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August 10, 2026

To

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

Scrip Code: 524558

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

Scrip Code: NEULANDLAB; Series: EQ

Dear Sir/Madam,

Sub: Transcript of the Earnings call conducted on August 5, 2026

Pursuant to Regulation 30 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed the transcript of the Earnings call for the quarter ended June 30, 2026, conducted on August 5, 2026. Also please note that this transcript of the call has been uploaded on our website.

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

This is for your information and records.

Thanking you,

Yours faithfully,
For **Neuland Laboratories Limited**

SARADA BHAMIDIPATI
Digitally signed by SARADA BHAMIDIPATI
Date: 2026.08.10 18:48:21 +05'30'

Sarada Bhamidipati
Company Secretary

Encl: As above

"Neuland Laboratories Limited
Q1FY27 Earnings Conference Call"
August 05, 2026

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

MODERATOR: **MS. RUNJHUN JAIN – ERNST & YOUNG**

Moderator: Ladies and gentlemen, good day, and welcome to Neuland Laboratories Limited Q1 FY27 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Ms. Runjhun Jain from E&Y. Thank you, and over to you, ma'am.

Runjhun Jain: Thank you, Danish. Good evening, everyone. We welcome you to the Q1FY27 Earnings Conference Call of Neuland Laboratories Limited. To take us through the results and to answer your questions, we have with us the top management represented by Mr. Saharsh Davuluri, CEO and Managing Director; Mr. Abhijit Majumdar, CFO; and Mr. Sajeev Emmanuel Medikonda, Head of Corporate Planning and Strategy.

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

Abhijit Majumdar: Thank you very much, Runjhun, and a good evening and warm welcome to everyone joining our call. I will begin by taking you through the financial performance for the Q1FY27, followed by a brief update on working capital, capital expenditure and a few observations of the operating environment before handing over the call to Saharsh.

The financial performance for Q1FY27 is as follows. The total income for the quarter was INR650.1 crores as compared to INR300.6 crores in the corresponding quarter of the previous year, representing a growth of 16.3%. The commercial CMS projects contributed a majority share of the revenue and were the primary drivers of growth during the quarter. The quarter also witnessed healthy execution across our project portfolio and customer programs. Even though the quarterly revenue performance was broadly in line with our expectations, I'd like to reiterate our long-standing view regarding the inherent uneven nature of our business and the need to assess performance over a longer period rather than to a single quarter.

EBITDA for the quarter stood at INR231.1 crores with an EBITDA margin of 35.5%. The higher revenue base, operating leverage and the favorable customer mix contributed to the profitability profile during the quarter.

The gross margin for the quarter was 61.2% as compared to 55.3% in Q1FY26, again, a function of our business mix during the quarter. This gross margin, as always, includes manufacturing expenses and other costs directly attributable to the product. Profit after tax for the quarter stood at INR147.4 crores as compared to INR13.7 crores in Q1FY26. Earnings per share for the quarter stood at INR114.9 per share.

One of the key highlights of the quarter was the improvement in working capital efficiency. Working capital days improved from 137 days at the end of FY26 to 84 days in FY27. Optimal utilization of cash remains a key priority for us, and we continue to focus on inventory

optimization, disciplined execution and further strengthening cash conversion across the business.

The improvement witnessed during the quarter reinforces our focus on balancing growth with prudent management of working capital. As part of our investment, there was a cash outflow of INR121.6 crores towards capital expenditure during Q1FY27, which was primarily driven by new R&D and peptide facilities.

During the quarter, we also approved capital investments of approximately INR203 crores, of which INR196 crores is earmarked for strategic growth initiatives, largely related to capacity expansion at our Unit 1. Against total approved capex of INR1,460 crores over the last 13 quarters, we have spent INR870 crores to date, with the balance committed towards projects under implementation.

We continue to maintain a disciplined approach towards capital allocation while ensuring adequate investments towards building future capabilities. During the quarter, we continue to closely monitor the evolving geopolitical environment and broader global trade development.

While we have not experienced any material impact on our operations, supply chain continuity of customer commitments thus far, we remain vigilant and continue to monitor developments closely. Our focus remains on ensuring business continuity, maintaining customer service levels and managing risks in a proactive manner.

