“Neuland Laboratories Limited
Q2 & FY27 Earnings Conference Call”
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Management: Mr. Saharsh Davuluri - Chief Executive Officer & Managing Director
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Mr. Sajeev Medikonda - Head of Corporate Planning & Strategy
Ms. Runjhun Jain - Ernst & Young

Moderator: Ladies and gentlemen, good day, and welcome to the Neuland Laboratories Limited's Q2 and H1 FY27 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions after the management's commentary concludes. Please note that this call is being recorded. I now hand the conference over to Miss. Runjhun Jain from Ernst & Young. Thank you and over to you, Madam.

Runjhun Jain: Thank you, Inba. Good evening, everyone. 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. G.V. Bhardwaj, AVP Finance; and Mr. Sajeev Medikonda, Head of Corporate Planning and Strategy. Mr. Abhijit Majumdar, CFO of the Company, could not join us today due to some personal exigencies.

We will start the call with a brief overview of the financials by Mr. Bhardwaj, 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. The standard safe harbor clause applies as we start the call. With that said, I now hand over the floor to Mr. Bhardwaj. Over to you, Sir!

G.V. Bhardwaj: Thank you very much, Runjhun and a good evening to everyone joining our call. I will quickly run through the financials before Saharsh shares his thoughts on the performance and the business.

The total income for the quarter stood at Rs.457.2 Crores compared to Rs.516.1 Crores in the corresponding previous last year. For the H1FY27, the total income stood at Rs.1107.2 Crores compared to Rs.816.7 Crores in H1 FY26. Commercial CMS molecules continued to make meaningful contribution to revenues during this quarter while GDS business saw contributions from our prime as well as specialty portfolio. As we have consistently indicated earlier, the timing and product mix of a business can result in variability between individual quarters. We therefore continue to believe that the progression of the business is better evaluated over longer periods of time.

Gross margin for the quarter stood at 59.4% compared to 60.1% in Q2 FY2026. As always, gross margin includes manufacturing expenses and other costs directly attributable to the product. EBITDA for the quarter stood at Rs.104.6 Crores, representing a margin of 22.9% compared to Rs.156.9 Crores and a margin of 30.4% during the corresponding period last year. Profit after tax for the quarter was Rs.51.1 Crores compared to Rs.96.5 Crores in Q2 FY2026. EPS for the quarter stood at 39.85 per share.

During the first half of the financial year, we also experienced increase in input costs. The geopolitical environment and the ongoing conflicts in different parts of the world have led to volatility in certain raw material prices and escalation in freight and logistics costs.

Working capital for the quarter stood at 104 days of sale compared to 84 days in the previous quarter. Optimal utilization of cash continues to remain an important priority for us.

We continue to focus on inventory management, customer collections and aligning working capital requirements with the changing scale and composition of our business. Our ongoing capital investment continued to progress in line with our plans. As we also have indicated earlier, the nature and scale of this investment will continue to be evaluated against customer requirements and the opportunities we see across our businesses.

Our capex outflow during the first half of FY2027 was Rs.261 Crores, and free cash flows for the period stood at Rs.99 Crores while net debt stood at negative Rs.208 Crores. While we remain conscious of external environment and near-term cost pressures, we continue to take long-term view for the business and remain disciplined in the way we deploy capital.

As in the past, our investor presentation, which has been shared along with the press release, contains further details on the financial performance. With that, I would like to hand over the call to Saharsh for his remarks. Thank you very much.

Saharsh Davuluri: Thank you, Bhardwaj. Good evening, everyone, and welcome once again to the call. As the numbers show this quarter has been below the trend that we have seen over the last few quarters; however, if we consider the first half of the year it was largely consistent with our expectations.

Before getting into further details, I think it is important to once again emphasize the underlying dynamics of our business, particularly for those of you who may have started following Neuland more recently. So, as a CDMO, Neuland's business follows the development and commercial requirements of individual customer molecules. In development, not every molecule advances through clinical trials or reaches commercialization, and project timelines also can shift. Commercial molecules also contribute unevenly as customer requirements, shipment schedules also vary sometimes between quarters. As individual commercial shipments become larger, a shift in timing can have a greater impact on quarterly revenues, and that is why we keep saying lumpiness, quite often in our earnings calls and conversations. This makes growth uneven from a quarter-to-quarter basis, and that is why we keep saying that we need to assess our business over longer periods.

Over the last several years, Neuland has evolved considerably as a CDMO supporting innovators developing new chemical entities. FY2026 was the first year where we actually had greater revenues contributing from CMS in comparison with GDS. We believe the increasing contribution from CMS will remain an important part of Neuland's evolution over the coming years. Coming specifically to this quarter, revenues were predominantly driven by the commercial molecules in CMS, along with products from the Prime portfolio within GDS. While this quarter has seen sequential moderation, we continue to see a steady flow of new proposals. Our commercial NCEs will continue to drive the business in the near term, while newer projects progressing through the pipeline will support our long-term growth. One development that has been particularly encouraging is the level of RFP activity that we have seen in this financial year, and it has been the strongest to date.

We are seeing multiple opportunities stemming from relationships that have been built and nurtured over several years. This reflects the continuous efforts of our teams and lends further credibility to the importance we have placed on long-term customer engagement. As we have indicated in previous conversations, the diversification of the customer base has been a priority over the last few quarters. We have made meaningful headway in establishing relationships with big pharma, and we are continuing to make steady progress in this direction. At the same time, several of the proposals coming through have been a result of sustained efforts to build new customer relations.

