



“Alivus Life Sciences Limited Q3 FY’26 Conference Call”

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LIMITED
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Moderator: Ladies and gentlemen, good evening and welcome to Alivus Life Sciences Limited Q3 FY'26 conference call.

As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' then '0' on your touchtone phone.

I now hand the conference over to Ms. Soumi Rao from Alivus Life Sciences. Thank you and over to you, Ms. Rao.

Soumi Rao: Good evening, everyone. I welcome you all to the Earnings Call of Alivus Life Sciences Limited for the quarter ended December 31st, 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 December 31st, 2025. We have released it 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 would 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 substitute of their own judgment. The Company undertakes no obligation to update or revise any forward-looking statements or actual results may differ materially from these expressed or implied by these forward-looking statements.

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

Dr. Yasir Rawjee: Thank you, Soumi. Good evening, everyone and welcome to our Q3 FY'26 Earnings Call. Thank you for joining us and I would like to extend my warm New Year wishes to all of you.

Before we discuss the Company's quarterly performance, allow me to outline the broader industry landscape that is influencing our business environment. The global pharma industry continues to evolve amid a dynamic macroeconomic and regulatory environment. Demand remains resilient, supported by an aging population, rising chronic disease prevalence and sustained healthcare spending. We are seeing a gradual pickup across generics, APIs and CDMO services while tighter regulatory scrutiny and supply chain de-risking are reinforcing the need

for quality compliance and reliable partners. While some parts of the market continue to face near-term challenges, the long-term outlook for the pharma industry remains encouraging.

With this, let me draw your attention to our performance for the Quarter and 9-months FY'26:

For Q3, we reported our highest ever revenue of Rs. 673 crores, registering a growth of 14.4% QoQ and 4.8% YoY. Performance during the quarter was strong across the board with business firing on all cylinders. We saw a strong recovery in the CDMO business as new projects began contributing alongside continued momentum from the API generics business in reg markets such as Europe, Japan, LATAM, ROW and India, recording robust performance and contributing meaningfully to overall revenue expansion. As expected, GPL business also saw recovery during the quarter.

Revenues for 9-months stood at Rs. 1,863 crores, registering a growth of 7.2%. More importantly, our non-GPL business grew at 16.1% driven by growth across markets. This reflects the underlying strength of our diversified business across geographies and we expect this to continue its momentum in the overall growth driven by strong demand across all markets.

Moving on to our profits for the quarter:

Our gross margin for the quarter was 58.9%, up 330 bps YoY. Our EBITDA margin for the quarter was 36.4%, up 510 bps YoY, our highest ever reported quarterly margins. Margins improved on the back of new product launches, favorable product mix and enhanced operational efficiencies. I am pleased to share that our CDMO segment has made a strong recovery, delivering an exceptional performance in Q3, with revenue growth of 100% QoQ and 85.3% YoY, in line with our expectations for a second half turnaround. This growth was driven by robust traction in the newer CDMO projects, supported by revenue from the regular CDMO projects. Our expansion initiatives at Solapur, Ankleshwar and Dahej are progressing as planned.

Our pipeline remains robust with 595 DMF and CEP filings globally as of December 31st, 2025. The high potent API portfolio remains on the development path with 27 products in the active grid, representing a total addressable market of \$70 billion. Of these, 9 are validated, 7 are in advanced stages of development and the remaining 11 products are progressing through lab development stages. Going forward, we continue to expect high single-digit revenue growth for FY'26, driven by strong and profitable expansion across our diversified non-GPL segment and the continued ramp-up of CDMO projects. We remain confident in maintaining healthy margins and expected to range between 30%-32% going forward, higher than our earlier guidance of 28% to 30%. This is catalyzed by operational efficiencies and contributions from new product launches, a reflection of the strength and resilience of our business model. So, with this, I now turn the floor to our CFO, Tushar Mistry, who will walk you through our financial performance for the quarter in depth.

Tushar, over to you.

Tushar Mistry:

Good evening, everyone. Welcome to our Q3 FY'26 Earnings Call.

Before we take questions from you all, I would like to highlight the key performance updates for the quarter and 9 months ended 31st December, 2025.

For Q3 FY26, revenue from operations stood at Rs. 673 crores, a growth of 14.4% QoQ and 4.8% year-on-year. Gross profit for the quarter was Rs. 397 crores, up 16.9% quarter-on-quarter and 11.2% year-on-year. Gross margins for the quarter stood at 58.9%, driven by new launches, product mix and operational efficiency. EBITDA for the quarter was at Rs. 245 crores, up 26.5% QOQ and 22.1% year-on-year. EBITDA margin for the quarter was 36.4%, up 340 basis points quarter-on-quarter and 510 basis points year-on-year. These are the highest margins we have delivered to date. PAT for the quarter stood at Rs. 150 crores with PAT margins at 22.3%.

For 9-months FY'26, revenue from operations stood at Rs. 1,863 crores, a growth of 7.2% year-on-year. Gross profit for 9-months was at Rs. 1,067 crores, up 13.6% year-on-year. Gross margins for 9 months stood at Rs. 57.3%. EBITDA for 9 months was at Rs. 620 crores, up 22% year-on-year. EBITDA margin for 9 months was 33.3%, up 400 basis points year-on-year. PAT for 9 months stood at Rs. 402 crores with PAT margins at 21.6%.