To summarize, the financials Q1FY27 again was broadly in line with our expectations. The performance reflects disciplined execution, operating leverage and a favorable mix during the quarter. We continue to believe FY27 will be a year of growth for the company and remain focused on prudent financial management, operational excellence and creating long-term value for our stakeholders. As always, our presentation has been shared with the press release and contains more details on the quarter.

Before I conclude and hand over to Saharsh, I want to make a clarification regarding the question posed during the Q4FY26 call in terms of manipulation of the transcript. On the issue of manipulation, our earnings calls are recorded and we published the full unedited audio on our website. That audio is a complete record of everything on the call.

The written transcript is prepared by an agency, which conducts the call and is slightly edited from a readability perspective. How in this case, our team missed out and editing a minor mistake. As we went back and checked the uploaded version and the version received from the agency, we found that there has been no change in this section.

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

Saharsh Davuluri: Thank you, Abhijit. Good evening, everyone, and thank you for joining us today. As Abhijit discussed, Q1FY27 is broadly in line with our expectations and represents a good start to the year. I will use my remarks to provide some perspective on the business performance during the quarter, the opportunities we are seeing across our business and how we are positioning Neuland for the future.

Starting with this quarter, we were encouraged by the performance across both our GDS and CMS businesses. Within GDS, the quarter was supported by a number of products that performed well and contributed meaningfully to the business.

Products such as Ezetimibe, Mirtazapine, Escitalopram and Aripiprazole were among the key contributors during the quarter and reflect the strength of the portfolio that we have been building over time. More importantly, the underlying strategic direction of the GDS business continues to evolve. We remain focused on expanding our portfolio of differentiated products even as we also increase our presence in key markets like Brazil, Japan, South Korea and Turkey.

We have also initiated pursuing life cycle management opportunities with innovators where our process chemistry, development experience and manufacturing capabilities can create long-term value. Coming to the CMS business this quarter, we have most of the revenues coming from our top commercial products.

Having said that, the order book from pipeline molecules is quite encouraging, and we will see that panning out over the course of the next few quarters. We continue to see healthy engagement across both the development and commercial programs. The depth of customer conversations today is significantly stronger than it was a few years ago, and we are increasingly engaging on broader capability-led discussions rather than individual projects alone.

While building relationships with large pharmaceutical companies is naturally a gradual process, we believe we are making meaningful progress. The investments we have made in capabilities, infrastructure and talent, combined with evolving geopolitical and macroeconomic dynamics that continue to drive supply chain diversification are creating opportunities for us to engage with customers in a much more strategic manner.

One of the themes we discussed extensively as we brainstorm regarding the CMS business was of increasing importance of becoming a long-term strategic partner to customers rather than being viewed as a provider for individual projects.

We continue to see customer interest across existing and emerging areas and the nature of discussion is increasingly centered around capabilities, supply assurance, technical expertise and long-term collaboration. We believe this positions us well in the industry as we continue to evolve.

A second theme that I would like to highlight is the increased velocity of investments across Neuland. Over the last 3 years and continuing into FY27, we have been investing at a pace and scale that is meaningfully higher than in the past, whether it is manufacturing infrastructure, R&D capabilities, peptides, sterile APIs or future capacity expansion, these investments are being made with a long-term perspective. Our objective is to ensure that Neuland remains relevant and competitive as customer requirements evolve and market opportunities emerge.

Peptides are perhaps the clearest example of this philosophy. We had built peptide process development capabilities for over 15 years and around 2 years ago, decided to invest in commercial scale manufacturing of peptides.

At that point, the investment was based on our conviction regarding long-term attractiveness of the segment. Today, we are beginning to see external validation of that thesis. Even before the peptide manufacturing asset is fully ramped up, customer interest continues to grow. Discussions have expanded, and we have started seeing encouraging conversion of opportunities that provide greater visibility around Module 1 utilization. These developments reinforce our confidence that investments we have made are aligned with where the market is headed. At the same time, these opportunities also place a greater emphasis on execution.

Our focus is now on ensuring that we deliver consistently with customer confidence and establish the foundation for long-term participation in this segment. Another important development regarding which you would have seen our press release is our strategic collaboration with Gland Pharma.

We believe this partnership creates differentiated platform in sterile APIs by combining complementary strengths of both organizations. Beyond the immediate opportunity, it also demonstrates our commitment to the specialty GDS business and our strategy of building niche capabilities in areas where technical complexity creates meaningful differentiation.