Turning to GDS, the business navigated unforeseen disruptions from geopolitical turbulence limiting the impact on the overall business. We have filed 2 DMFs during this period one is Fezolinetant and the other is Ivacaftor, strengthening our GDS portfolio. The first half of the year has also marked several developments on the investment and capability front. We have commissioned our new peptide block at Unit One, which has seen encouraging traction and has given us greater confidence and visibility as we plan the next modules of our peptide expansion. We are also planning to inaugurate our new process R&D center at Genome Valley in Hyderabad, which we expect to be fully operational by early next year.

During the quarter, we took another long-term step through the acquisition of approximately 134 acres of land at Kakinada in Andhra Pradesh. This provides us with a sizable base for future expansion. As our customer discussions broaden and the nature of opportunities evolve, it is important that infrastructure does not become a constraint to our ability to respond. Kakinada gives us greater flexibility as we assess our long-term capacity requirements while remaining focused on building capabilities aligned with customer needs rather than adding capacity in isolation. I would probably urge investors to look at the investment in Kakinada more from a long-term return perspective rather than something that will give us returns in the immediate timeframe. We believe these investments help us build and broaden our customer base. We also see encouraging responses in conversations with

new customers. They are returning quickly with second and third projects supported by the work we are doing and capabilities such as peptide, API development and manufacturing.

As we look at the second half of FY2027, we remain vigilant and are closely watching movements across raw materials, freight, and the wider supply chain. Our teams continue to work on sourcing strategies, inventory planning, and operational efficiencies to manage these pressures while ensuring continuity of supply to our customers and to the patients. There are also risks intrinsic to the development of our programs. Molecules can progress differently from initial expectations, customer timelines can move, and the increasing value of individual commercial shipments can amplify the impact of timing movements between quarters. We have become increasingly familiar with these characteristics as the business has evolved. At the same time, the breadth of capabilities that the breadth of customer conversations, the opportunities emerging from the relationships developed with a clear focus on human health over the years gives us confidence in the direction in which the business is moving. Our focus remains straightforward, execute consistently, deepen customer relations, and continue strengthening the capabilities required to support our customers. The first half was largely in line with expectations we had set for ourselves. As we enter the second half of the year, expectations of growth remain intact for this as well as the following financial year. We remain focused on delivering against those expectations while continuing to build the foundation for Neuland's longer-term growth. So on that note, Runjhun, I would request you to open it up for Q&A.

Runjhun Jain: Inba we can start taking the questions.

Moderator: Thank you. Ladies and gentlemen, we will now begin the question-and-answer session. Anyone who has a question may click the raise hand icon located at the bottom toolbar on your screen. When called upon you will receive a prompt to unmute. To ensure we provide space for as many participants as possible, we request you to limit yourselves to two questions per turn. We will wait for a moment while the question queue assembles. We take the first question from Sajal Kapoor of Antifragile Thinking. Please go ahead.

Sajal Kapoor: Good evening, team, and thank you for doing this on Zoom. It makes a real difference, for sure. Congratulations on inaugurating the peptide facility. It is also good to see the working capital down from 155 days to 104 and phase 3 projects moving up from 8 to 13 that kind of speaks to the pipeline question I raised earlier this year. I have two questions both on the peptide investment. First, if the peptide plant sits empty for three years who bears that cost Neuland or your customers and what in your contracts determines that?

Saharsh Davuluri: Thanks for your wishes. I think with regards to the peptide facility, which has been just commissioned the way our relationships with our peptide customers are is that we enter into MSAs for producing PPQ batches, which is the validation batches and upon successful

completion of validation, concurrently we will also enter into commercial supply agreements. Typically, in our experience in the CDMO business, our deals have been typically about completing validation and then pivoting from validation development going into the manufacturing. So, we start with the CDMO work, which is leading up to PPQ and then once you are completing validation successfully and if their drug is going as per track, then you pivot from MSA that is focused on PPQ to a supply agreement. During this transition and post this transition, typically idle capacity, cost of running the plant does not get into discussions with the customer unless it is a plant that has been built for a specific project. So, the peptide facility, as we mentioned earlier, also has been built keeping in mind a portfolio of projects, and we are fortunate that a couple of those projects are moving forward and we expect this facility to be used by these couple of projects and therefore, if there is any idle time that happens to occur, which will happen for sure in the next one and one-and-a-half years, then that will be borne by Neuland and it will be idle cost.

Sajal Kapoor: That is helpful, Sir. Thank you. Second question is we have a fair bit of concentration, so your top 5 customers are contributing 68% of revenues today, if for some reason, unfortunately, we happen to lose one of them, which investment will you reconsider in that kind of a scenario, will it be phase 2 peptide or the Kakinada? Thank you.

Saharsh Davuluri: Good question, Sajal. I think again it is a theoretical question for us. The Module 2, Module 3, Module 4, which is the peptide investment, will get triggered if Module 1 gets occupied and if we have some kind of negative impact in our current CMS business or commercial business, we would still continue with those investments because we believe that there is a sustained demand for peptide API and therefore we will continue that investment, but then even if you look at the Kakinada question, if there is impact on our commercial products, the question we will ask ourself is what is going to be the impact from a short to medium term and we will probably modulate our move to Kakinada accordingly. So, as I think through this, maybe the immediate answer, which maybe we will have to think through further will be not hold back on peptides, but maybe slow down a little bit on Kakinada and also keep in mind that we also have land around Unit I, which we are also expanding. Our Board had today approved investment to add some more land, which will expand our Unit I footprint. So, Kakinada would be slightly long term, so I guess that can be the one that can be deferred a little bit.

Sajal Kapoor: That is very reassuring, Saharsh. Thank you for all the answers and all the very best. Thank you.

