, we can show a track record over multiple decades that gives clients comfort that it is not just a, "We put money in and we have a shiny kit." It is that we actually know how to work it, and we have had people working on these things for literally 20 years, and we know how to do it. And so trust that if you give a project, it will go well is an important area.

I think the next third point is really important. We have looked at our competition, and our competition typically has certain geographic centers. And so, for example, you have a North America-centric competitor or a European-centric competitor or a Chinese-centric competitor or an Indian-centric competitor. We are seeing a lot of concerns from geopolitical issues. We see our customers are sitting on the same side of the table with us, working out what we can do in India, what we can do in the onshore location, and in what combination.

There are very few competitors who can do this. An example is actually the NewAmsterdam project we just described, where they had a huge volume of complicated formulation work to be done that simply could not be done in our U.S. facilities at the speed and the quality they wanted.

We did that in India. We did the initial tech transfer in Pithampur, and then we now have done it in Sellersville. You cannot combine these assets with too many of our competition. And we do have similar stories in API and some covering API and drug products. So, I think that is a bit of our secret weapon, is the combination of country-based assets all in a non-China frame.

And then the last bit is we are obsessed with delighting our customers. It is something that is very important to us. We want them to be emotionally attached to us as a choice, not just satisfied with our OTIF. And so we are relentless in our understanding of how customers feel about us based on how we deliver, such that they can want to promote us and be referrals and give us their next project or refer a friend to use us. And so that is the last bit.

I think we have a unique customer listening process that really does make a difference. Those are the points I would highlight that we think position us well to grow above market, notwithstanding the current quarter's performance.

Sucrit Patil: My final question is about margins and cost planning. Forward-looking question. As CDMO volumes and compliance costs keep on shifting, how are you planning to protect the margins? And are there any smart internal methods that you are putting into place that may help you keep the delivery quality high, but without hurting your profits?

Peter DeYoung: I would make two points. I think the single largest driver of our margin expansion, as we have probably shared on other calls, is the operating leverage of individual sites. We have shown how when the revenues at a site go up, the EBITDA margins go up, and when the revenue at a site goes down, the EBITDA margins go down because of our multi-site network approach. So, our growth is a very large contributor at the site level to our aggregate profitability, and it is one of our primary areas of focus.

The second point about growing smartly, we believe technology and different areas of automation and even, in some cases, AI are going to play an important role in improving our productivity and our reliance on labor and changing how that equation works and even our use of materials and yield.

So, we have a lot of focus on use of technology and investment in that technology to allow us to not have to grow our personnel or our material cost in line with our revenue over the period to address some of the inflation or other compliance costs.

Sucrit Patil: Thank you for the guidance. And I wish the entire team best of luck for Q3.

Peter DeYoung: Thank you.

Nandini Piramal: Thank you.

Moderator: The next question is from the line of Devansha from Dd Enterprises. Please go ahead.

Devansha: The first question is, for the forward, like we are continuously not getting the EBITDA levels what we are expecting, if I am not wrong, from the last three financial years. Is there any plan to get it on the track?

Peter DeYoung: At a high level, last year, we believe we met our guidance as to what we said we would do, which was an improvement over the prior year. And so that year was in line with our expectations and our communications and a positive movement.

This year, we did have an event, which was driven largely by a single customer destocking, which we described when we set out our guidance for this year. And also, we have had the additional subsequent events, which we are working to address. And we don't think it changes our long-term guidance, as Nandini mentioned, for FY '30, but we do accept that we have had to restate our guidance for this year. We do think the underlying factors for our performance in the medium and long term remain intact.

Devansha: The other main question is, is there anything, like last quarter, we have seen that our biggest customer got a destocking of the inventory or something. Is there anything, like we cannot rely

on something like this? Or it is a nature of the business only that this can be done? Sorry, this can be happening for the quarters also? Any plan to hedge all things?.