Turning to the therapeutic mix:

CVS and CNS continued to lead the growth during the quarter with both therapies contributing 51% to the topline. Chronic therapies contributed 66% to the top line in Q3 FY'26. R&D expenditure for Q3 FY'26 was Rs. 23 crores, which was 3.4% of our sales. For 9 months FY'26, it was Rs. 66 crores, 3.5% of our sales.

On the balance sheet and cash flow movement:

CAPEX for the quarter was Rs. 105 crores and Rs. 218 crores for 9 months. For FY'26, we now guide the CAPEX to be at around Rs. 450 crores compared to our earlier guidance of Rs. 600 crores. The balance of Rs. 150 crores is expected to be deferred to FY'27. We continue to remain a net debt free company with strong free cash flow generation of Rs. 221 crores in 9 months FY'26 and a cash and cash equivalent of Rs. 733 crores on the books as of 31st December 2025.

In closing, we are confident that the continued demand and improved performance in H2FY'26 will help us achieve steady growth for the year.

With that, let us open the floor for Q&A.

Moderator:

Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Pratik Kothari from Unique PMS. Please go ahead.

Pratik Kothari:

Good evening. Sir, one question. if you look at our numbers over the last 2-3-4 years, despite PLI going away, despite R&D spend, which used to be 2.5% of sales, ramping it up to 3.5%-

4%, we still have been able to maintain margins and now we are kind of highlighting that we will be able to even go beyond that. So, this margin differential from what it was 2-3 years back to now is much higher than what is being reported because of these things that are happening below. So, if we just highlight what has changed in terms of our business, what is it that we are doing, what is it that we are intending to do, which is helping with all of this?

Dr. Yasir Rawjee:

So, see, there are three elements here. One is that CDMO has begun to contribute more. There's also launches that are happening across markets and usually newer products tend to get us much higher margins. In the first couple of years, we can expect to see pretty good margins, with newer launches and then it begins to settle down. So, we have had both of them, plus on the operational side as well, we have performed a lot better in terms of both raw material costs as well as the on the operational side. So, all this put together and this is sustainable. The thing is that that's why we feel confident in guiding to a higher margin. So, this is what has done it. Right? I mean, we were also a little bit, you know when PLI went away a couple of years ago, I mean, we were also wondering whether we will be able to bring it back. But we have been able to do that. And it's happened steadily. If you see the last few quarters, right, we have been inching up. And so, that confidence is very high that we can do this and continue the momentum.

Pratik Kothari:

Correct. Lastly, on this capacity. So, in terms of a breakup, it seems there is some delay in this capacity coming up. Also, in Solapur, it seems the capacity that we had planned or guided earlier, it seems to be much lower, be it on the first backward integration or even the phase 1. Can you just highlight what has changed? How is our plan from what we had said earlier to now?

Dr. Yasir Rawjee:

Solapur is a little delayed. It's not going to impact business because, see, more than 80% of our business comes from the reg markets. Okay. And the Ankleshwar, Dahej capacity expansion is well on track and it will deliver and basically give us the runway for at least the next couple of years for the reg markets. So, no challenge there. We have Mohol as well, right, to service the ROW markets and Kurkumbh. So, all that put together puts us in a reasonable position with respect to capacity. Solapur is, delayed by like three months. So, we expect Solapur to start operations by July of this year.

Pratik Kothari:

So, it's not delay. I mean, more like 1st phase we wanted to do about 600 KL. Now we are doing about 450-500 KL. So, even the capacity that we are putting up initially has changed.

Dr. Yasir Rawjee:

Slightly because, see, we as we moved along, right, there's been a fair amount of mapping that has happened. Right? And we have always said that our capacity expansions are going to be calibrated, because there's no point in building too much capacity and not utilizing it. You just create more under-absorption. So, there, we have sort of gone with a reasonable product mapping that has happened already for Solapur. And, as soon as the plant starts in July, we will be able to see a fair amount of utilization of the asset.

Pratik Kothari:

And in your opinion, sir, how long does it take like, for Solapur, you'll start with ROW markets and then gradually shift to regulated markets. So, what would that timeline be?