We believe these types of capabilities will increasingly define competitive advantage in our industry over the coming years. At the same time, it is important to recognize that our business operates in an environment that continues to be dynamic. Geopolitical developments, regulatory time lines, customer ordering patterns and broader macroeconomic conditions can influence the timing and shape of growth from quarter-to-quarter.

As we consistently stated in the past, variability remains an inherent characteristic of our business and quarterly performance should be viewed in that context. Having said that, when we look beyond individual quarters, our outlook as we consider FY27 and FY28 period remains in line with our long-term ambitions.

The customer interest we are seeing, the opportunities under discussion, the capabilities we are bringing online and the investments we have made across the businesses all reinforce our confidence in the medium-term trajectory of the company. Our focus remains on execution, customer service, operational excellence and creating sustainable long-term value for all stakeholders.

To conclude, we believe Neuland is entering an important phase of its evolution. Many of the investments we made over the last several years are beginning to create new opportunities across the business. While there will inevitably be periods of unevenness along the way, we remain confident in the direction of the company, the opportunities ahead of us and our ability to create long-term value.

With that, we would be happy to take your questions. Thank you.

Moderator: First question comes from the line of Amey Chalke from JM Financial.

Amey Chalke: Congrats on the good numbers. First question I have on the quarterly and yearly performance. I understand the CDMO business typically is volatile on a quarterly basis. But we have a strong

start for the year. And generally, we do have good visibility on 6 months order book as a CDMO company. So what kind of growth should we expect for full year of FY27? Also on the other side, should we be wary of any risk from the destocking perspective for any of our commercial contracts?

Saharsh Davuluri: Thanks for the question, Amey. With regards to the visibility of the year, you're absolutely right. The CDMO business, especially has a fairly deep visibility in terms of order book. I think for us, we've always been reluctant to fully reveal what the order book is or what the exact year's performance is expected to be. But I would just go back to the comment I had made in the opening remarks. I think we've always aspired to grow at about 20%, and we expect that FY27& FY28 also we expect to grow that way.

I think beyond that, talking specifically about FY27, I think it might again kind of come across like we are guiding towards a particular growth rate. But we have also cautioned in the past that we expect a particular year to be a flat year. Like we had indicated that FY25 would be a flattish year, and that's what it happened. We are not giving such indications right now.

But at the same time, we would be cautious not to say, okay, it's going to grow at a certain percentage. So that's with regards to question one. What was the question two?

Sajeev Medikonda: About any risks in terms of destocking?

Saharsh Davuluri: Not really, Amey. I think because the order visibility is consistent with the commentary, I would say destocking or stocking is factored into that. We don't expect something to hit us abruptly. So those are conversations that might play out over beyond FY27. But for now, I think we don't see any surprises coming out of destocking.

Amey Chalke: Sure. That's helpful. Second question I have on the products where we had increased capacity last year. What is the current utilization there on the increased capacity? And is it fair to understand this block will be used throughout the year? And do you expect similar quantities to be produced every year from this block or how will that work?

Response to this question didn't go through due to technical issues and the caller getting dropped.

Moderator: Our next question comes from the line of Shyam Srinivasan with Goldman Sachs.

Shyam Srinivasan: Just the first one on your development revenues. And I remember you saying at least FY27 could likely see better development revenues. And I think you alluded to it in the opening remarks as well that the pipeline on development is looking good. So if you could highlight how that could likely pan out?

Saharsh Davuluri: Yes, definitely a lot more exciting start to the year, Shyam. I think in FY27, we've seen at least 2 new projects come in. I would not say these are commercial, but these are fairly advanced in the clinic. So we are seeing a couple of new projects come in. And obviously, we'll be careful in painting a picture around these projects because they're still under development and you never know what could happen. But that kind of visibility and the potential of these molecules, I think,

is very exciting for us.

And we will deliver on development quantities this year, but I think they definitely pave the way for larger volumes in the future. And I think some of these projects are also peptide projects, which were not visualized a year ago. So there is definitely a lot of enthusiasm and excitement in the system. It may not be very helpful or it may be premature to kind of quantify that revenue for this year.

Shyam Srinivasan: Helpful. Just my second question is on the peptide. Since you talked about Module 1 utilization or expansion of scope with some of the discussions you have had. Can you add some more additional color? Is there potentially a commercial project that could likely come this year? So just some color around peptides and where our plant is, I think the plant is now ready, right, or whatever the module is ready?