Nandini Piramal: Sure. I think the plan is to actually get individual scale at each of the individual sites so that if there is an issue going forward, with a large customer destocking, you have enough other business to make up and see if you can keep the operating levers the same. I think that is the plan.

Devansha: That's fine. That's all from my side.

Moderator: The next question is from the line of Alankar Garude from Kotak Institutional Equities. Please go ahead.

Alankar Garude: The first question, apart from the slower funding environment and the possibly slower pickup in Sevoflurane in ROW markets, are there any other reasons driving the cut in FY '26 top line guidance?

Nandini Piramal: I think these would be the two main reasons. I think the other one would be our supply constraints for some of our other critical care products. While they are beginning to resolve, I think we are still facing some short supplies.

Peter DeYoung: From CDMOs.

Nandini Piramal: From our partner CDMOs there.

Alankar Garude: And Peter, on this Sevoflurane issue, you spoke about not being too aggressive on pricing in the first half. Which are the key markets, maybe a few markets you could highlight you are referring to within ROW?

Peter DeYoung: I would just look at the large ROW markets that you would all associate as being large pharma markets. We are playing across the field, and we are just trying to be careful about the steps we take and the order we take them.

Alankar Garude: The second question is from a timing standpoint across tech transfer as well as the pipeline opportunities in CDMO, which are the ones that are likely to manifest earlier? Would it be tech transfer or the pipeline ones? I know this is not an easy question to answer, more of crystal ball gazing, but any sense on that would be helpful.

Peter DeYoung: This is general principle, not specific answer. The Holy Grail from a sales team perspective is always the tech transfer. They are probably fewer and less frequent because that means something has to have gone wrong at the current CDMO or some major change at the client side because why tech transfer is the Holy Grail is that you can go directly from the plant to the plant.

Most development work requires lab work first and then later plant work. And you did not have to wait for the clinical trials to season. So, one would, we find tech transfers if we do planning or prospecting the area that we want to go for, but they are kind of harder to predict, harder to secure, and less frequent, but obviously desirable from a timing perspective.

That being said, a more assured path for growth is the winning standard development orders that require lab work and then scale up and then clinical results to manifest and so forth. And that is the follow-the-molecule strategy that has been present for a long time. So, that is what you can rely on and therefore the foundation of any strategy.

Alankar Garude: That's helpful. And the final question, were sales of the major product which is currently witnessing destocking spread out largely evenly in FY '25?

Peter DeYoung: Yes. That was part of the benefit we got last year.

Alankar Garude: That's it from my side.

Moderator: The next question is from the line of Yash Sinha from MIPL Family Office. Please go ahead.

Yash Sinha: I just broadly wanted to understand what kind of traction we have been seeing in the European markets for Neoatricon, and going forward, what kind of growth can we expect from this product?

Peter DeYoung: We are still early in the launch phases for that, and it is probably too early to break out some specific guidance, but we would anticipate it to be, I would say, modest in revenue contribution. We realize that we may have overplayed our communication of it in some earlier meetings because we wanted to give it as an example of the types of products we want to add.

But From an overall salience and materiality standpoint, it is always going to be modest and has been modest, and we would expect it to grow, but it is never going to be as big as our other current large products. We wanted to talk about it because it is an example of a product where there is limited competition and significant value over the standard API option that is not targeted at the pediatric or neonatal use. So, short answer is it is still exciting. We are still finding growth in it. We are still early in the launch, but it won't be a material growth driver.

Yash Sinha: Secondly, on the Complex Hospital Generics business expanding into the rest of the world's market, you mentioned that you were trying not to be too aggressive with pricing on that front, but wanted to understand if you are going to be maintaining similar margin profiles to the product in the U.S. or what kind of margin profile can we expect from the rest of the world's market going forward?

Peter DeYoung: So, we don't see yet a reason to believe that the margins will be lower. What we did see is that the input prices, even for our heavily vertically integrated supply chain, have come down for us. And so we were hoping initially that we could maintain some amount of the pricing and get a benefit.