Moderator: We will take a next question from Chirag Shah of White Pine Investment Management.

Chirag Shah: Thanks a lot for the opportunity. Sir, three questions from my side. Question one is, again, on the peptide side, so where are we in the stage of recognizing the revenue because even

when you do PPQs there would be some revenue, even when you do MSAs there would be revenues, so where are we in the stage of recognizing some revenue from peptides, is it two-and-a-half years away, based on your understanding of the development stage of that particular molecule or the two molecules that you are talking about? So that is question one.

Saharsh Davuluri: Maybe 6 to 9 months away, Chirag, to see like PPQ-related revenues coming from peptides. We already bill peptide revenues around development, but they are not substantial.

Chirag Shah: Okay and then pivot towards MSA if everything goes correct, is another 6 months, correct that would be the right way to think about it?

Saharsh Davuluri: Yes, I think 6 to 9 months because there is also timing, documentation, customer decision-making, everything. So, we expect that at least you should start seeing some PPQ finishing, maybe the first batch shipping out and stuff like that in the next 6 to 9 months from PPQ.

Chirag Shah: Second, coming back to our CMS revenue now, last quarter you indicated there are three molecules which are big driver of the commercial CMS revenue can you talk a bit about it, was there any major launch quantity the last two quarters, in fact not just last quarter sequentially I am talking about, which is not there, and what is that can you call out some number on that to understand the extent of drop that we have seen and how to look at it going around sustainable basis?

Saharsh Davuluri: Yes, Chirag, I tried to address that in my commentary. There has been no launch in the last two, three quarters. I think the last launch we had was maybe about a year ago. I think we expect some more launches to happen in the next one, two years. So what you have seen in the last three, four quarters is only just the lumpiness associated with commercial shipments and the fact that the shipments are not happening, evenly, is why there is perhaps the unevenness that you are observing. It is not necessarily associated with there was some launch quantity and now there is not. Also, from a salience point of view, we also split the development and commercial. So, if you would notice, the commercial revenues are whatever revenues we have been clocking majorly has been commercial only, so, that is also indicates that what I have said is consistent.

Chirag Shah: No, that is why I was asking is there that you had a big order of supply in the Q4 and Q1 which is not there now, either in some molecules or in one major molecule that is what I was trying to understand.

Saharsh Davuluri: Yes. That is evidently the case because it is not even, so we have some orders which are more in quantum and then obviously the orders are lesser here, so it is directly a reflection of that, but unfortunately we do not give color on individual molecule level, so we will not be able to describe it in more vivid detail for you.

Chirag Shah: Lastly, of these nine molecules on the commercial stage I am saying intermediates including 19 if I have to look at this Rs.214 Crores of Q2 revenue on the CMS side how the split would be like top five molecules would be like 80%, 90% of it?

Saharsh Davuluri: I think we have given that split.

Sajeev Medikonda: Within the commercial molecule, Chirag, this quarter, I think we have recognized revenues probably around from 5 or 6, so I think that would be the case because there are a lot of other smaller intermediates and others which in certain cases even come maybe once in 2, 3 years because they are for an ophthalmic product or things like that.

Moderator: We will move to our next question from Karan Vora from Goldman Sachs..

Karan Vora: Thank you for taking my question. The first question is with respect to peptides. Just wanted more color on, I think when we look at your peptide press release we have mentioned that we have put 3 DAC columns out of which 2 are of 60 cm, etc., so just can you contextualize like how important is it in the whole peptide process, whole-integrated peptide manufacturing process where does purification stand, what is more complex or more important and when should we expect the inflection in peptide revenue? So just some technical and overall color on the peptide piece.

Saharsh Davuluri: Sure, Karan. I will first answer the configuration-related question and then also give the broader context. See, if you look at peptide manufacturing, there is an upstream component and there is a downstream component. The upstream component is where you are making the crude and the fragments, etc., and then as you are getting into the downstream, which is closer to the final peptide that is where you need column for purifying the crude, and then you need a lyophilizer or a spray dryer to isolate the peptide. So essentially, a peptide API maker requires these downstream equipments like they need columns, they need lyophilizers. If we are just in the manufacturing of crude peptide or fragments which are upstream, more like intermediates of peptides, then we only need SPPS reactors and LPPS reactors. Neuland's play in peptides have always been that, okay, we want to make peptide APIs, and we are a peptide CDMO, which means we want to design the synthesis of the sequence of the peptide and we also want to manufacture it, and we have the ability to make the API and we can supply commercial quantities. So therefore, the column and the lyophilizer comes into play. Now, when it comes to the columns, why we have two columns or why these columns are of this size, what is the size of our lyophilizer? I think these are answered by based on what is the need of the peptides that we currently have in our portfolio. I think we have been mentioning that we have a couple of projects. We are not being very specific because these projects have not gone through PPQ. So these projects require a certain kind of purification, so, they require certain kinds of columns with certain kind of dimensions, they require isolation in the form of lyophilizing, and that is why we have designed this Module 1 to match

the requirements of these projects. Similarly, the SPPS configuration we have and the LPPS configuration we have in the Module 1 is also for these projects. Now, Module 2, Module 3 and Module 4 will get configured by appropriate sizes of equipment as we start seeing visibility of projects that will go into Module 2, 3, 4 and the way to look at it very simplistically, Karan, we do not want to have two big vessels or we do not want to have two small vessels and we want to have appropriate-sized vessels because ultimately we want to make the final product and here maybe I will just say one last thing, from a broader context what was the database we saw yesterday, Sajeev?

Sajeev Medikonda: Global data.