- Dr. Yasir Rawjee:** See, if we are going to validate products in Solapur this year itself, this calendar year, the idea here is to go for shortage products so that we can trigger an FDA inspection soon. So, there will be quite a bit of validation happening as well in Solapur apart from the ROW markets, servicing the demand from ROW markets. So, it's going to be a kind of dual approach. And hopefully, if we can trigger an inspection in a year's time, then by late FY'28, we should see regulated products happening from Solapur as well.
- Pratik Kothari:** Fair enough. Great. Thank you and all the best, sir.
- Dr. Yasir Rawjee:** Thank you.
- Moderator:** Thank you. The next question is from the line of Ahmed Madha from Unifi Capital. Please go ahead.
- Ahmed Madha:** Good evening and thanks for the opportunity. Just to understand the margin bit a little better, can you elaborate or explain a little granularly, I think in presentation you have mentioned three levers. One is the new launches, second is the CDMO business and third the efficiencies. If you can break it up and explain a little bit better what has been the margin improvement in current quarter and your overall guidance as well?
- Dr. Yasir Rawjee:** So, let's go backwards. When it comes to operational efficiency, that impacts margins pretty much across the board, because it's all common there. When it comes to launches, obviously, it's those particular products that we have launched that are contributing much higher margins. And again, I explained in the last call that we have had launches in Europe, in China, in LATAM and Russia. So, these all these launches have contributed very significantly to the margin. Interestingly, the same products will get as patents expire in Europe as well as North America and so on. So, this sort of runway with the newer products is going to last us for some time. And that's the second lever. With respect to CDMO, we had expected that Project 4 and Project 5 would kick in second half and that's exactly what has happened. So, Project 4 had started off in H1. But the volume pickup has happened much more significantly in H2 and Project 5 has also started kicking in. So, again, this also being sustainable going forward is something that gives us the confidence that we can sort of get to those margin levels pretty comfortably.
- Ahmed Madha:** And when you say efficiencies, is it in terms of yields and raw material costs or is it below the raw material cost line item?
- Dr. Yasir Rawjee:** It's both. So, there's been a fair amount of work on key products that has started giving us that benefit on better yields. So, basically less utilization of raw materials and even on the energy side and basically we are getting lower overheads on the products. So, that has also helped us.
- Ahmed Madha:** And in terms of CAPEX, we explained to the earlier participant regarding how it doesn't impact our growth. So, I mean, with a little bit of delay, a little bit of capacity, sort of fine tuning in terms of how much you'll put, does that sort of risk our growth for next year or we will have

enough capacity and from existing as well as from Ankleshwar, Dahej from July to deliver a decent growth for next year? And if you can also please comment how you see the next year growth based on the launches and the existing products?

Dr. Yasir Rawjee:

The capacity is no longer a limitation. We were in a sort of bind, sometime back about a year, year and a half back when we were running neck-to-neck with the recent brownfield expansions that we have had at Dahej and Ankleshwar and they are going to become operational in the second quarter of next year, both Dahej and Ankleshwar. So, we should be fairly comfortable to service the reg markets. And like I said earlier, both these expansions on the brownfield side should give us a runway of at least another two years comfortably for the reg markets. With Solapur coming in, we have a little more leverage in terms of moving the ROW products into Solapur and that can further free up capacity if necessary. So, capacity is not a challenge anymore. With respect to the growth for next year, again, I am talking in terms of a fair amount of visibility that we have. So, we want to continue to guide to a high single digit growth for next year as well. But certainly the margins will remain in the 30% to 32% range.

Ahmed Madha:

And in terms of CDMO business, the number of projects that we have, is there any more visibility for new projects getting added? Any conversations are at the far end of sort of conclusion or the project addition will be gradual from here on beyond the five we have, I am assuming five?

Dr. Yasir Rawjee:

Yes, so there is good traction on CDMO. Hopefully we will conclude 1 or 2 projects by the end of the middle of the calendar year. So, let's say first quarter, we should conclude. Things are going well. We have even supplied some early quantities to the customer. So, let's see how that goes. Again, because we have focused on the reg markets here for CDMO, there's always that lag time in terms of approval. But to lock in, I am pretty confident that, by first quarter of next year, we should have, we would have brought in one or maybe two projects more into the portfolio.

Ahmed Madha:

Sure. And in terms of pricing environment, has there been any improvement or it continues to be a sort of a significant erosion kind of an environment? And from our portfolio perspective, new launches have done well, but is there sort of a pricing issue industry wide for the sort of a base business existing molecule or has there been any change for this steady state?

Dr. Yasir Rawjee:

I would say it's fairly stable. I mean, on our entire bucket, we are guiding to 4%-4.5% margin erosion. So, it's okay. I mean, we are comfortable. Plus, what happens is we make sure that on those products where we are likely to see a price erosion, we do have the next generation process lined up. So, margins are not going to get impacted as a result of price erosion.

Ahmed Madha:

Sure. And last bookkeeping question. In the presentation and press release, we have free cash flow number. Tushar, if you can please share the operating cash flow number for nine months or Q3 either way?

- Tushar Mistry:** Yes, the operating cash flow is about Rs. 439 crores before CAPEX. So, that's the operating cash flow.
- Ahmed Madha:** Okay. Thank you so much.
- Tushar Mistry:** This is for the nine months that I mentioned.
- Ahmed Madha:** Sure. Got it. Thank you.
- Moderator:** Thank you. The next question is from the line of Yog Rajani from Omega Portfolio Advisors. Please go ahead.
- Yog Rajani:** Hi, thank you for the question. My question mainly had to do with the company's growth plans, given that we have a high level of capability and a lot of cash on the balance sheet. Why is there any reason we aren't willing to be more aggressive either with our organic expansion or inorganic expansion?
- Dr. Yasir Rawjee:** See, organic is pretty well scripted. Okay. In terms of the portfolio buildup, the choice of molecules that we are making, the capacities that we are building up to service the growth in the business through launches, with new launches and so on coming up in the next few years. So, that is pretty much on track. I hear you, right, in terms of the inorganic part. But see, we want to be sure that and even that is well defined within our plans, right, in terms of what kind of where we need to go in terms of inorganic. So, we are looking out. It's not like we have shut our minds to that. We are pretty clear that the right opportunity comes along, we will take the right steps. But obviously, we are not just going to do things willy nilly. I mean, it's hard-earned money and we are going to make sure that it's deployed well.
- Yog Rajani:** Okay, great. My second question had to do with the R&D. As I understand, we will be inaugurating a new R&D facility. So, how are we trying to improve our R&D capabilities over the next few years? If you could share some idea with us, like what would it be like?
- Dr. Yasir Rawjee:** So, there's going to be, well, I won't say improve, but I would say basically add to what we already have, right? We are turning out molecules pretty quickly and also the complexity of molecules that we have is increasing in terms of complexity. So, R&D has been pretty productive, in Alivus. The question, though, is what else can we do? So, we are looking in a very focused way at flow chemistry, because it has already yielded good commercial benefit. And that effort is going to increase substantially. There's also opportunities on the green chemistry side, which we are working. And, I keep talking about API plus from time-to-time. So, in order to do more there, we are adding things like particle engineering and so on, to benefit what we already have for more enhanced formulations. So, all that put together is going to make our R&D even much more productive and give us more in terms of new business opportunities.

