



“Alivus Life Sciences Limited
Q1 FY '26 Earnings Conference Call”
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Moderator: Ladies and gentlemen, good day, and welcome to Alivus Life Sciences Limited Q1 FY '26 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 this conference call, please signal an operator by pressing star then zero on your touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Ms. Soumi Rao, Alivus Life Sciences Limited. Thank you, and over to you, ma'am.

Soumi Rao: Good morning, everyone. I welcome you all to the earnings call of Alivus Life Sciences Limited for the quarter ended June 30, 2025. From Alivus Life Sciences, we have with us Dr. Yasir Rawjee, our MD and CEO and Mr. Tushar Mistry, our CFO. Our Board has approved the results for the quarter ended June 30, 2025. We have released the same to the Stock Exchanges and updated it on our website. Please note, that the recording and transcript of this call will be available on the website of the company.

Now I'd like to draw your attention to the fact that some of the information shared as part of this call, especially information with respect to our plans and strategies may contain certain forward-looking statements that involve risks and uncertainties. These statements are based on current expectations, forecasts and assumptions that are subject to risks, which could cause actual results to differ materially from these statements depending upon the economic conditions, government policies and other incidental factors.

Such statements should not be regarded by recipients as a substitute of their own judgment. The company undertakes no obligation to update or revise any forward-looking statements. Our actual results may differ materially from those expressed in or implied by these forward-looking statements.

With that, I invite Dr. Yasir Rawjee to say a few words. Thank you, and over to you Dr.

Yasir Rawjee: Thank you, Soumi. Good morning to everyone, and welcome to our first quarter earnings call. I appreciate you all joining us on early Saturday morning to discuss our results. Before we delve into the company's performance for the quarter, let me walk you through the broader industry landscape that is shaping our business environment.

The global industry, the global pharma industry is witnessing stable growth, supported by increasing global health care needs, surge in chronic diseases and advancements in biologics and personalized medicine. Regulatory bodies are also expediting approvals, particularly for critical therapies. At the same time, the industry is facing headwinds from pricing pressure, patent expiries, evolving compliance norms and geopolitical risks. Strengthening supply chain resilience is becoming essential for long-term sustainability.

With this, let me turn your attention to our performance for the quarter. We reported revenues of INR602 crores, which is a Y-o-Y growth of 2.2%. This was primarily driven by our non-GPL business, which grew 14.5% Y-o-Y and 4.1% Q-o-Q, supported by successful new launches. However, this growth was offset by a 22% Y-o-Y decline in our GPL business owing to inventory rationalization by GPL. This consequently impacted our generic API business, which saw a consolidated moderate growth of 3% Y-o-Y and degrowth of 7.1% Q-o-Q.

Geographically regions like India, Europe, emerging markets, LatAm and Japan contributed to the revenue growth. Moving on to our profits for the quarter. Our gross margin for the quarter was 55.1%, up 400 basis points Y-o-Y, driven by rationalized input cost and leveraged operational efficiency.

Our EBITDA margin for the quarter was 30.1%, up 210 basis points. Our EBITDA growth was 9.9% Y-o-Y. Our CDMO business remained subdued during the quarter. Validation batches for the fifth project have commenced. The commercialization is expected in H2. We anticipate a broader ramp-up across all CDMO projects during H2.

I am pleased to share that our Dahej facility has received the EIR from the US FDA with an NAI classification following a routine inspection conducted from 26th to 30th of May of this year. I would also like to reiterate that our Ankleshwar facility received its EIR earlier this year after successfully concluding a routine GMP inspection in late January.

Now this has been a subject of discussion in many calls in the past, where our facilities have not been audited for almost 6 years. And in this last 6 months, we've had both our facilities, our large facilities inspected by US FDA and we've had successful outcomes of both those inspections.

So with respect to Solapur, Solapur facility is expected to begin in Q4 of this year. Our pipeline remains robust with over 569 DMF and CEP filings globally, as on June 30th. The high-potent API portfolio remains on the development path, with 26 products in the active grid, representing market size of \$61 billion TAM, total addressable market. Of these, nine products are validated, three products are in advanced stages of development, and the remaining 14 products are progressing through lab development stages.

Looking ahead, we maintain our earlier guidance of mid-teens volume growth for FY '26. However, due to pricing pressures, revenue growth is expected to remain in the high single digits. We anticipate stronger performance in the second half of the year, supported by a recovery in the GPL business and the ramp-up of all CDMO projects. We would like to reiterate that margins will continue to be in the 28% to 30% band in the foreseeable future.

With this, I now turn the floor to our CFO, Tushar Mistry, who will walk you through a detailed financial performance for the quarter.

Tushar Mistry: Thank you, Dr. Yasir. Good morning, everyone. Welcome to our Q1 FY '26 earnings call. I would like to briefly touch upon the key performance highlights for the quarter ended 30th June 2025, before opening the floor for questions-and-answers.