Saharsh Davuluri: So, we were looking at some database yesterday, and it shows that between IND and commercial, today there are 1000 synthetic peptides. 1000 synthetic peptides between IND and commercial. Now, not all of these 1000 peptides are multi-metric ton peptides. A lot of them would be in 100 of grams, perhaps some of them would be in 10 of grams, many of them will be in kilos, 10 of kilos, etc. Our goal is to be a dominant, recognized player in making the APIs of these peptide therapeutics and in order for doing that we need to have the right kind of configuration and therefore, as we are looking at building our modules, we are trying to see what kind of configuration would be the best fit for that and therefore for us, the configuration we have chosen is appropriate for the current portfolio we have. Maybe as we get into other projects or other projects move through the clinic or we are able to attract some new projects, we may kind of design our Modules 2, 3, and 4 accordingly. Sorry, I just wanted to give an extended response because I think it is also a question that others might be interested in understanding.

Karan Vora: Thanks, Sir. So just one clarification here before I move on to the second question. So, you mentioned that it is according to the projects which you have in hand, so say if you would have put a 120 cm or diameter or DAC column then does it increase the cost unnecessarily, what is the drawback in putting a larger column instead of the one which you have put?

Saharsh Davuluri: It would basically be that you would have two wider columns and then you would need to make much larger batch size than what the customer needs. So, therefore, it is kind of like having a customer needs a 1000-liter reactor and you say you have a 5000-liter reactor then you are almost forced to make a bigger batch because you have a larger equipment. The idea is to have the right sized equipment, so that is why this column size is right for the projects that we are currently executing.

Karan Vora: Got it and secondly, the three large CMS or CDMO products, which we have like anything which you would like to highlight with respect to their patent cliffs, so, I recognize that maybe the most recent or the third product will have a long patent life, but the first and the second products which we commercialized in the CDMO business what is their patent cliff looking

like and when should we expect that revenue to draw down versus when should we expect the peptide inflection, will the peptide inflection fill in that hole or will there be a gap? So just trying to get those things right.

Sajeev Medikonda: Karan, in terms of the patent cliff for these molecules which are key, I think in the meaningful markets and markets which contribute significantly to our customers, we do not see any expiries happening before 2030 I think that is the way that we look at it. In terms of the peptide inflection I will let Saharsh answer that.

Saharsh Davuluri: I think the idea would be to ensure that the dip that will come post 2030, will have absolutely no impact on our growth trajectory. So I think we are fairly certain that there will be no impact because of the dip from these molecules on the growth that is going to come, which Karan will not just be from peptides, there will also be complex small molecules, there will be other products as well. So, at an aggregate level, the business will continue to grow despite some molecules falling off the cliff or rather tapering off the cliff.

Karan Vora: Got it. Really helpful. Thank you.

Moderator: Our next question is from Gourav Bhama of JM Financial.

Gourav Bhama: Thank you for the opportunity and thank you for the clarification that you provided so far. I had a couple of questions. The first and foremost a bit of a clarification on the peptide. You said that 6 to 9 months before you start seeing MSA revenues coming in and beyond that when can we expect the commercial revenues to come in from another 6 to 9 months post that, so roughly one-and-a-half to two years before actual commercial revenues start coming in for the peptide facility, right?

Saharsh Davuluri: Yes. I think that is a reasonable expectation.

Gourav Bhama: Understood and secondly any particular reason why the specialty segment performance was a bit muted this quarter both Y-o-Y and Q-o-Q basis?

Sajeev Medikonda: Yes. So Gourav, I think we have had a few molecules contribute significantly in the past through the specialty segment. I think in some of those molecules we have had customers have difficulties in terms of them being able to manufacture the product, and that has led to the impact on these products. We expect that the thing will be done probably by Q4 we should be able to start seeing more revenues from the products, which contribute significantly both to the topline as well as the bottomline from those specialty products.

Gourav Bhama: Understood. The business should normalize by Q4?

Sajeev Medikonda: Yes. That is our expectation based on what the customers tell us.

Gourav Bhama: If you may allow me one more question. So, as you said that the growth expectations remain intact for FY2027 and the following year, so if you can provide a rough specific number well otherwise a rough range of what to expect, some sort of guidance on the growth part at least?

Saharsh Davuluri: It is difficult Gourav. I think, just please stick to the previous commentary only that we had made. I think 2027 will grow and then 2028 will also grow, but yes, I do not think we are precise enough to go into more clarity there.

Gourav Bhama: Even a rough range will be difficult like high teens, that kind of thing, but okay, I understand the lumpy nature of the business itself.

Saharsh Davuluri: Yes. It is not that we do not know we just do not want to share.

Gourav Bhama: No, that is understandable. Thank you for the opportunity. That is all. Last one, in terms of I saw that there is another, in our pipeline we have supported one more NDA and 9 IND filings. If some sort of visibility like some color on that particular product, the NDA filing is it something meaningful we are expecting, by when are we expecting that particular product to come up?

Sajeev Medikonda: I think, Gourav, in that case, I think it is still something which is small and I think it is something which we will have more clarity because I think, again, we work with some of these biotech companies where their expectation may be a little I think it is difficult for us to judge, so we are just waiting for things to pan out before we are able, we can comment significantly on that.

Gourav Bhama: Understood. That is all from my side. Thank you.

Moderator: Our next question is from Prateek Shrivastava of Nivesh Wisdom.