- Yog Rajani:** Okay, fair enough. My final question is about the risks we are facing. So, if you could comment more on the risks we are facing, either in terms of, say, getting more CDMO contracts, or in general, the market environment, if there's any comment you could give us about that?
- Dr. Yasir Rawjee:** Well, in terms of risks, the geopolitical situation is always something that we worry about, because we have an international business, and we don't know what part of the world will heat up when, you know how things are sort of happening everywhere. So, given the fact that we have a global business, something could get impacted somewhere. But then that's also a positive, because no particular area in the world is going to impact us very badly, right? I mean, this we have seen during COVID, we saw this even before COVID, because we were well diversified across geographies, we were able to manage small hits here and there. So, risks are not quantifiable at this point. Things seem to be going pretty well. But like I said, the geopolitical environment is extremely fragile right now. So, we don't know.
- Yog Rajani:** My question was more with regards to the CDMO business. Do we see any threats to the CDMO business, because it's still a young business, which we plan to grow? So, are there any risks you are facing in getting more contracts towards the business? Or is everything all right on that front?
- Dr. Yasir Rawjee:** No, in fact, things have only become better. Because having left the Glenmark umbrella, we are no longer looked at as a kind of part of a big pharma group, that innovators do eye with a bit of suspicion. Although even when we were under the Glenmark umbrella, we were operating independently. And there was no real interference or any kind of thing from the parent. But still, it's a perception, right? People tend to look at you differently. So, now that that is also gone, we are looked at more favorably by many more companies. So, I don't see a risk. Again, we basically are banking on the strength of a very strong process development platform, which we can customize for our customers. Along with the well-oiled manufacturing platform, again, with all approvals from major regulatory agencies.
- Yog Rajani:** Okay. Thank you so much.
- Dr. Yasir Rawjee:** Welcome.
- Moderator:** Thank you. The next question is from the line of Krishnendu Saha from Quantum Asset Management. Please go ahead.
- Krishnendu Saha:** Hi, thanks for answering the question. When you speak about implementing flow chemistry, are we going to implement it all across? What percentage or what portion of our total manufacturing is involved in flow chemistry? So, we could generate more cost savings or efficiency in that manner?
- Dr. Yasir Rawjee:** So, we are targeting the bigger volume, APIs that we have. And let me be clear that not everything is amenable to flow. So, in a batch process, many times we do in-situ conversion and we have like three chemical conversions happening in one batch. That is not amenable to flow.

But where you have long reaction time, a lot of energy consumption, excessive reagents that are being used, there's a good possibility to use flow to optimize, both material usage as well as energy usage. So, there it can have a big impact. We have had a very successful product that we brought down the cost to 40% of what it was, in batch.

Krishnendu Saha: Like the new products, revenue wise, could we implement more flow chemistry in the future or this is only going to be limited to some, very limited portion of the revenue in the future? So, let's put it this way. Your high-potency APIs, which will come for 2028-29 onwards, will there be flow chemistry or will there be batch?

Dr. Yasir Rawjee: No. High-potency doesn't have the volumes to basically enable flow. High-potency is done in very small reactors.

Krishnendu Saha: I see. I get that.

Dr. Yasir Rawjee: To make small batches and that's more efficient in terms of utilization of the platform. Flow would be used for higher volumes, basically.

Krishnendu Saha: Okay, I get it. So, there's some scope to implement for the flow chemistry in the future molecules. Just on the turnover side, we are 2.3 right now. And we have the best margins in the last 4-5 years and the lowest asset turnover turn. So, is there any scope of improving the assets turn in the future or is it going to be staying like that to 2.3?

Tushar Mistry: Krishnan, this 2.3 is on the basis of our existing asset base, which has historical assets. Now you would have seen that we are currently in the CAPEX cycle. When you are generally into an investment phase, this asset turnover will come down. We expect it to come down in the short term. But eventually, we want to stabilize this at around 2 levels.

Krishnendu Saha: And still maintain the same margin. Even if it comes down, we are still maintaining the same margin.

Tushar Mistry: Yes.

Krishnendu Saha: And the last question from my side. Do we get into the future plan to get into innovation, drug research, pure innovation, novel molecules, something like that? Do we have anything on the thought process?

Dr. Yasir Rawjee: No.