For Q1 FY '26, revenue from operations stood at INR602 crores, a growth of 2.2% year-on-year. Gross profit for the quarter was at INR332 crores, up 10.2% year-on-year. Gross margins for the quarter stood at 55.1%, which is well within our guidance range.

EBITDA for the quarter was at INR181 crores, up 9.9% year-on-year. EBITDA margin for the quarter was 30.1%, up 210 basis points year-on-year, driven by better gross margins. This is on the higher side of our given guidance. Profit after tax for the quarter stood at INR122 crores with PAT margins coming at 20.2%. Chronic therapies contributed 70% to the top line in Q1 FY '26. CVS and CNS therapies continue to lead the growth during the quarter. R&D expenditure for Q1 FY '26 was at INR21 crores, which was 3.5% of our sales.

On the balance sheet and cash flow movement, speaking of capital expenditure. Capex for the quarter was INR52 crores. Capex guidance, we have a capex approval from the Board of INR600 crores including carryover of INR190 crores from FY '25. We continue to remain a net debt-free company and I'm happy to inform that we have generated strong cash flow from operations of INR100 crores in Q1 FY '26 with cash and cash equivalent of INR660 crores on the books as of 30 June 2025.

In conclusion, we remain optimistic about our growth prospects, supported by strong demand trends, the addition of new capacity and a robust order book. With that, let us open the floor for Q&A.

Moderator: The first question is from the line of Ahmed Madha from Unifi Capital.

Ahmed Madha: Yes. Good morning, doctor. First -- I have three questions. First, to start with, on Solapur, you mentioned around the Q4 timeline for the capex. How do you see the product filing from this facility coming up in the next year or so? And when can it sort of start contributing to the top line? Can you give a broad guideline on the timing for the next year or two?

Yasir Rawjee: Do you want to finish all your questions? Or this is it.

Ahmed Madha: Okay. Yes. This is first. Second, on the business mix between the Glenmark, non-Glenmark, you spoke about it coming back in the second half. So, I'm just trying to understand if you are, when you are guiding for a high single-digit number for the full year, are you assuming the Glenmark business to be flat or a slight decline?

Because we haven't seen such a blip in the last eight, 10 quarters. So, just to understand how you are thinking, the growth rates between both these businesses, Glenmark, non-Glenmark. And lastly, a very small question on the numbers. So, I see opex is up materially while the top line growth is 2%. I think opex is up some 14%. Is there anything material to take note of? Yes, that's it.

Yasir Rawjee: Okay. Solapur will come online in Q4. We'll have to file products probably in the first half of next year to trigger inspections. But we do have a plan for Solapur to do some ROW business. So, it's not as if we'll capitalize and then there won't be any business done out of Solapur. We plan to start ROW business from Solapur in first half of next year.

Coming to the GPL, non-GPL, I'm not sure what you meant by the blip here, okay? But look, I mean, the reality is that our business overall, right, is not a quarter-on-quarter business. Let's understand that, right? There is waviness in the demand pattern from GPL. We expect that GPL business will also grow, okay? And so, we are pretty confident that, this high single-digit growth overall that we are forecasting is very likely to happen, okay? With respect to the opex going up, I mean, Tushar will take that.

Tushar Mistry: Yes. So, there is no exceptional item on the opex front. In fact, it is in line with, if you look at our Q4 numbers also last year, it is in line with that. It's a normal growth that we have seen in our opex.

Moderator: The next question is from the line of Tarang Agrawal from Old Bridge.

Tarang Agrawal: Hi, team. Good morning. Sir, just a couple of things on your Glenmark business. I mean, I understand that we can't look at this business on a Q-on-Q basis, but if overall on a year-on-year basis, if you were to see this business, last two years, three years, we've seen this business not growing materially. So, is that the new normal that this part of your portfolio, probably it's logical to see it growing at maybe 4%, 5% on a year-on-year basis? how should we look at this, the Glenmark business?

Yasir Rawjee: Tarang, it is lumpy, okay. And there is growth, and we've also highlighted the fact that there is a contractual obligation in place, okay, for that GPL business. So, we are pretty secure in that sense, right, due to that. But overall, I mean, they have a pretty good business globally and we do supply to GPL for their global market. So, I'm not particularly concerned about this quarter being lower than what we normally see, right?

Coming to the entire year, it's difficult to say. But when you look at last year, I mean, it was okay, right? The GPL business grew reasonably, I mean, mid-single digits. So, I think, yes, it could be between mid-to-high single digits, but difficult to say, I mean, at this point.

Tarang Agrawal: Okay. The second question is on your pipeline. If I look at your HP API pipeline, it's been moving up reasonably well. I just wanted to see, given the last two years, the kind of investments that you've done in basically adding molecules to your grid, how are you seeing them getting active in the front end? I mean, have commercial supplies started for any of these molecules? And from a timeline perspective, is this the timeline that you had always baked in, in terms of these molecules coming to fore or there has been a slight delay in terms of commercial activation of these molecules?