Prateek Shrivastava: Again, thanks for the opportunity. Sir, my question is more related to all the new usage of AI in the drug discovery. So, the thesis is that the AI raises the number of candidates that in entering the clinic and it pushes the bottleneck more on the development and manufacturing and that possibly benefits the Indian CDMO that is the thesis. I have actually want to hear from you that what is your thesis because I directly want to hear from you, so what do you see as such, is AI more sort of, I would say, a tailwind for you or is it like a more headwind for you because, it also sort of takes away some of the differentiation, the Chinese players, so what do you see and are you in touch with any of these new AI native biotechs or large pharma AI bio programs, are you in touch with them and what is your thoughts on that, Sir?

Saharsh Davuluri: It is an interesting question. I am not sure if I have a lot of insight to contribute, but I will just share a little bit of what I think and Sajeev, if you have anything to add, please do that. We have come across a few AI-driven discovery companies. I think even very recently I met a Company where the CEO is AI guy from Google and his entire team is only AI people they have hardly a few CMC experts and they are a complete, fully focused drug discovery Company and everything including IND filing they are doing it using AI, so there is not a lot of human, I think even second-level review is being done by AI. Now, for us as a Company, we see as a development-focused player, as a Company that focuses more on IND onwards, as you know we are not in the discovery services and therefore we are not really in that space of pre-IND we do not see a direct threat of AI taking away our work because most of our work is actual work that goes into generating material or designing and demonstrating a process that generates material and that is something that we at least for the foreseeable future do not see AI taking away. Obviously as a Company that is trying to embrace AI we are going through our own AI journey on how do we become more efficient, etc. I think the only correlation I can draw is that as I mentioned in our opening remarks we are seeing a very high flow of RFPs, but is that attributable to AI powered candidates moving faster into the clinic I do not have any concrete evidence to say that. It just seems like it is a combination of China plus one, a combination of maybe favorable funding, India being seen in favorable light. I think these factors at play more than AI alone, but I do not know, Sajeev, you have anything to add?

Sajeev Medikonda: Yes. So, I think Prateek, as Saharsh was saying, that we are more involved in this stage from IND onwards, and if we look at a lot of the work which these AI companies are doing are more at a discovery stage and I think that is definitely it should act as a tailwind for us, but when it comes to what it should help in terms of where we believe AI could also be used more is probably in, say, clinical trial design, but the one limiting factor will always be that clinical trials are in human beings, and there is a particular time that we need to give for it. So I think that is one factor and also, I think us being able to gear up the number of projects which are likely to come our way is also something that we are increasingly looking at and trying to model even in terms of how do we plan for the future.

Prateek Shrivastava: Yes, Sir. I also see that, that probably the bottleneck could become more in the development and commercial molecule, but also one more thing follow up to this, but let us say AI produces more candidates, but the failure rates would be higher does that mean that you will have more developmental revenue but not necessarily more commercial molecules How do you think about that mix, Sir?

Saharsh Davuluri: Yes, I think if we have more candidates coming out as a result of that we would have more developmental revenue for sure. I think strategically, does that benefit us? I am not quite sure because Neuland's core competence is GMP Manufacturing and our ability to produce drugs

for Phase 3 and commercial, so if you are going to see a lot of activity at early stage, but theoretically stuff not moving forward then we do not really see that as a favorable place to be in.

Prateek Shrivastava: Got it, Sir. Thank you. Thank you for your honest answers, Sir and all the best for you in the future.

Moderator: Our next question is from Mr. Mehul Panjuani of 40 Cents.

Mehul Panjuani: Thank you so much for the opportunity. I am new to CDMO companies. My basic question is if you can put in very layman terms why is Neuland's revenue numbers and profits lumpy while we do not see that as a trend in other CDMO players, this is a very high-level observation and I am happy to be wrong and corrected by yourself? That is my first question.

Saharsh Davuluri: I think fair question Mehul. Like, the reason for our lumpiness is that we have a pipeline of molecules where only a handful of molecules contribute disproportionately to our commercial revenue and when we only have a handful of molecules that are contributing to our revenue, and these molecules are of the nature that they are not produced on a continual basis by our customers and therefore, the orders are not necessarily throughout the year. They come across maybe one quarter, 2 quarters, 3 quarters, not across all 4 quarters. They create a sort of a lumpiness, which is also not very easy to predict and I think that is a very simplistic way of explaining why we are lumpy. Why others are not lumpy I do not know if I can answer that question I have to go back and check, but I think all these companies are very unique and they are in different lifecycle stages of their pipeline, so maybe different scale. If you are more in the early stage, discovery services, maybe it is less lumpy. I am not quite sure if I can answer that part, but yes, please go ahead. You said you had another question.

Mehul Panjuani: Yes. So, just follow up on this and I appreciate your answer on lumpiness. So, is there any timeframe like after 12 months or 24 months this lumpiness is, will come down considerably or this will remain as a core of our business?

Saharsh Davuluri: I think it is a great question and I think we have been in this CDMO business for almost 15 years now and I remember even like, maybe the old investors will recall, even like 10 years back we used to see lumpiness, at that time our biggest product used to be Rs.40 Crores a year, and our total CMS business was Rs.100 Crores, so therefore that Rs.40 Crores used to create a lumpy environment for Rs.100 Crores business. Today, fortunately or unfortunately, everything has gone up by 10x, so, the CMS business has grown, but the contributors of the larger size have also increased in size and therefore that lumpiness is continuing. So, to answer your question, lumpiness would go away if the size of the contributors remain the same, but the number of contributors dramatically increased. So let us say I have a handful of contributors. Let us say I only have 3 contributors or 4 contributors that are giving me

majority of my CMS revenue. Assuming that the contribution per molecule does not change, but I have from 3 to 4 this number becomes 30 over the next 5, 10 years. Then for sure you can be assured that the lumpiness would reduce because the spread is smaller. What we find challenging to predict is will we keep finding similar-sized opportunities or will we attract perhaps even larger opportunities and if that happens, then the lumpiness will be there and I do not necessarily see it as a bad thing also because it would be good to have big contributors. Even some of the largest innovator companies like you take Eli Lilly for example, their largest drug contributes to 50, 60% of their revenues. So, sometimes big products do carry a business and they create the opportunity for the businesses to diversify and grow. So the goal is to keep attracting molecules, some of the bigger ones will probably bring in lumpiness, and it is hard for us to indicate that all this lumpiness will go away in 18 months from now.