Krishnendu Saha: Thank you for your time, sir.

Dr. Yasir Rawjee: Thank you.

Moderator: Thank you. The next question is from the line of Karthik Swaminathan from Catamaran. Please go ahead.

Karthik Swaminathan: Good evening, sir, and thank you for taking my question. So, my question is that if you look at the reactor capacity expansion plan, you are going from 1,400 kiloliters to 2,100 kiloliters over the next year, which is like almost a 50% increase in reactor capacity. But when you are talking about revenue growth, you are only talking about a high single digit growth. I just want to understand why is there such a large difference? I mean, obviously, I understand price erosion and other components will be there. But if you could help us, why such a big difference in terms of capacity and revenue growth?

Dr. Yasir Rawjee: So, 400 KL is just backward integration, right? And this we are doing to protect the larger, molecules that bring in like Rs. 40 crores-Rs. 50 crores of revenue for molecules. So, we have got to protect those businesses from a supply security perspective, as well as from a margin protection. So, that will be deployed for BI. And then the remaining is basically for the growth. And like you said, there's price erosion. So, the volume growth is much higher than what we are seeing. Okay, so that should cover us up. Plus, we have been operating at 90% capacity. And that can be pretty risky because if new business comes along, then we don't have any capacity, any kind of surge capacity to be able to grab that business.

Karthik Swaminathan: Thank you, sir.

Dr. Yasir Rawjee: Sure.

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

Nitin Agarwal: Thanks for the question, sir. On your input cost pressures, because we have a bit of sourcing which happen from China. So, there is this whole talk around anti-involution and general inflation in intermediate pricing coming from China. Are you beginning to see any of that? And how do you see that plays out for the business?

Dr. Yasir Rawjee: So, far it's been okay. The only place where we are likely to see a little bit of challenge is that the Renminbi is strengthening against the dollar and then the Rupee is weakening against the dollar. So, we have a kind of a double hit over there. But so far, we have got contracts, that go anywhere from six months to a little more. So, I expect that we should hold steady.

Nitin Agarwal: So, per se, you don't see any challenges on their account as far as this?

Dr. Yasir Rawjee: No. Nothing very serious. I mean, and then see, even if it is China, we have got a pretty well distributed supply base for most of our molecules. So, unlikely that people can hold it on our head, basically. it's not like a one vendor or a two-vendor situation. We have got a pretty well spread out supply base and we have worked actively to bring a fair amount of that back to India.

- Nitin Agarwal:** Okay, so how would our sourcing from China change over the last 2-3 years roughly?
- Dr. Yasir Rawjee:** Nitin, it has not changed because we are getting benefited by lower prices or better prices, I should say. But then from a supply security perspective, if for whatever reason we would, if we ended up getting lesser supplies from China, we do have alternate suppliers out of India.
- Nitin Agarwal:** Got it. And sir on the CDMO business, the contract that we have right now, what could be the peak sort of annual potential or revenue potential for those contracts at peak? All of these five put together.
- Dr. Yasir Rawjee:** So, it's a bit of a spread here. We had basically said that project four and five together would get us around 12 million. Right. It could be a little higher also based on what we are seeing now. But we expect that to top out around second half of the next financial year.
- Nitin Agarwal:** Okay.
- Dr. Yasir Rawjee:** And then we were basically doing a sort of run rate of around 140ish crores, on the earlier three projects. So, that might move a little bit, but not much. So, we expect to be in a reasonably good place with respect to these five projects on CDMO. And we will have to look at it as a bundle kind of number because there is some waviness like I explained in the first three projects.
- Nitin Agarwal:** And for FY'28, you believe that some more incremental wins that we typically get next year should begin to contribute.
- Dr. Yasir Rawjee:** Yes. So, we like I said, we are in advanced stages for two more projects. And hopefully we will know by Q1 of next financial year of FY'27, right, whether we have locked those projects.
- Nitin Agarwal:** And in general, with your conversations, I mean, are there the contracts that you are discussing with your various sort of partners? Is the size and scale of these contracts bigger than what we typically done or it's kind of in the same ballpark?
- Dr. Yasir Rawjee:** No, it's the same ballpark. We are looking at anywhere from like 4 million to 6 million, kind of opportunity.
- Nitin Agarwal:** And last one on the on the generic API business. So, you've talked about a late double digit growth from a broad guidance perspective. But over the next 2-3 years, where do you think positive surprises can come from on this part of the business? I mean, if things play out?
- Dr. Yasir Rawjee:** On the generics?
- Nitin Agarwal:** On the generics.
- Dr. Yasir Rawjee:** There's a fair amount of molecules that are going off patent now in the next couple of years. And we have lined up across geographies, right? A reasonable part of our portfolio will start playing

out. I can't give you numbers like hard numbers, because frankly, I don't even sort of, we have a good estimate that we will be seeing a pretty good string of launches coming up in the next couple of years and going forward as well.

Nitin Agarwal:

And last one on the on the current set of products that we already have commercialized. I mean, do you see reasonable volume expansion opportunities there or this part of the current sort of commercialized portfolio is largely tapped out from a volume perspective?