Saharsh Davuluri: Yes, Shyam. So the plant itself is going to be commissioned next month, and then it will be ready for manufacturing qualification will be done by then. We have multiple projects lined up at various stages.

Moderator: Our next question comes from the line of Sajal Kapoor with Antifragile Thinking.

Sajal Kapoor: I'm not too sure if I'm audible or not. On a lighter note, this Zoom Infra is still awaiting GMP validation. That's for sure. If you guys can hear me, I've got 2 questions. First is commercial CMS has scaled very strongly without much change in the number of commercial programs as far as I could see. So is that growth becoming more evenly spread across molecules and customers or are a few large programs still doing most of the heavy lifting? That's my first question.

Saharsh Davuluri: Sajal, would you mind repeating the question one more time?

Sajal: Yes, sure. So, we are just following on from Q4 execution as far as the commercial CMS is concerned. And again, Q1 has done pretty well on that front. The question really is, is the growth more diversified spread across molecules and customers or are we experiencing a few large programs doing majority of the heavy lifting, Q4 as well as in Q1 this time?

Saharsh Davuluri: Sajal, if you see, I think a big part of our growth is coming from CMS commercial and CMS commercial is being driven by a handful of molecules. There's not too many of them, I would say, maybe about 3 of them that really drive our business. And these molecules are fairly active. As we produce them every quarter, and we see a fairly healthy future for them over the next 5 to 6 years.

Yes, there will be certain lumpiness in how they perform, like maybe we will not have orders every quarter, etc., but there is nothing which is like a one-off performance from the commercial CMS pipeline that we have. But the reality is that there are only a handful of these molecules.

And to be frank, we're glad that it's a handful and it's not just one. But I think that will be how our next 2 to 3 years commercial growth will be driven by them. But we are also quickly adding a lot of projects, which are also picking up.

As I had mentioned in the past, we expect to have one more commercialization this year, probably have 1 or maybe even 2 next year. And therefore, you will see a greater diversity in these molecules. But yes, so I think short answer, yes, there are only a handful driving this. But they're not like a lot of one-offs. There will be lumpiness, but it's not like we see something that's exceptional that is contributing to the revenue.

Sajal Kapoor: Sure. And on the development side, even last year, I think in Q3, I asked about the development pipeline keeping pace or how is it keeping pace with the commercial growth? So year on, how comfortable are you that the quality and the maturity of today's development pipeline can replenish the commercial basket 3 to 5 years out when these handful of commercial molecules may start kind of receding on a higher base.

Because we got to replenish them with fresh infusion of better size because our base would have grown 3 to 5 years out. So the development pipeline today must be strong and robust enough to build on top of that higher base 3, 4, 5 years out.

Saharsh Davuluri: I think it's a great question, Sajal, and I think it's very appropriate. I would say that it's a relative degree of comfort. I'm feeling a lot better today than what I was feeling perhaps a year ago or definitely what I was feeling 2 years ago. And if you even go back, I think, when we wrote down the opening remarks, we talked about how we don't want to be project focused, but more relationship focused, account focused.

And we believe that our future will be about working with companies on a set of programs, almost work like a platform partner for large innovator companies so that we can do a handful of molecules for them.

As we take up this approach and as we see validation for this approach in the development projects that we are seeing, I feel fairly confident that 3, 4, 5 years from now, we will have a healthy set of new molecules that will start to almost overtake or even kind of make insignificant some of the other molecules that are currently contributing.

So definitely, we see as the company's base is growing, we see an increasingly healthy pipeline of projects. Obviously, we should be careful not to sound overconfident because many of these projects are still in clinical development and a lot of these relationships are relatively new for us.

But going by the confidence we have in our execution and the likelihood of the success of these molecules because they are in advanced clinic, I think in 3 to 5 years, we would have very healthy pipeline of new molecules that would completely overshadow the current pipeline.

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

Prolin Nandu: There have been a few participants who have not been able to ask questions. So maybe you can take them as well because it just creates the confusion, right, like last quarter on the inventory side of things, right?

But my question is on the opening remarks that you made, right, in terms of the conversation that you are having with the customers. while you have partially answered it, right, in some of the

previous question, but how should one think about monetization of these relationships, right?

While they might be slow. But as you said, right, maybe on the peptide platform, the conversation is already moving towards our intended direction. So how should one think about the more and more platforms getting added? Or will we have much more deeper conversations in the peptide platform?