Yasir Rawjee: See, we have, of the 26 high-potent products, right? 12 already have got firm customer interest and that's why we are validating. Otherwise, we wouldn't be validating in the plant. So, there is firm

customer interest and this customer interest comes from across the geographies. So, with respect to their commercialization, that all is timed by the patent expiries.

So, we should see commercial activity on our onco pipeline, on our high-potent pipeline from late FY '27, okay, as the patents in some early markets start expiring. And then the remaining 14 products that are progressing in the lab, there is significant customer interest in those as well. But yes, we have not generated R&D revenue from those as yet.

Tarang Agrawal: Got it. Got it. And I noticed that this -- you're in advanced stages of adding one more iron sucrose molecule. If you could comment something on it?

Yasir Rawjee: Yes. So, that's going pretty well. We have another one about to get filed, an iron complex molecule, right? And we've got very significant customer interest for that as well. We've got a total of three, but we are actively considering two more to put in the grid. So, that's again a pipeline that will become pretty significant in the near future.

Tarang Agrawal: Okay. And from a FY '26 advantage, how are you looking at capex, sir?

Yasir Rawjee: So capex, see, Tarang, there is an overflow from last year of INR190 crores. And we hope to start our R&D project this year as well. So, that plus Solapur coming to completion, as well as two big brownfield projects both in Ankleshwar and Dehej also have to complete. So, when you put it all together, we expect to spend about INR600 crores with the INR190 crores overflow.

Tarang Agrawal: Got it. So, that plan remains, I mean, this is what you've communicated in Q4 as well. So, that is status quo. That remains FY '26, correct?

Yasir Rawjee: That's right.

Moderator: The next question is from the line of Bala Murali Krishna from Oman investment Advisors.

Bala Murali Krishna: So, in case of CDMO, even if the first project is commercialized, so, what kind of run rate we can expect? I think maybe we can hit INR50 crores per quarter. Is the estimate correct or is there any chance for further room?

Yasir Rawjee: Could you please come closer to the mic and repeat your question, Bala?

Bala Murali Krishna: Yes. Sure. Just a minute. So, I'm asking you about particular CDMO business. So, now we have four projects running and we have an average of INR40 crores run rate in three quarters. So, even if the fifth project is commercialized, so, by that time, maybe we can have numbers like INR50 crores per quarter or there is some more room also for improvement. And any other -- do you expect any other projects to commercialize in this year after the fifth project?

- Yasir Rawjee:** Okay. So, we have another two projects that are in the pipeline. But these five projects by H2 should all be commercial, okay. And with regard to whether we will clock INR50 crores per quarter, that's a very strong possibility.
- Bala Murali Krishna:** Okay. So, regarding capacity addition, so, this year we are going to add around 40% of the margin. So, it's -- the revenue potential is proportional to the capacity addition or like reactor capacity addition or do we see any incremental revenue compared to current capacity?
- Yasir Rawjee:** See, not immediately, okay? Because Solapur is starting off. That will be a large capacity. But a good portion of that capacity is for backward integration. But like I said earlier that we are going to start ROW business or rather move ROW business to Solapur. So, yes, Solapur will contribute to revenue.
- But it obviously won't be at the level that we get on a per kiloliter from, let's say, Ankleshwar or from Dahej for that matter. So, I mean, it will kick in but it will take some time to stay -- to bring it to the same level. So we do expect that our FATR will drop a little bit. But that's okay. That's a very normal thing, right? .
- Bala Murali Krishna:** Okay. But this Ankleshwar and Dahej, 260 KL will contribute to the same level or it is also -- It is not a backward integration?
- Yasir Rawjee:** No. Ankleshwar and Dahej is not backward integration. See, Dahej is largely being done to facilitate our fourth project on CDMO because that demand is going up very quickly. Okay. So we hope to be able to complete Dahej in time to be able to facilitate that business. Okay.
- Ankleshwar has got so many products. And like I said and we said in our communication that we do have launches. We did have launches in the last 2 quarters, and we do have upcoming new molecules that we'll have to service. So Ankleshwar is largely for that. But yes, in terms of revenue, we expect revenue should -- revenue should come through.
- Bala Murali Krishna:** Lastly, sir, I understood that next year you're guiding for high-single-digit, but all this in FY '27 if all these capacities are running. So what kind of numbers you may be expecting in FY '27-'28 elemental to FY '26?
- Yasir Rawjee:** You asked for FY '26?
- Bala Murali Krishna:** '27, '28.
- Yasir Rawjee:** I think we'll at least maintain that at least, okay? There is upside potential, okay? Because like I said, a lot of the pipeline is maturing in FY '27, '28, I even said even on onco, right? Onco will start giving us in the second half of FY '27, we'll start seeing even our onco pipeline going commercial.
- Moderator:** The next question is from the line of Bharat Sheth from Quest Investment Advisors Private Limited.

Bharat Sheth: Hi. Good morning, sir and thanks for the opportunity. Sir, if we have to think from say 5 years perspective like CDMO is a bigger opportunity in emerging. So how do we plan to, one is that you are doing physical capex that will help us giving a more sustainable supply to the customer, but developing a pipeline.