Dr. Yasir Rawjee:

So, let's split that into two parts. There's a very mature portfolio, which is pretty stable in terms of volume. That's not growing like a lot, right? Maybe like 2%-3% growth over there. But then there are there are the newer launches where there are patent expiries that are still not exhausted. We have seen patent expiries that are coming up in the next two years or so. So, that portfolio will grow pretty well. Plus, because it's all post approval changes now, we are also looking into getting alternate source opportunities for that portfolio. So, that's where that's where on the so-called regular portfolio, we will see much better growth.

Nitin Agarwal:

And when do you see the high potency portfolio sort of becoming meaningful for the business?

Dr. Yasir Rawjee:

So, that will start from late FY'28.

Nitin Agarwal:

Okay. Thank you, sir. Best of luck.

Dr. Yasir Rawjee:

Sure.

Moderator:

Thank you. The next question is from the line of Tarang from Old Bridge. Please go ahead.

Tarang:

Hi, sir. Good evening. Congratulations for a very strong set of numbers. A couple of questions, sir. One, on the raw material side, what percentage of our procurement are we solely dependent on China for?

Dr. Yasir Rawjee:

Less than 10%. But even there, you said solely dependent, right? So, it's less than 10%. But even there, it's a distributed base. So, again, there's no single vendor dependence here.

Tarang:

Okay. Second, how is the raw material environment? Has it gone down further or it continues to be at the level that you witnessed in the earlier quarters?

Dr. Yasir Rawjee:

No, it's okay. But again, here and there you do see a few products moving. But then we also get benefited on other products. So, it's just going in one direction. So, when you look at our portfolio, in general we are able to balance it out. The other thing that we are actively looking at is with Solapur coming online by July, we would be bringing in certain volumes, where there are significant margins that we are leaving to the vendor. So, we have mapped out those. And as soon as Solapur starts, we will be shifting a good percentage of that into Solapur.

- Tarang:** Got it. Second sir, on the end product side, through the earlier question, for your mature molecules, what is the kind of market share that you have now across the geographies that you are servicing?
- Dr. Yasir Rawjee:** For which ones Tarang?
- Tarang:** Across molecules.
- Dr. Yasir Rawjee:** It ranges. It goes anywhere from sort of global market share of 10% to 35%, depends on the molecule.
- Tarang:** And for your upcoming or so to say relatively newer molecules, how would that number be? Number one. Number two, there is also an inherent expectation that the market for those molecules will also expire, correct?
- Dr. Yasir Rawjee:** Yes, because patents are going to be expiring over time, in different markets, it's not like all the patents expire on day one.
- Tarang:** Right. And the idea there is from a filing perspective, that's the number that you want to get to. Basically, it continues the flywheel of following your mature molecules. Correct?
- Dr. Yasir Rawjee:** See, filings are done. We have already filed or rather our customers have filed with our API, but they can't launch until the patents expire, right? So, we are already locked in. I mean, we are able to confidently predict that, okay, if we have got two customers in a particular market, let's say Brazil, and they are good front end players, then we can assume a market share of around 20% or 25%. The basis that we are seeing growth will come from those molecules.
- Tarang:** And last, sir, for nine months, FY'26, what would be the volume growth for the business?
- Dr. Yasir Rawjee:** Nine months, FY'26, sir. We will just tell you in a second.
- Tushar Mistry:** On the overall growth, you can take about 5% price erosion, Tarang. The balance is the volume growth.
- Tarang:** Got it. Wonderful, sir. Thank you. All the best.
- Dr. Yasir Rawjee:** Sure.
- Moderator:** Thank you. The next question is from the line of Ankit Minocha from Adezi Ventures family office. Please go ahead.
- Ankit Minocha:** Good evening. Just on continuation of the previous participant's question regarding volume versus pricing growth. So, how does pricing mechanics usually work across your portfolio? Like how much of the percentage pricing is based on spot pricing versus where do you have more

stable contract prices there? Question basically coming from the point that if you are guiding for high single digit revenue growth, then what is the kind of estimations that you are taking for pricing erosion or in-depth growth? And there kind of, could we see surprises there?

Dr. Yasir Rawjee:

So, I will answer it in two parts. So, there is the regulated market, where we are locked in with our customers. And there the market itself does not see significant erosion at the front end. So, we have a pretty good comfort level in terms of prices staying relatively stable in those markets. But then there are the ROW markets where changes to API vendor can be pretty quick. And so there we have to be more agile and essentially be ready to match with respect to pricing. So, that's one way of looking at it. Another way of looking at it is that we have a mature, very mature set of molecules where it's five years plus in the market. Now, there things are pretty much set. So, even the competitive intensity is defined. So, we know we have so many players, we have so much market share and our customers have so much market share across, whichever geography they are operating. So, there we don't see, major sort of pricing shocks. But it's there. there is a mild erosion there as well because customers are customers and they will ask. But it's not very, very big. It's a very low kind of margin price erosion. And then, of course, we have the newer molecules where for a period of maybe 18 months to 24 months we have stability. But then as the market starts becoming more intense, and more players start entering, then we see erosion. But then we have the next generation process also sorted out. So, that then comes in and sort of. So, we see erosion there, to answer the question. And but we can manage at least the margin side.

Ankit Minocha:

Okay. So, when you say single digit, high single digit revenue growth for next year, then do you build in any base cases for what is the volume and what is the pricing breakup of that growth?