And because we have a decent track record, right, in the last 5 years, are these conversations becoming much more easier than they were in the past? So just some qualitative color on the statement that you have made in the opening remarks would help.

Saharsh Davuluri: Yes, I think it's definitely a very important question. And don't mean to sound too confident in terms of the path. But the way we've seen this CMS business grow over the last at least 8 to 10 years, the kind of pipeline we have, the list of RFPs, the list of customers, the kind of conversations we have, we get a very clear sense of what the overall portfolio of business is likely to be. Of course, there is a conversion ratio, there is a probability of achievement and there are a lot of variables at play.

But as we get into accounts which are more known to Neuland, companies we've been working for 3 years, 5 years, who are now talking about increasing their total business to Neuland or increasing their total exposure to Neuland. I think that starts giving us a very clear qualitative input on, okay, yes, there is some business that we are going to get from here.

Second, when we have technologies like peptides, which places us in a very unique position, a lot of these peptide relationships that we are talking about, which may have kind of may seem like new conversations, but we are not unknown to these customers. We've been working with them for 5, 10 years. We've been doing small-scale work. We've been doing maybe peptide starting materials.

And now the relationships have matured into something more advanced. So a lot of this confidence comes from qualitative substantiated conversations. And if we look at the value of these opportunities, they are far larger than what we used to see. And I think ultimately, that's what gives us the confidence that we will see more business.

I mean if I have to just kind of illustrate it, 5 years ago, the largest molecule that we could visualize was maybe a INR50 crores per year kind of a molecule. Today, we can visualize INR500 crores per year or even INR1,000 crores per year molecule. It doesn't mean that every opportunity we engage with is a INR500 crores or INR1,000 crores opportunity.

But when you look at it in totality, you're seeing the aggregate value of the business is increasing just in terms of prospects. So that gives us a certain sense. That is also a very useful input for us in the kind of investment journey we have to go through over the next 2, 3 years, which is something also I had alluded to in the opening remarks is that we need to.

I think based on the quality of the conversations we have, based on the relationships that we are now beginning to form, we are also looking at making more bold moves in terms of our capex cycles and the kind of investments we have to make.

So, I know it's not a very pointed answer, but we do feel pretty good in terms of where we are today. And I think we definitely feel the interest from companies as being like one of these top-tier partners out of India.

Prolin Nandu Sure. So that confidence is quite encouraging. The second question is on the point that you only touched upon, right, in terms of capex, right, or the next phase of investment. Now when you talk about the next phase of investment would look very different and you need to make some bold moves.

Is it just the quantum of the investments or do you think that the qualitative aspects of this investment will also be very different in terms of the capabilities, in terms of the plant qualities. So I mean, is it just the quantum that you're talking about or the quality of the investment would also be very different? And if yes, then how different it would be versus what we have done on capex and expansion in the past?

Saharsh Davuluri: That's another great question. I think for us, both will be different. I think the quantum will be different because, obviously, what has brought us here will not take us into the kind of growth journey that we are looking at. So obviously, the forward capex will be much higher than the capex that we've deployed so far.

Qualitatively, it will be different as well. Because if you look at Neuland and perhaps it may be challenging for outsiders to analyze it, but Neuland operates in a space that is very unique. We are operating at that convergence of GMP and complex chemistry. That's where we operate. That's why we like to be in complex APIs. We're not very big in nonhuman health. We are not very big in starting materials, KSMs or stuff like that.

We like to operate in a certain area. And if our modus operandi is complex chemistry, then our future, it only has to be more and more complex. It cannot be more and more simpler, which means that we will be seeking presence in newer modalities, more complex modalities I think our entry into peptides is, again, a progression in that line.

And if you have to look at further progression, you will have to look at perhaps geographic diversification because if you're looking at getting into more complex modalities, it may not make a lot of strategic or economic sense to build those kind of infrastructure or capabilities maybe in India. You might have to look at maybe either an M&A kind of an opportunity or you might have to look at some organic but overseas kind of investments.

So that is where they may not be big bets, but they will definitely be qualitatively different. And I believe that those are kind of meaningful progression that you will see Neuland making in the next 1, 2 years. And of course, that coupled with our conventional organic growth journey, which will require us to create more infrastructure, R&D, manufacturing, peptides, complex molecules. I think that's something that will continue as well.