And second thing on investment in developing a new capability like ADC or biotech? And third, on the process efficiency for flow chemistry investment. So how should we think and when do you think we are and -- how is the second thing our acceptance as a CDMO player by our customer.

Yasir Rawjee: Okay. Let me go a step by step, okay? So let's talk about CDMO 5 years, right?

Bharat Sheth: Okay.

Yasir Rawjee: I mean, we will be a very credible player in the CDMO space in 5 years, simply because we are already seeing that momentum. I just mentioned that apart from these five commercial projects, we have two now an active discussion and very likely that we will get those two projects. So if we keep that kind of hit rate, then we are talking of a pretty significant number of projects in 5 years' time.

Now with respect to ADC biotech, see, these are all good things. But we feel that the chemistry platform is something that will give us a faster payback, on our investment if we continue to stay with the chemistry platform, and leverage that to build an even bigger portfolio. Now this, again, has a benefit for our CDMO business as well.

We don't anticipate getting into any kind of biologic platform at this point. Because the number of opportunities that are available on the chemistry side are also very significant. I mean to flow chemistry, we've had some very good -- in fact, one of our flow chemistry projects is now commercial. And we've made a huge impact in terms of cost. And so our confidence level in leveraging flow chemistry is very high.

We currently have three projects that are in the pipeline in flow chemistry. Now what this does is that it gives us a very strong position in some key molecules. And it will impact our bottom line very significantly. And as we gain more market share because of our cost position, we are likely to impact top line as well. So the thrust will be in flow chemistry. And that could just continue.

Bharat Sheth: Okay. So what kind of investment that may require, again, I mean, building a normal, I mean, process chemistry vis-à-vis flow chemistry and how do we -- for next 3 years, we have a strategy to invest?

Yasir Rawjee: So the good news, Bharat, is that in flow chemistry, the investment typically is about one-third of what we do in batch.

Bharat Sheth: Okay.

Yasir Rawjee: So again, the payback on that investment is also very quick, okay! This is the experience. Now I'm saying one-third, but it could be even half depending 50%, but I don't expect it to be more than 50%

of a batch on the commercial side. In R&D, we have to make investments, but then those are small. And then once you made the investment in R&D and build a broad platform for flow chemistry equipment, then that keeps getting used for newer projects as well.

Yasir Rawjee: Okay. So it's investment light also, I mean, it's not investment heavy flow chemistry.

Bharat Sheth: Okay. So, when do we see at the end of the third year now since you saw a kind of a benefit that you expect? Maybe a broader contour, if you can -- that is one. And second, now with backward integration of Solapur, what kind of benefit that we expect in '27?

Yasir Rawjee: So like I said, it would be initially a bottom-line improvement because of backward integration and because of the use of this technology. But top line benefit would take a little longer to come as we gain more and more market share. So that's where we believe that will get benefited. In 3 years, definitely, we'll see a very significant benefit.

Bharat Sheth: And last question if you...

Moderator: Sorry to interrupt Mr. Bharat, may we request you return to the question for a follow-up question.

Bharat Sheth: Sure.

Moderator: Thank you. The next question is from the line of Nitin Agarwal from DAM Capital.

Nitin Agarwal: Good morning. It's been about almost 1.5 years now since the ownership change happened. You had time to rethink through how you're looking to grow the business and the opportunities, which have been there. I mean, is there a value been communicating the same since -- for the last few quarters.

Is there any dramatic cost changes, any improved opportunity spaces that you begin to see that can impact our business as we go forward. I mean, is there any -- what I really need to ask is, is there a major difference in the way you're looking at the business as we're probably 6 months back in terms of opportunity?

Yasir Rawjee: Definitely, Nitin. I mean look, we spoke about this. But I mean, the thing is we've got to look at different things and many things so we make a jump right into something because then we are committed to that. So we've been evaluating quite a few things. And our net cash position is pretty strong. So you can expect that we would be making some very deep plans depending on our evaluation and how we move forward. It takes a little bit of time because, again, I said -- the one thing that you've got to understand about Alivus, right, is that we've got a very deep pipeline.

I mean 165 very good molecules. And we've seen with the launches, the kind of response that we are getting. And we want to be able to not leave that as is, but in fact, use that pipeline that we've built over these last 5, 6 years to leverage other things. I referred to CDMO as one area, but that's only one area, okay? So we are in the process of evaluating what we need to get into apart from what we already do. So it's work in progress. I can't say much more.