Dr. Yasir Rawjee:

So, Tushar just answered the question right where we said that we are factoring in 5% price erosion. And so, with a high single digit, we obviously should be geared up for about 15% to 17% of volume growth.

Ankit Minocha:

Understood. That's clear. Thanks. My second question is with regard to the capacity expansion from 1400 to 2100 odd KL. So, assuming, currently I believe you mentioned that your capacity utilization levels were above 90%. What are you envisaging as the utilization levels in FY'27? And assuming we kind of reach those utilization levels, what would be the EBITDA margin profile of the business once those levels are reached? What could be the margin profile here?

Dr. Yasir Rawjee:

I am not sure I got it. But let me try. You want to repeat what you just said, Ankit?

Ankit Minocha:

Basically after you are completed with your capacity expansion, what would be the EBITDA margin profile that you are looking at for the business? And what are the capacity utilization levels that you are looking at for FY'27?

Dr. Yasir Rawjee:

Okay, so capacity utilization should be between 85 and 90 when the new capacity comes online. Because as I said that look, 400 KL is getting utilized for backward integration. And then the

remaining is available for the regular CDMO and API business. We will operate at around 85%, which was like I said, it gives us the surge capacity. The EBITDA margins are driven by a mix. And yes, maybe we have some under absorption. But compared to, our overall profitability, I don't think that under absorption is going to significantly hit our EBITDA.

Ankit Minocha: Okay, sure. Thanks. And finally, on the CDMO side, I mean, could you explain a little bit? Like how does it integrate with the core API, generic API business? What is it that the CDMO operations entail and overall the growth profile and the margin profile of this business versus your current business?

Dr. Yasir Rawjee: So, it's a shared capacity, both with respect to the R&D platform as well as the manufacturing platform. And the margin profile is certainly better on CDMO. It's more stable. Once we lock in these projects, we don't see that much erosion to begin with. And then there's always room for improvement, on the efficiency side. So, then that only helps us more with respect to the margins. It's better than generic, no doubt about it. That's clear.

Ankit Minocha: Okay, sure. Thank you and all the best.

Moderator: Thank you. The next question is from the line of Sunil Kothari from Unique PMS. Please go ahead.

Sunil Kothari: Thank you, sir, for the opportunity. So, this is not related to this quarterly numbers. My broad, I want to understand is, you have so many years of experience with working with a different mindset or a growth oriented promoter or maybe manager from Matrix to Glenmark and now Nirma. And with this solid balance sheet, so many years of changes very well absorbed from Glenmark dependency to non-Glenmark business or the way you are investing in R&D. So, can we as an investor, maybe over 3-5 years, should we expect a better growth rate from you? I mean, lowering your conservatism, investing little, little bit more, maybe aggression. Anything you like to share thoughts on with now solid foundation on base? Would you like to go a little faster or this is the way we will be working?

Dr. Yasir Rawjee: Okay, see, there are 2-3 things here. The industry has changed so much in 20 years. I would say it has had at least three avatars in the last 20 years. So, you can't firstly apply the same logic that would be applied even 5 years ago. So, those days are gone, where you had Para-IVs and all that and you had big bonanza products. Where are those? Those are not there. And so what happens is our job is to read the market, the way it's shaping up. That's one thing. Second is that I think we have done a reasonably good job of reading the market, because if you look at our non-GPL business, it is growing well. The non-GPL business is growing well. So, 70% or 70% to 75% of our business is growing in the mid-teens or the low to mid-teens, because we made the right choices, firstly in terms of portfolio.

Sunil Kothari: True.

- Dr. Yasir Rawjee:** Then in terms of, the geographic expansion that we went on about 5-6 years ago that we went on, we seeded projects all over the world, that have definitely contributed. Now, with respect to getting aggressive, I think I answered that. Yes, we are sitting on cash. And hopefully that pile will grow a little more as we go along. But whatever choices we make beyond the organic growth has to fit in well with our overall plan of how we grow and how the overall pharma market is evolving. That that will definitely be front and center in terms of how we think of, so growth will come. But to us, what is more important, as a philosophy is maintain a high quality business, because if you keep a high quality business, you generate cash. The moment you go for a low margin business, volume business, your working capital sucks out whatever money you make, whatever cash you make, and then you are stuck. So, we don't want to go there. We have been fairly right in terms of getting, reading the market. And so this will, I feel this is a sort of path that will keep us on a good track in terms of generating cash. And then at the appropriate time, when we find the right kind of things, we will make the right investments and move forward. And hopefully, that aggressive growth that you are talking about may come at that time.
- Sunil Kothari:** Great. Thanks a lot for clarification. Thank you.
- Dr. Yasir Rawjee:** Sure. Thank you.
- Moderator:** Thank you. The next question is from the line of Smith Gala from RSPN Ventures. Please go ahead.
- Smith Gala:** Thank you for the opportunity. So, most of my questions of mine have been answered. Just want to understand a bit longer term picture when the full capacity of Solapur also goes live after what we are utilizing for the backward integration. So, maybe from FY'28-'29, can we start seeing double digit growth?
- Dr. Yasir Rawjee:** Yes, I am sure we will.
- Smith Gala:** Sure. Thank you.
- Dr. Yasir Rawjee:** Thank you.
- Moderator:** Thank you. The next question is from the line of Sajal Kapoor from Antifragile Thinking. Please go ahead.
- Sajal Kapoor:** Thank you for taking my question. Dr. Rawjee, our CDMO model has long gestation cycles and much smaller deal sizes. It takes significant time to onboard a new project. And even then, the revenue opportunity is limited to 6 to 8 million kind of an annual run rate. In contrast, some of the other Indian CDMOs who offer, fee-for-service model, not the CRO type running on FTE models. I am not talking about those. There are other CDMOs that offer fee-for-service. And they are scaling much faster, targeting individual CDMO molecules of anywhere from 50 million to 100 million annual run rate. Because these are NCEs and they partner with the innovators