And what obviously is other people are buying those same starting inputs that we are. And so then that may have flowed through the price into the market faster than we would have wanted. And so at the current stage, we don't yet see a reason why we should anticipate different margins than we have been projecting or enjoying. It is just that we were trying to be a little bit smart about how we approach the pricing in each of those different market entry events.

But overall, we are seeing probably better than anticipated RM purchase prices, and even some of our internal plants have performed a bit better than we thought when we designed them for both Dahej and Digwal. So, we think we have headroom here to not have to choose so far at the moment.

Yash Sinha: And my last question is more of a bookkeeping question. Our effective tax rate has been a bit volatile in the preceding years. Could you maybe provide some color as to what it could be going forward in the next two to three years?

Vivek Valsaraj: So, Yash, I don't know if you have been hearing our calls before, but for us, the effective tax rate in each jurisdiction is what is actually applicable in the jurisdictions in which we operate. The reason why you see the volatility is because of the mix. The higher the quantum of profitability from sites where we are currently paying taxes, the higher the ETR goes up.

We do expect this year it to moderate, but it will completely depend upon the kind of mix of profitability between sites where we pay taxes versus the sites where we currently don't pay taxes or we have carry-forward losses.

So, that is the reason it is slightly difficult for us to give guidance on a very specific ETR rate. But we do expect that as our profitability of our overseas sites goes up, the ETR will start coming down, and it should normalize to about 24% to 25% at the right scale of utilization.

Yash Sinha: That's it from my end and all the best.

Moderator: The next question is from the line of Bhavani Kulkarni, an individual investor. Please go ahead.

Bhavani Kulkarni: I was just wondering, we have seen that there is a debt reduction of Rs. 228 crores from the last year to this H1 FY '26. How are you doing that? Because we are seeing there is a negative bottom line, but we are paying off the debt. What is the plan there?

Vivek Valsaraj: So, Mr. Bhavani, there are multiple initiatives currently to ensure that we are operating our overall net working capital in a robust manner. So, whether it is increasing efficiency of collections, whether it is reducing the quantum of inventories that we are carrying, or it is seeking early refunds of the GST because we are largely an export business, getting the GST credits faster is how we are ensuring it. So, there is a whole set of initiatives to kind of ensure that the cash collection cycle is faster and we are able to maintain the debt at a certain level.

Bhavani Kulkarni: The follow-up question is, can we see some more debt reduction in the coming quarters?

Vivek Valsaraj: So, given the fact that we have guided for a certain level of CAPEX, which we will incur, as you are aware, we have incurred about $49 million of CAPEX, and we do expect us to spend about $100 to $120 million kind of CAPEX, we will see a modest increase in debt in the subsequent quarters for the year.

Moderator: The next question is from the line of Bharat Sheth from Quest Investment Advisors Private Limited. Please go ahead.

Bharat Sheth: Ma'am, I have one question on the CDMO side that because of this volatility in supply, and you say that once we have a more product pipeline, then our EBITDA will be a stable EBITDA that one can look for. So, can you guide us? I mean, when do we really see a good kind of product portfolio and sustainable supply that can, I mean, give some comfort on EBITDA? When it will be a, say, one-year, two-year timeline that we expect?

Nandini Piramal: I think we can talk more about guidance for specific years later on. I think we are still holding for the FY '30, both revenue and EBITDA, and I think there you will see we will have doubled revenue. So, we will be a $2 billion company by then with a 25% EBITDA margin, which I think is a sustainable one. But I think we will continue. It is not a hockey stick, and we continue to work on track for that.

Moderator: Ladies and gentlemen, that was the last question for today. I now hand the conference over to Mr. Gagan Borana for closing comments.

Gagan Borana: Thank you very much. We hope that we were able to answer most of your questions. In case you have any follow-up questions, please feel free to reach out to me. Thank you and have a good day.

Moderator: Thank you. On behalf of Piramal Pharma Limited, that concludes this conference. Thank you for joining us today, and you may now disconnect your lines.