- Nitin Agarwal:** Okay. And now just clearly trying to put some quantification around whatever the way you're thinking. Two things on a, how big do you think CDMO gets as a business for you in like 5 years -- 3 to 5 years as a proportion of business?
- Yasir Rawjee:** So if you recall, right, we had said that today, it's about 6%, 7%, but we'll take it to around 12% to 15%, in 4 to 5 years' time. And again, that confidence level is very high because we are seeing more and more projects getting added. And the potential is pretty strong, right, both in life cycle as well as specialty.
- Nitin Agarwal:** Okay. And on the non-CDMO part of the business, I think this is a business where, relatively speaking, you had more -- I mean, CDMO is lumpy. And once the contracts are signed, it's going to take off. But the non-CDMO part of the business, most of the peers also have been struggling with the generic API growth in general. Structurally, I mean, is this a double-digit growth business? Or this is a single-digit growth business on a more sustained basis? How should we think about this business?
- Yasir Rawjee:** With our pipeline, it's definitely double-digit in the future. I mean, of course, there's the GPL element. And they don't have that many launches as we are seeing in other markets. And with our non-GPL business. But that's okay. I mean we did the seeding, we did the work, that work continues in terms of seeding. And so we're seeing that already. I mean you've seen the last 3 quarters of Q3, Q4 last year, plus this year, we've had a good number of new introductions, okay, into the various geographies. So API business with us is, again, due to a fairly deep pipeline and a good geographic spread is likely to continue, pretty strong.
- Nitin Agarwal:** So I mean just to recap, obviously, the CDMO will take its own course as the contract had signed up, and I presume with the confidence that you are indicating the scale and size of some of these newer contracts should probably begin to inch up as you go forward, right?
- Yasir Rawjee:** Yes. Yes.
- Nitin Agarwal:** And you still believe that API, despite the GPL sort of scale down scale up that keeps happening, it's a double-digit growth business on a sustained basis for us, at least for the foreseeable future.
- Yasir Rawjee:** Yes.
- Nitin Agarwal:** Okay. Perfect. Thank you. And the margins should be in the same 28%, 30% bracket around that, that we should be -- that's a model that we should continue.
- Yasir Rawjee:** We lost PLI, right? But we are still delivering those margins. So I mean that should give you some idea, right, in terms of the basically, the strength as well as the sustainability.
- Moderator:** The next question is from the line of Avnish Burman from Vaikarya.

- Avnish Burman:** Yeah. Hi. Good morning, team. Just one very quick question from my side. I just wanted a little bit color on the CDMO business. Doctor, you mentioned in the last call that it's more of a life cycle management business. Can you just talk a little bit more about that? I mean, all your customers' innovators, and when you say life cycle management, are they approaching you more for cost reduction? Or are they approaching you when the patents have expired, I mean, just a little bit more color on that side, please?
- Yasir Rawjee:** So yes, you're right. I mean in lifecycle, the cost reduction element plays a big role. And obviously, we've got to demonstrate sustainability as well because typically, these lifecycle management projects come from the innovator who is moving from an in-house API to a different API. So that element is important. Cost is important. Sustainability is important. I think we've proven that to our customers.
- Project 4, project 5 are both lifecycle projects, and they are significant in terms of their value. But like I said, there are two more active projects that we are discussing and those are specialty and lifecycle. So we are seeing reasonable traction even on the specialty side. And the good thing about specialty is they do get a period of exclusivity. And so margins can be very good, okay, in that space. But we are open to both.
- The thing with specialty is that we need to do a fair amount of optimization on the molecule, okay? Whether it's polymer, whether it's a salt, whether it's a certain very narrow particle size range to help the formulator. So there are all kinds of nuances that have to be built into the API in order to facilitate a good formulation that is being targeted.
- Avnish Burman:** Okay. And typically, innovator takes decision from moving from in-source to, let's say, a CDMO partner is when the patent expires or there could be other reasons also.
- Yasir Rawjee:** See, that depends on how conservative they are. I mean like we have this Japanese innovator. This is project number 5, right? They took that call only after the patent expired. But then there are other innovators who come in earlier and sort of want to be ready with the variation approvals, site additions and stuff, right, just before generic launch.
- Avnish Burman:** Makes sense. Last question on the API side, if you can just give a little bit colour on the product concentration. I mean top five products would be what percentage of the revenue?
- Yasir Rawjee:** 35%, I'm making a guess, an educated guess, okay. We're not very dependent.
- Avnish Burman:** No, no, I just wanted a ballpark figure. That's fine. It works.
- Moderator:** The next question is from the line of Tarang Agrawal from Old Bridge.
- Tarang Agrawal:** Hi. Good morning. Just a follow-up. You made a comment in your initial address that the gross margin expansion is a function of lower pricing of raw materials? And at the same time, some operational efficiency is getting created. So if you could just elaborate a little bit more on that.

Second, it does seem like there is pressure in the API market, but simultaneously, the pricing in the intermediates and raw material market is also very favourable for you. So does that mean that you're deploying more to your inventory? How are you looking at it?

Yasir Rawjee: I think, Tarang, you answered your own question really. So there is a benefit okay, on the raw material side, but it's not all -- it doesn't all come from there. Like we said, we've had launches very good margins on the launches. And operationally also, we've been working on newer infrastructure. All that is now kicking in, in terms of better energy efficiency, better realization on second gen processes and so on. So all this has come together. And that's why we were able to see 55% gross margins

Tarang Agrawal: Got it. And second, I mean when we see the non-GPL business growing by 14%, that would have probably been a function of almost 20%, 25% volume growth in that business, correct? Would that be the right way to look at it?