So you will see quantitatively more investments, and you will also see a qualitative move towards newer modalities because that's where we believe we have been successful, and that's where we would like to play.

Moderator: Next question comes from the line of Chirag Shah with White Pine Investment Management.

Chirag Shah: Congratulations for good set of numbers and for the answers. I have two questions. So first is a slightly short-term question. If I look at Q4 and Q1 results, sequential results for Q1, how much of this sequential decline would be due to excessive stocking up done by the customer due to initial supply in Q4? That's one. And can we assume Q1 as a normalized commercial run rate for the 2 or 3 molecules that you are referring to?

Saharsh Davuluri: If you go back to the Q4 earnings call, Chirag, we had very emphatically said that Q4 was actually more of Q3 spillovers into Q4. And in fact, we were very relieved that we had a good Q4 so that at least we were more or less on par for FY26. So I would look at Q4 as an exceptionally inflated quarter because it was more of a Q3 plus Q4 kind of a performance.

And if you recall, Q3 was not a very good quarter for us. So I will rehyphenate Q4 because Q4 is exceptionally big. So therefore, the question of the sequential Q4 to Q1, I think, is not really valid because Q4 is not really a relevant point. I think is Q1 the base? Obviously, I will not answer that question because we, again, don't want to give any kind of indication of what FY27 is likely to be other than the broader guidance we've talked about. Please take it for granted that our business tends to be lumpy just the way Q4 was lumpy. There will be lumpiness. So, let's not try to standardize or look at a base. I think, again, like I said, we don't have exceptions in Q1. We don't have one-offs. We don't have like destocking. But at the same time, our commercial revenues are driven by a handful of molecules. So they are subject to volatility and that volatility will be there. So therefore, we are cautious in not giving you any indications of how things will flow. But we believe YFY27 will be a good year and FY28 will be a good year as well. And that's something that I'm happy to reiterate.

Chirag Shah: Okay. So, there is no excessive stocking-related supplies, at least in your assessment. Fair point. Sir, second question is on the development side. So, if I go back into the history, we used to have a reasonably high absolute number of development as high as even INR300 crores. Currently, we are doing anywhere between around INR100 crores.

So, if I say FY26, it was INR90-odd crores of development revenue. And if I go to FY24 or even earlier, it used to be much higher number in absolute terms. obviously, percentage terms also, we are at all-time low kind of a number because of good commercial sales. Is there a change in the way you are selecting the development products versus what it was, say, in FY22, FY23, FY24 or earlier years, where you are very choosy or very specific only those molecules which you think can be big? Is there a change in the approach and hence, the development revenue will always look absolute low versus FY24 as a base?

Saharsh Davuluri: No. See, I'll tell you, Chirag, the reason why we separate development revenue from commercial in our disclosures, Chirag, is because we think it's important for analysts, investors to know what is the recurring part of the business. That's the reason why we separate the development from the commercial. What we would like folks to look at is look at a long-term pattern of commercial and see how it's moving, and that's the general indicator of what the base is going to be like. The development revenues are very, very product-specific, Chirag. If we were making, say, 10, 20 tons of launch quantity of an NCE and we were shipping 10, 20 tons of a high-value NCE over

a 3-quarter period, it's very possible that we would have had INR200 crores of development revenues.

There may be other situations where we are making only a couple of tons or maybe INR50 crores of development revenues because the customer is not ordering that much launch quantities. The key point here is launch quantities we always categorize as development revenues. And therefore, you may have historically seen that there were these large development revenues.

It's quite possible they might happen again. But just because we are not seeing those large development revenues does not mean that there is a correlation to commercial revenues. because not every customer would prepare for those kind of launches and every strategy is different.

But it doesn't take away from the point that our pipeline still has very exciting large value molecules. So therefore, my answer to you is that the pattern of development revenue may not give you the kind of insight you're looking for. The commercial revenue trend is what we are trying to give you. I think development pipeline, the health of development pipeline, I think you will have to rely on our qualitative analysis, which we try to be consistent and give to you as well. But you may not get the insight you're looking for, but I can assure you that our quality of development pipeline is only getting better and better.

Moderator: Our next question comes from the line of Kushal Chovatia with Nomura.

Kushal Chovatia: Sir, my question is with regards to this strategic collaboration which you announced with Gland Pharma. So, is this for some particular suite of products? Or what is it for? And why have you partnered with Gland? What made you chose them as a partner?