early in the cycle from phase 2 and Phase-3 onwards. And that offers, a much higher magnitude as well as visibility of adding more molecules to the pie. So, their funnel size is also larger. I mean, why can't we aim for higher magnitude and faster growth in CDMO, because our scientific talent is also right up there?

Dr. Yasir Rawjee:

Let's put this in some perspective here. How many such \$50 billion to \$100 billion opportunities are fructifying? At least, in our country? Not many. Right? Because the reality is that these are all patented products which big pharma usually likes to keep with themselves. Maybe we could get an intermediate here and that may give us some business. But the reality is that, it is Ireland where they manufacture because Ireland has a 12% tax rate, I believe. And all big pharma companies park their profits there, so they don't take manufacturing out of Ireland. This is the reality. Coming to us in terms of how we are positioned. See, we have got a pretty big portfolio that we can offer and we are offering in terms of lifecycle management, and to the specialty companies and they are seeing traction there. So, you are right. And we also are clear that, we will target those. But with respect to gestation, I think we are doing a pretty reasonable job. I mean, the projects start kicking in commercially within two years of our first discussion. Literally within two years. And this is I am talking full commercial. I mean, we initiated project 5 last November. So, it's been a little over a year now. And we are already seeing that we start seeing traction. So, literally within 18 months to 24 months, we are getting the projects on board. It's \$4 million to \$5 million. It could be a little higher. But then, the projects are fructifying faster. Now, if we do if we play it right with the numbers. Right. We had three projects. Now five. We are likely to get to seven projects in another half year. And there are more in the pipeline. I mean, as we speak, there are at least 7 to 8 projects that are in active discussion. And the confidence level also, like I pointed out earlier, has gone up because we are not in a large pharma, ownership. So, we could get it right. We could get into this game. But I can assure you attrition is very high. And you can count on one hand, how many such \$50 million to \$100 million opportunities are really there in the entire country? So, I don't know. attrition is very high.

Sajal Kapoor:

No, of course, Dr. Rawjee, you know more than anyone in the industry. Attrition is high. But even in case of Phase-3 clinical trial batches, the volumes are as big as 8 million to 10 million. Even before the drug is commercial, on that Ireland thing, so Ireland takes N-1. So, they do the end stage in Ireland to make it tax compliant in that jurisdiction. But coming back to our CDMO strategy, if you go back to the November 2022 investor roadshow that we did, we were very confident that we will double our CDMO by 2025 in that presentation. And that has not happened for a variety of reasons that you have been explaining over the over the quarters. And I think it's a common question from most of the participants or many participants that we want to be seeing a little more aggressive in the growth. And I am sure we will get there. But I think we are slightly behind in the CDMO segment. Otherwise, given the complexity of products that we deal with from particle engineering to flow chemistry, we are right up there and you can compare our capability with anyone in the industry.

- Dr. Yasir Rawjee:** I do agree that from a capability perspective, we have it. It's defining what we take up and what we let go, because, again, it's a cost benefit analysis, in terms of, the big part of our business is the generics business. It's also generating, because of the portfolio, a pretty good growth as well as margins. So, let's see. We will take your suggestion, Sajal, and let's see how, we will take that internally. But I can tell you based on what we have seen right, it's a high-risk game.
- Sajal Kapoor:** Yes, I appreciate that. Thank you so much for all the responses. Very thoughtful. Thank you so much and all the very best.
- Dr. Yasir Rawjee:** Thank you.
- Moderator:** Thank you. The next question is from the line of Tarang from Old Bridge. Please go ahead.
- Tarang:** So, just I mean, continuing on the earlier question. Can you cross utilize your current capacities in case you wish to cater to the innovator for projects which are under development?
- Dr. Yasir Rawjee:** Yes, we can, because, again, we have inspected sites. So, that's not a hurdle at all. Typically that's the first sort of hurdle that you have to clear. And then if you've got good business continuity plans, and we do, so with a fair amount of surge capacity now with Solapur coming on board, we will be able to offer that as well.
- Tarang:** Got it, sir. And just I can't speak for others. But from my vantage, I think so. You've seen reasonable execution on the non-GPL part of the business on a year-on-year basis. And I think on the CDMO business also, it's an interesting niche that you've carved out for yourself. And, we would want you to continue doing this. It's up to the management as to how they want to take forward the trajectory of the business. But I just wanted to bring that clarification. Thank you.
- Dr. Yasir Rawjee:** Thanks.
- Moderator:** Thank you. Ladies and gentlemen, due to paucity of time, that was the last question for today. On behalf of Alivus, I am closing this conference. Thank you for joining us. And you may now disconnect your lines.