Yasir Rawjee: It's actually 18% volume growth.

Tarang Agrawal: In the non-GPL business, is it?

Yasir Rawjee: Yes. So there hasn't been that much erosion.

Tarang Agrawal: Okay. Would it be because of the market dynamics or would it be because of you having launched new products?

Yasir Rawjee: Mix.

Moderator: The next question is from the line of Ketan Chheda, Individual Investor.

Ketan Chheda: Hi. Good morning. Thank you for the opportunity. Doctor, you've talked about how upbeat you are about the CDMO business. And you also mentioned that on a sustained basis, we can be a double-digit growing business as well. So from a slightly mid- to longer-term perspective, say, like 5 years. I just want to get a sense not really a guidance, but a probabilistic scenario, that is there a possibility that we can probably cross INR1,000 crores mark on a net profit basis, say, 5 or 6 years out. Is that a possibility?

Yasir Rawjee: On a consolidated level?

Ketan Chheda: Yes, yes.

Yasir Rawjee: Yes, I think so. I mean.

Yasir Rawjee: CDMO.

Yasir Rawjee: CDMO, no.

Ketan Chheda: No, no, on an overall basis, total.

Yasir Rawjee: We are already 700 plus, right? I mean, yes, comfortably, I think we can do it. Not a problem. I mean, look, again, right, Ketan, we are focused on the pipeline, okay? It's a pipeline that addresses global market needs. And then there is a level of value addition that we are bringing. Through CDMO, and there are other things that we are also looking at to create further value on the pipeline that we have. So I'm pretty confident that we'll be able to achieve that. Again, I'm not giving guidance, okay? Like you said, you're not asking.

Ketan Chheda: Yes. I know I am not asking for guidance, but just a probabilistic scenario, yes.

Yasir Rawjee: I mean, this is for you as well as for everyone else on the call.

Ketan Chheda: Sure, sure. Absolutely. And just one clarification. You mentioned some figure about net profit. I didn't get that right. I mean, March '25 net profit, what I see is that we are about 486, 485 kind of net profit. You said 700 or something?

Tushar Mistry: EBITDA, not the net profit.

Ketan Chheda: No, I was talking about net profit, sorry, when I asked for the INR1,000 number, INR1,000 crore number, I was saying from a net profit basis, not EBITDA.

Yasir Rawjee: Double in 5 years.

Ketan Chheda: Kind of, yes, approximately, yes.

Yasir Rawjee: We could be close, but let's see.

Ketan Chheda: Okay. Okay. Sure, sure. And the other question I had is, in the past call, you mentioned about something like you're probably looking at some new avenues, and you alluded that in some commentary a few minutes ago as well. Is there a possibility that we can also do some kind of an acquisition of a company where we see a lot of potential because we -- I think our balance sheet probably could support that? Is that a possibility?

Yasir Rawjee: Yes. Inorganic is definitely on the table.

Ketan Chheda: Okay, okay. All right. Thank you, Doctor. Wish you all the best.

Yasir Rawjee: Thank you.

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

Alankar Garude: Hi. Good morning, everyone. Sir you mentioned about commercial launches for the high potent API segment starting from late FY '27. Similarly, can you comment on the broad time line of the one filed iron complex and the two in advanced stages of development?

Yasir Rawjee: Alankar, one is being reviewed, okay? I mean, one is under review. But you know with these molecules, right, there's a lot of back and forth that both the ANDA player and us are sort of right now addressing with FDA. So I mean, on the optimistic side, I would say 6 months. But it could even go beyond that. I mean, there's a lot of characterization work that FDA comes back and asks for.

Similarly, when I said the other two projects are also moving pretty in a good direction. The customer interest here is very high. Again, it relates to the API characteristics. So while there are different APIs out there, our API in both these projects is an early formulation development work is extremely amenable for the right kind of formulation in terms of -- basically in terms of bioequivalence, okay? I mean, at the end of the day, it's all about bioequivalence that U.S. FDA cares about. So -- and obviously, you have to demonstrate that, right?

So here the traction is good. As far as approvals go, it's basically when the agency comes back and says, okay, you're approved, right? But again, like I said, it's both the ANDA players and us that are working simultaneously to satisfy the queries raised by U.S. FDA.

Alankar Garude: Got it, sir. The second question, when you say inorganic is definitely on the table, can you elaborate on this? Which areas are you looking at? Is it more on the capability side and less on the capacity side? Any color on that would be helpful sir.

Yasir Rawjee: Okay. See capacity, we have enough capacity, I would say, right? Of course, it would be nice to have an additional U.S. FDA site of the Dahej size. Also just to be very safe, with the way the portfolio is growing, right? But really at this point, we've done so much work at both Ankleshwar and Dahej to build capacity that we have a good 2-year runway there.