Mehul Panjuani: Right.

Mehul Panjuani: This is a very small basic question because it was just a follow-up the last one. The one question is that we are expecting FY2027 and FY2028 to be quite robust and FY2026 has also started on a decent note, so, can we say that FY2027 is a inflection year?

Saharsh Davuluri: I guess it is a subjective word I think maybe like I said, 2026 was the year where CMS outgrew GDS, so, in that context, I would say yes, it is an inflection year, but 2027-2028 I think it will just be years of good growth and I think I would not add too much more to that those are subjective, so I would leave it to you to make that interpretation.

Mehul Panjuani: Thank you so much.

Moderator: Our next question is from Dr. Kartik Bane of Bajaj Life.

Kartik Bane: Thank you very much for the question. I want to understand how easy or difficult is it to goof up the peptide manufacturing at the scale at which Neuland does it and, like, in terms of API degradation or amino acid sequence change, how much time would we be able to take to notice it, and how much time would we require to correct it?

Saharsh Davuluri: Yes, it is a good question, Kartik. I think unfortunately it is quite easy to goof up peptide manufacturing and I see a doctor in your name, so I do not know if you are a process chemist or an organic chemist, but what happens is peptide synthesis is considered to be irreversible. In small molecule chemistry if you get an impurity that is not desirable you still have a recourse you can reprocess it, take it back into a solution and figure out a way of getting rid of the impurity. In peptides, many times you might have to junk the entire reactor and if you are talking about these large value peptides then there is a lot at stake. So, precision becomes very important especially as you go into downstream manufacturing of peptides. Neuland has a lot of years under its belt doing peptides process development and peptide synthesis at small

scale. We are now slowly getting into larger scales. Our largest reactor used to be 50 liter SPPS in GMP now we have 500 liters we are looking at 1000 liters and we are going to make APIs. We are not making fragments. We are making fragments, but we will use the fragments for APIs. So, if we take any missteps, especially in the downstream, the challenges will be quite important and therefore we need to fortify ourselves, we need to have the right kind of talent, we need to have the right kind of systems, we need to have the right kind of controls and that is where we will build our core competence.

Dr. Kartik Bane: Thank you.

Moderator: We will take our next question from Shrikant Akolkar of Nuvama.

Shrikant Akolkar: My first question is on the R&D center that you all opened up. Would it be possible to talk about it like what kind of new modalities you are working

at the moment and the potential inflection point for those modalities to become commercial?

Saharsh Davuluri: Right now, the R&D center is going to be current capabilities, which is peptides and small molecules, but what will be different is not in terms of platforms so we are not really going to do, say, oligonucleotides or ADCs or HPAPIs, which are all newer modalities compared to what we have. That is not the immediate plan, but the plan is to be able to do the small molecules and peptides a lot more effectively because this will be a process development center. We are not going be doing med chem, we are not going to be just doing route scouting we will be doing process design and what will make this center very effective is that it will be integrated, so we can be doing process engineering, quality by design, flow chemistry and integrated development that can actually generate even small volumes of API from this facility. Earlier, we would have to do process design in the R&D facility and then take it to one of our 3 manufacturing sites and find a pilot plant and produce material there, but this will enable us to not only design the process using more modern instrumentation and equipment, but we will also be able to use the same facility for generating material which can go into experimentation at larger scale. So that creates a very strong value offering for our customers because they often find it very convenient if companies can do everything integrated in a paperless, highly automated environment, which is what this will do. The platform addition, which is, okay, adding HPAPIs or adding oligos, etc., I think those are things that will follow up later because again, as a Company, we have mentioned that we are now hyper-focused on ramping up our small molecule peptide capabilities first before we start getting into other areas. So, the focus remains, but the ability to deliver value will get amplified because of this new facility.

Shrikant Akolkar: Understood. Last question is on the staff cost so where Q2 staff cost had substantially moved up I understand that possibly will be for the peptide unit, but now, is this the base that we should work on or there will be further additions going forward?

G. V. Bhardwaj: Certainly, there will be certain additions in terms of our headcount to cater one in the regular R&D but also on a longer note there will be additions not only at the R&D center, but also at the manufacturing site for the peptides or other APIs.

Shrikant Akolkar: Understood. Thank you so much for answering my questions.

Moderator: We will take our next question from Ritika Agarwal of Value Quest.

Ritika Agarwal: Thank you for taking my question. My question is a follow-up on the earlier answer that you gave that we are mostly on the downstream part of peptide process would that be correct, wanted to understand that we have heard a few of the players talking about creating an integrated platform on for peptides, which is upstream as well as purification and otherwise which is downstream as well, so could you help us understand how we should place Neuland in the peptide frame, why only downstream and why not integrated, or if there is anything otherwise?