Sajeev Medikonda: Yes. So, I think basically, we are looking at this collaboration with Gland for their sterile manufacturing capabilities, which I think we have talked about in the past too that there's a part of our specialty GDS portfolio where we have a few molecules where we are working with niche players in certain markets, and those are molecules that require specific technologies.

And this is something that we have looked at in terms of sterile API manufacturing is something which Grand has established themselves as one of the key players when it comes to this specific kind of sterile manufacturing (Aspectic), which is not very prevalent, not just in India, but across the globe, too. There are very few players. So given their capabilities and their regulatory track record and even our capability and even our strategy of working with niche molecules, also developing processes which are complex, not just at the API level, but also in terms of the way that the sterilization should be done.

So, we have done that work, and we felt that over a period of time, this is an area that we want to continue to focus on. Customers are dependent on Neuland for this. So, as we see that the long-term market for some of these products is going to be significant, and it is something that we see happening over a period of time, we have decided to come together with Gland and to make this strategic collaboration

Saharsh Davuluri: Yes. I think just to add to what Sajeev said, I think for us, we also see a very strong synergy with Gland because one, we don't compete with each other. There's a lot of synergies between what

they do, what we do. They have a fantastic track record in managing sterile products. We have very good experience in making complex APIs. For us to move into making sterile product would attract a sort of a lot of risks associated with managing sterile facilities. And that's something that as management of Neuland, we thought we should try to avoid.

At the same time, someone like Gland, who's very good at sterile, but maybe not necessarily got their energy focused on developing complex APIs. It's a very good partnership. We see a very good runway, not just for the few products that we have collaborated with now, but we see opportunity for collaborating with for full of products as well.

And I think it's also a great opportunity for us because it's an asset-light arrangement for us. So, without necessarily getting into the rig role of creating an asset and managing it, etcetera, we are able to rely on this partnership. So, we are very excited, and we think it's going to be a long-term collaboration.

Kushal Chovatia: Okay. And just to clarify, so these products for which you collaborated with them are all genericized products?

Saharsh Davuluri: These are all from the niche generic category. we have the prime category and the niche category, right? These are all like niche category.

Moderator: Our next question comes from the line of Ketan Acharya with Promore Broking Private Limited.

Ketan Acharya: Sir, congratulations on excellent quarter with commercial molecules driving growth. Another capacity expansion announced today and EBITDA margins expanding significantly. Should investors view this as a beginning of a structurally higher earning phase for Neuland rather than just a favorable product mix quarter? Also, should we think about sustainable margin capacity utilization and commercial molecules growth over the next 2 to 3 years?

Saharsh Davuluri: Thank you for your kind words. I think we see this quarter's performance, again, as a good indicator of the progress we've been making as a CMS-focused CDMO-focused company. And I think it definitely points to the direction in which we are growing. Again, not every quarter is going to be even. I think there's always going to be ups and downs. But I think the trend line is very clear. And I think if you look at the slide where we talk about our last 10 to 15 quarters, I think it's very clear that we are progressing in the right direction.

And I think that data speaks louder than any of the words that I might say. In terms of EBITDA margins, again, I think we were a very conservative company. We always have been telling you guys that expect a 25% kind of an EBITDA from Neuland. I'm glad to see that we've been on the right side of that number. But also, I have to be honest to say that we've had favorable conditions in terms of exchange rates and things like that.

Therefore, I would say you will see maybe higher EBITDA. But I think in terms of our plans, in terms of our long term, 25% plus is what we would be coming for. And anything that's above that is kind of a bonus. So that's kind of where I would leave it at. And I think let each quarter unfold, but definitely don't expect even performance every quarter.

Ketan Acharya: And to add to that, sir, is this going to be due to higher utilization of existing commercial molecules or new commercial molecule launches would support this? And just the last thing, are we looking at any stock split or bonus because that question has been asked in several con calls, but never answered.

Saharsh Davuluri: No, I think this year, we'll see development revenue go up, and we have talked about it. I think that development revenue will lead to commercial revenue. I'm not sure it will lead to substantial commercial revenue in FY27. But FY28 onwards, you can see more molecules contributing to the commercial revenue.