So we would not be looking in the capacity space for sure. Unless something really cheap came along. I mean, but we'd rather spend our money to sort of enhance the platform and create business opportunities that are beyond the current type of opportunities that we chase. I mean, that's all the colour I can give you.

Alankar Garude: Thank you, Yasir . Thank you and all the best.

Yasir Rawjee: Thank you.

Moderator: Thank you. The next question is from the line of Abhishek from Padmaja Investments. Please go ahead.

Abhishek: Yes. Sir, my question one is I'm looking at your presentation. So I see fixed asset turnover like in FY '22, it was 3.4 and now it is like in the 2.5 range. Is there a reason like why it is coming down? And

what is the number that we can assume going forward? That's my question one. And question two is, can you comment on the new platforms you are planning to build?. I remember you mentioning that was like in the past two conference calls. Yeah, that's it. I'm done with my questions.

Tushar Mistry:

Yes. Hi, Abhishek. The FATR, we have been saying in the past that while we were a part of Glenmark Pharma, the investments were not very high, and that was the reason why the FATR was that high. Now we have got into the investment phase and building capacities for our future growth. And we have been guiding to this kind of FATR going forward.

And till the time we will remain in that investment phase, you will see this FATR -- slight pressure on the FATR going forward as well. But we don't expect that to go below two at any given point of time. We are trying to manage our capex in that manner.

Abhishek:

So there is currently flat in capacity, that will be used going forward because you have a strong pipeline, that's the reason why it is down as of now. Is my understanding, right?

Yasir Rawjee:

No, no, no. I mean look at the industry, we are still at the top of the table in terms of our asset utilization. I mean, just compare us with anyone. Most companies are hovering around 2 or less than that, even the top companies in our area - in the API business, right, between 1.5 and 2. So I mean, you will have to give it to us that we've been pretty efficient in utilization of capex and because of our capacities are utilized pretty efficiently.

Abhishek:

I'm just trying to understand the reason for the fall sir. I do get that it is high. And I look at Divis and Laurus pretty high they end up. I'm trying to understand the gauge...

Yasir Rawjee:

You come back and look at the same 2 companies that you're talking about in terms of asset utilization, right? They are not at 2 also, okay?

Moderator:

Thank you. The next question is from the line of Ketan Chheda, a Retail Investor. Please go ahead.

Ketan Chheda:

Hi. Thanks for the opportunity, again. Doctor, I have a question on the GPL contract. You mentioned there is an obligation from the GPL side. Could you please clarify by when does that obligation end?

Tushar Mistry:

The obligation is for 5 years. We have completed 1 year on that. We still have 4 years as a part of the contract.

Ketan Chheda:

Okay. Thank you so much. Thank you.

Moderator:

Thank you. The next question is from the line of Abhishek from Padmaja Investments. Please go ahead.

Abhishek:

Actually, I didn't get the answer for the second question, sir, like regarding the new platform sector plan.

Yasir Rawjee: Sorry, about that. Yes. So see, with respect to new platforms, right, One thing that we are very clear about, is that we are not going to move away from the chemistry platform. I mean there are good opportunities on the biologicals and stuff. But we'll be going too far away. And then that's like running 2 platforms simultaneously. So that doesn't make sense.

The whole idea is that when you invest money in R&D as well as in on the commercial facilities, you want to be able to have synergy as well. So that it's not a 1 plus 1, 2 game. You want to have 1 plus 1 to be more than 2, okay? That's the way this business works.

And again, it addresses the earlier thing about how much do you sweat your assets. So I mean, we are clear, right, that we want to be able to stay with the chemistry platform, leverage the portfolio that we have built even more. And basically do more with less.

Abhishek: Okay, sir. Thanks.

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

Bharat Sheth: Hi, sir. Thanks for again the opportunity. Earlier, you said this fourth CDMO project that we are running, that is largely is on life cycle management. Is that correct understanding?

Yasir Rawjee: No. The first 2 are specialty, and then the third one is life cycle and next 2 are also life cycle.

Bharat Sheth: Sir, is that fair understanding life cycle management, I mean, this CDMO project is a more stable revenue than the kind of I mean specialty with lumpiness? Or how should we think about it?

Yasir Rawjee: Okay. See what happens in specialty is that they're breaking into the market with something new. So it does take a little bit of time, to stabilize the business. With life cycle, there is already a market that is -- innovator has a market. In fact, they are trying to keep as much of it with lower-cost API.

So there, it's a different. They are trying to basically compete with the generics, right, on the life cycle side. So the sort of outlook on the market is more stable, I would say, on the life cycle part. But on the specialty side, it's a bit lumpy, I do agree. But then the margin profile is very different, okay? To have a significant difference on the margin side, as well in specialty.

Bharat Sheth: Okay. On second side, I mean, so there could be some price pressure, every year will be there for this, the lifecycle management product vis-a-vis speciality. Is that fair understanding? .

Yasir Rawjee: No. I don't necessarily agree there because what happens is usually with both specialty, as well as life cycle, we have longer-term contracts. And we also have built-in clauses for prices, cost escalation and so on, that help us to retain the margin.