Saharsh Davuluri: Ritika. See, I think what we were saying is that Neuland is focused on making the complete peptide API and that is why there was the emphasis, it was Karan's question about why column, why Lio, which is all part of the downstream equipment. Having said that I do want to clarify that we also make the upstream. So, for us, the idea is not to say we will only do downstream. In fact, we will do the fragments and then we will do the crude, and then we will do the purification and then we will isolate the final peptide API that is the capability we offer to clients and where Neuland stands out, Ritika, is not only our ability to offer the equipment that is needed to make these peptides, but also the scientific talent to design the process to make this peptide. In many of the peptide projects that Neuland has in our portfolio today are projects which have started as process design projects when we never even had manufacturing facility. So we were doing the peptide sequencing and design of the sequence in small scale, we were making grams of the peptide and because our clients were really satisfied with the process we designed, now they are committing to Neuland to become a manufacturer of these peptides. So, point number one is that we want to make the whole peptide does not mean we want to make only the downstream of the peptide, so I hope that part is clear. I think with regards to integrated peptide, I am not quite sure what your understanding of that is. See, ultimately for us, we want to be able to create value as an API maker. We do not necessarily see ourself as someone who wants to make everything associated with peptides like, see, peptides have so many components. You have these amino acids, unnatural amino acids. You have resins, you have then the fragments and then the crude, etc. I think we will have to play to our strengths, which is our ability to design

processes, our ability to manufacture API, our ability to do GMP. Where those strengths are valuable, those are the components that we will make. Where the strengths are not valuable we will probably not make those components. So, there is no strategic intent that everything associated with the peptide has to be made, but making fragments is a core part of peptide making and that is something that we will do and it will be a capability that we intend to capitalize on.

Ritika Agarwal: Sure. Understood. Thanks for the explanation. Second question was on capex part in one of our press releases we came out saying we are doing the second module for peptide what kind of capex would the second module involve and what is our capex guidance for the next three years?

Saharsh Davuluri: I think capex guidance for the next three years, we mentioned approximately I think around 1700 Crores, 1800 Crores is what we had indicated, which is a broad number. We keep revisiting that number. I think Kakinada brings in certain factor over there, and then there are other things that are at play. With regards to Module 2 investment, I think we have not really crystallized on what exactly that configuration is. I think that would be the goal for us to finalize and move forward in the next 3 to 6 months. I think once we have that number we will let you know, but I think so far we spent maybe around Rs.250 Crores just for Module 1, so you can probably do some approximate math.

Ritika Agarwal: Understood. Thank you so much for answering.

Moderator: Our next question is from Sajal Kapoor of Antifragile Thinking.

Sajal Kapoor: Thank you for the opportunity again. Saharsh, your answer to Mehul was really a scaling law. So 10 years ago, your largest molecule was 40 Crores out of 100 Crores CMS business today everything is roughly 10 times bigger, but the ratio has not really moved and that, of course, looks like self-similarity in the sense that the lumpiness is growing with the business rather than averaging away and this is not a defect or a flaw, it is called Geoffrey West's scaling law, nothing else and it may actually be the signature of a business that grows through a few large hits, so, the question that I have is, are you scaling primarily by adding more molecules or by making the individual molecules bigger and is the number of new meaningful contributors increasing faster than the size of the existing ones?

Saharsh Davuluri: Thanks, Sajal. I think the question you asked, is the number of new molecules increasing faster than the size of the existing molecules? Did I correct, did I paraphrase you correctly?

Sajal Kapoor: No, exactly that. Yes, absolutely.

Saharsh Davuluri: I think it is a good question. I have to go back and check on this. I will explain the intent, and I do not want to seem like I have the exact answer. The intent is to add more molecules. The intent is to increase the basket, but we have obviously been a lot more selective today than we were 10 years ago. We used to even do like generic CDMO like some guy would come and say he needs some generic API to be done exclusively for him and we would pitch for that business, but today we do not even get into those discussions. So I think there is a certain level of screening that comes in. The pedigree of the clients has changed. Today there is a lot of big pharma in the conversations. I mentioned this earlier, I hardly used to see 100 Crores molecule until five years ago. Today I see numerous 100 Crores molecules. We have even seen 1000 Crores molecules. So, the point I was telling Mehul was that as the business has scaled, the size of these large opportunities has also increased almost in proportion and therefore it seems like we are kind of stuck with the lumpiness, but having said that, the intent of the organization is to break away and add more and more projects I think that is why we are creating the span. The idea of having our three manufacturing sites together, Unit I, Unit II, Unit III are 60 acres, and the facility in Kakinada alone is 134 acres. So, the intent is to be able to create a wider span so you are able to take on more molecules. Unfortunately, in our business you are not able to foresee whether a project I am going to get today will be a 40 Crores molecule or a 400 Crores molecule and therefore, there is a certain uncertainty, which also creates a little bit of a challenge for us in answering the question that Mehul posed or what you said, so does it make sense?

Sajal Kapoor: Yes, it does Sir. Just to clarify on the Kakinada, you said 132 acres I think we also have the first right of refusal on the additional 60 odd acre right?

Saharsh Davuluri: Yes.

Sajal Kapoor: If necessary or if required depending on the business growth plans we can go up to close to 200 acres?

Saharsh Davuluri: Yes and the idea is to be rather get into a commitment right now, we thought we were able to negotiate something, so, right now what we have committed to is 134, but yes, it could be 200 over the next two years.

Sajal Kapoor: Perfect. That is all. That is all from my side. Thank you so much.

Moderator: Our next question is from Chetan Kiyal, a retail investor. Please go ahead. Chetan, you may go ahead with your question..

Chetan Kiyal: Thanks for the opportunity. I am a retail investor. I have been associated for Neuland from long time. Still it is difficult for me to understand the business and all technicalities, but I believe whatever you are doing is best and best of luck for the future, whatever is coming for

Neuland in long term, but by now, I can understand that business is lumpy, the word that it can go through various cycles. So, from my end, just a smaller question like what we see as a vision for Neuland in coming 5 to 10 years, which we can rely on as a retail investor, without going through very technical depth and all?