And in terms of your second comment about stock split, I think that's something that I think was even mentioned by a few shareholders in the Annual Shareholders' Meeting yesterday. As you know, it's a Board matter, and we will definitely take the suggestion and discuss it in our Board and look at all the elements that surround that decision, and we will try to see what can be done about that. But definitely appreciate your comment on that.

Ketan Acharya: It's glad to be a 10-year-old investor in your company.

Moderator: I now hand the conference over to Runjhun to take the webcast question. Over to you, Runjhun.

Runjhun Jain: So, I'll just read out a few questions from the webcast. There is a question from Mohit Sharaf, an individual investor. We have talked about acquiring adjacent lands and integrating them with our existing units in order to skip through the gestation period and expand without triggering greenfield approval cycle. Apart from 6, 7 acres adjacent land that we have acquired at Unit 1, we haven't heard anything else on that front. So, some color on where we are on this. Once we are done with this exercise, how much adjacent land would be able to acquire and within what time line?

Saharsh Davuluri: Yes, sure. So, I think the way I would respond to that is acquiring adjacent lands for expanding the site as was acknowledged, I think it's a convenient strategy for the short to medium term because it helps us amalgamate land into an existing site, and it helps us get FDA approvals, environmental clearances, etcetera, because those things are very easy to do.

But we are also looking at long-term plans as well, and that would involve -- we currently operate 3 manufacturing sites. We would be looking at additional manufacturing sites where we would have larger headroom for capacity. Ultimately, for the organization to grow beyond the 3-year, 4-year period, we would need to have possession of more industrial land, larger pieces of land, and that is something that you should expect from the company in the near future.

But yes, for now, I think the acquisition of land around the site is only a short-term opportunistic move to help us ensure that next 2, 3 years, we are comfortable in terms of servicing the needs of our customers.

Runjhun Jain: The next question comes from Gulab Soni, again an individual investor. Do we feel that this margin profile is peak, particularly if we see in terms of product mix in analyzed manner? Or still we have more scope of operating leverage with CMS expected? How would you try to attract people in CMS or GDS because it's a vast TAM.

Saharsh Davuluri: I think our margin profile is in a fairly comfortable space, Runjhun, and I think this is a reasonable margin to expect from this business, although there is a fairly divergent set of molecules. We see molecules which are having lower margins and higher margins. So eventually, it's the mix that will determine what the average profile is. I think you can expect the margin profiles to be healthy, as I had indicated to the previous question as well.

ROCE is something that maybe is going to kind of ebb and flow because right now, our 3-year ROCE is quite healthy. But if we are going to go into an expansion mode and we will have to deploy more capital for long term, we should have the ability to absorb a longer gestation period, which would mean lower ROCE for a shorter period. But I think we will have guardrails around that. So, we will be mindful. But you should see maybe a dip in ROCE, but not necessarily a dip in margins. But again, I would not benchmark against Q4 or Q1. I would go back to the 25% that I had indicated earlier.

Moderator: Again, with the audio question. Our next question comes from the line of Tirumala Reddy, an individual investor.

Tirumala Reddy: On this peptide manufacturing plant, so you mentioned that within a month it will be going to be commissioned. So, do we have any order book visibility from this peptide manufacturing block? Or do we have to go through an FDA inspection and then wait for commercial.

Saharsh Davuluri: I think both questions are actually independent, Tirumala Reddy. The order book, I would say we definitely have visibility. I indicated to, I think, the gentleman earlier, we have a couple of projects which are going to use this new peptide facility. So, we are very excited that this facility even before commissioning has projects that are ready for entering.

So that's a great place for us to be in. This facility is in our FDA-approved manufacturing site. So in some ways, it is part of an FDA-approved facility. However, given that it is a new building, it's subject to FDA audit, but that is really dependent on how the FDA would look at the filing when it's made. So, we expect that there will be an FDA inspection in the future. but we don't necessarily see that as a gating issue because the plant itself that it is located in one is an FDA-approved site.

Moderator: Ladies and gentlemen, that was the last question for today. I now hand the conference over to the management for the closing comments. Thank you, and over to you, team.

Sajeev Medikonda: Once again, thank you, everyone, for joining in today. I apologize for the brief break in between. Thank you for your interest in Neuland. And I think even if there are further questions, please do reach out to Runjhun and Minakshi of EY. With that said, good evening, everyone.

Moderator: Thank you so much. ladies and gentlemen, on behalf of Neuland Laboratories Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.

(This document has been edited to improve readability)