Bharat Sheth: Second question, sir, was this pipeline of 5, 6 projects that we are in. So if you can give more colour is how much it could be on the life cycle and how is specialty side?

Yasir Rawjee: So right now, with 5 projects, the first 2 are specialty in the next 3-year life cycle. What was the question, again?

Bharat Sheth: Next, I mean, the projects which are in pipeline.

Yasir Rawjee: For the future pipeline?

Bharat Sheth: Yes.

Yasir Rawjee: So right now, we are engaged in one life cycle. And I mean, the project 6 and 7. It's not yet enough in the bag, okay, by the way. We are in advanced stages. But one is life cycle, one is specialty.

Bharat Sheth: And so how we are developing the capability and what would be our strategy in the CDMO business, how to look at, I mean, the specialty vis-a-vis life cycle? And what will be our effort.

Yasir Rawjee: See, in life cycle, right, there is already dossiers that are filed in all geographies, right, or various geographies. Now the key here is to basically push through regulatory, the variation filing. And that has to be done in terms of the product being similar, the API being similar to the existing API that they use. So basically, we have to mimic the API of the innovator in all ways, especially physical properties become very important. That is one thing you have to do.

But then there is also hand-in-hand with that. What is the faster way to get through our API into their file and then they get the approval. So those are the challenges. Of course, you have to meet cost. I said that earlier. So the cost is done. The other way, you don't get selected also.

Bharat Sheth: Yes. Go ahead sorry.

Yasir Rawjee: And on the specialty side, basically, it's all the customization that they need.

Bharat Sheth: Okay. So what are the major challenges that you see current, I mean in our generic side as well as, I mean, this whole overall major challenge, if you can elaborate.

Yasir Rawjee: Yes. Can you come back and we'll take it, Bharat ji.

Bharat Sheth: Sure. Thank you. Thank you and all the best.

Tushar Mistry: We'll connect separately. There are people on the queue, and we have a shortage of time, sir.

Bharat Sheth: Thank you. Thank you and all the best.

Yasir Rawjee: Thank you.

Moderator: Thank you. The next question is from the line of Harshal Patil from Mirae Asset Capital Markets. Please go ahead.

Harshal Patil: Thank you, sir. Good morning and thanks for the opportunity. Sir, just two clarification required. One, we said the Dahej brownfield project is basically aimed at catering to the CDMO project for largely. So sir, once the brownfield is done, would it take some time to really start the commercial supplies for the project for, or it can be immediately done. I mean just wanted to know if there would be any validations for the brownfield or something like that? Or it can immediately start around?

Yasir Rawjee: No. In this case, it's immediate, Harshal. Because already commercial, we are sort of tight on capacity.

Harshal Patil: Right. Got that, sir. And sir, second thing, just your quality within the CDMO space, we've been talking about life cycle and the export. So just wanted to know in a year or four quarters, is there any seasonality or any demand of the trends from our customers that we're seeing for these five projects? Or it's like it could be depending upon their production schedules. How does that work? Any any market flavour around that?

Yasir Rawjee: I would say it's seasonal. What has happened is that two of our specialty projects, the customers have gone for a new indication for both of them. And those are taking a little bit longer to materialize in terms of having new indications. So this is the challenge. But it will -- I mean, look, I mean there is an established market. They have a good footprint. It's just that the growth that we expected, is not there, right, at this point.

Harshal Patil: Sure, sure.

Yasir Rawjee: It's not going further. That's what I'm saying.

Harshal Patil: Sure. Got that, sir. Got that. So that helps, sir. Thank you, sir. And all the best.

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

Alankar Garude: Sir, one question on R&D. If you look at our R&D in the last 2 years, especially after the change in ownership, it's increased a bit both on an absolute basis as well as a percentage of sales. But if you look at the absolute quantum, maybe INR65 crores in FY '23 was at INR80 crores in FY '25 and maybe INR21 crores as you reported in Q1.

So the question is, is this enough to keep on growing our generics business at a fairly strong pace and at the same time, increase the CDMO contribution to that 12%, 15% in the next 4, 5 years, which

you mentioned? Or do we really need to increase our R&D even further if we have to keep on growing at that pace?

Yasir Rawjee:

It's a very good question, Alankar. I mean on CDMO, we will have to add a little more muscle. But for generic, we are good. In fact, there has been a kind of shift internally in resource allocation for generic where we are doing more backward integration projects and more CIP projects, right, for next-gen processes, while we are continuing to build the pipeline.

So I think there would be a slight uptick in terms of R&D spend, just so that we have enough strength in all these platforms. And the reason why it has gone up is also because of the platforms. Going forward, I mean, I don't think it will exceed 4% to 4.5% of revenue.

Alankar Garude:

Got it, sir. That's helpful. Thank you.

Yasir Rawjee:

Sure.

Moderator:

Thank you. Ladies and gentlemen, due to time constraints, that was the last question for the day. On behalf of Alivus Life Sciences Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.