Saharsh Davuluri: Thank you for your question. I think what you can expect Neuland is to continue on this focused journey of being CDMO that is really focused on human health. CDMO that will really keep building on unique technologies and will be highly customer-obsessed. I think that is the way we are looking at it. You will also expect Neuland to be agile, to move with the needs of the customer, so we do not position ourself as a large volume player or a small volume player or a mid volume player, but see ourself as someone who can really kind of evolve with the molecule and I think with that way we also see that there is a snowball effect in terms of the work we have been doing. I think if you followed some of the conversations we have been having earlier, I think today we are attracting far more larger opportunities than we did earlier which is also a testimony that as a Company we are able to attract more exciting opportunities and therefore, as long as we are able to stay focused and execute well, which is what we have been doing, we will keep adding more molecules and that should give good returns to all investors. I think my only personal caution to retail investors is that ultimately our business has a certain level of opacity because we do not disclose which molecule is doing well, etc., so when there is a poor quarter there might be a certain stress that is created as to why is this quarter so bad? For which we might not be able to answer as transparently as an FMCG Company or a branded Company and therefore, retail investors who have the appetite to be able to manage that kind of uncertainty I would definitely recommend looking at Neuland as a long-term investor, but that is just my personal advice, but yes, thank you for the comments and it is good to know that you are a long-term investor.

Chetan Kiyal: Thank you and best wishes, Sir.

Moderator: We take our last question from Mitesh Shah, an Individual Investor.

Mitesh Shah: Thanks for taking my question. I think this will be a lumpy, but I can understand about that you have given good return to the investors. I just have a one macro level question about the peptide. I think I heard about the peptide most of the time with the Neuland, but now post the GLP-1, I think so I heard the peptide manufacturing increasing, manufacturing from almost all the CDMO players, including not only in India across the world, do you think so that suddenly most of the companies are interested to be manufacturing of the peptide, and that would be easy process I heard about that it would not be that easy process so what is your call that it would be oversupply in a few years of time or it would be not that the case?

Saharsh Davuluri: I think it is a good question. I think in terms of peptides, yes, you are absolutely right. I think there is a lot of talk around peptides especially last few years since the GLP-1 has exploded.

See, this global data that I was talking about which where I had mentioned earlier that we found that there are 1000 peptides, synthetic peptides today between IND and commercial that is the number of synthetic peptides that are there. The same number in January 2025 it was only 500, so the world of drug discovery and development is also changing. More and more peptides are coming into the mainstream because peptides are considered to be natural molecules. They are friendly therapeutics unlike small molecules which are considered to be chemicals and it is always preferred if you can deliver a therapy through a peptide and therefore, there is a lot of energy focus from innovator companies to develop peptides so therefore, it is natural that peptide CDMO demand has gone up, but nothing goes lock in step there is always going to be some overcapacity because of the euphoria created because of these GLP-1s that euphoria creates excess capacity. There will be some testing and then again there will be a correction and I think that happens in any thriving industry and I expect the same with peptides as well. I believe the players who will stick out are players who are very focused, players who have the ability to do process development. Lot of players who are just putting in reactors and expecting customers to come and do the technology transfer, I believe that they may face more challenges because the moment that customer goes away they only are sitting with equipment and not necessarily capabilities, but if you have strong R&D capabilities in peptides, then you are also able to cater to these other 1000 molecules. The goal of our investments is always to cater to those 1000 peptide drugs. It is never to cater to one weight loss drug or to this one next GLP-1 it is to cater to a diverse portfolio of molecules so that there will be some success that we can get and in that way, if you look at India, in aggregate, I think we still have very less capacity if you ask me, so I do not think there is overcapacity, at least in India. Maybe there is overcapacity in China that is what I have been told, but, I think India, it is not just Neuland. I think all these companies we all need to invest in peptides. That is my personal take.

Mitesh Shah: True, Sir, but if it would be overcapacity in China that would be impacting for global including India as well right?

Saharsh Davuluri: Yes and therefore, the point I made earlier that there will be some pains because of overcapacity, etc., it is there. I think my comment with regards to, is there overcapacity in India? Absolutely not because for small molecules, the kind of capacity we have in India for CDMO we do not have that kind of capacity when it comes to peptides.

Mitesh Shah: Sir, we have enough talent in India that a sudden surge of the peptide demand would be filled by the talent available in India or it will be an issue?

Saharsh Davuluri: I do not think we do. I think it is a challenge. Not for CDMO. I think we have talent for generic, but not for CDMO.

Mitesh Shah: Got it and just the last question about that how long you can go on the peptide on the chain-wise it would be a small chain of peptide you are manufacturing or?

Saharsh Davuluri: We have done 40 plus amino acids so far.

Mitesh Shah: Okay. Got it. Thanks. Thanks a lot, and all the best.

Moderator: I now hand over the floor back to the management for closing comments. Over to you, Sir.

Sajeev Medikonda: Once again, we would like to thank everyone for your interest and for your questions. I think in case you have anything further, please reach out to Runjhun Jain of EY. Wishing you all a good evening and also Happy Diwali. Thank you.

Moderator: Thank you. Ladies and gentlemen, on behalf of the leadership team, I would like to thank you for your time and your continued interest in Neuland Laboratories Limited. Should you have any follow-up queries that were not addressed, feel free to reach out to the investor relations team. Thank you all for your participation. Goodbye.

(This document has been edited to improve readability)