



“Piramal Pharma Limited Q3 FY '26 Earnings Conference Call”

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Moderator: Ladies and gentlemen, good morning, and welcome to the Piramal Pharma Limited Q3 FY '26 Earnings Conference Call.

As a reminder, all participants' lines will remain 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 the operator by pressing "*" then "0" on your touch-tone telephone. Please note that this conference is being recorded.

I will now hand the conference over to Mr. Gagan Borana – Head of Investor Relations and Enterprise Risk Management, for opening remarks. Thank you, and over to you, Gagan.

Gagan Borana: Thank you, Ryan. Good morning, everyone. I welcome you all to our post-results Earnings Conference Call to discuss our Q3 FY '26 Results. Our results material has been uploaded on our website, and you may like to download and refer them during our discussion.

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

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

With this, I would like to hand it over to Ms. Nandini Piramal to share her thoughts.

Nandini Piramal: Good day, everyone. And thank you for joining us on our post-results earnings call.

As guided earlier, FY '26 has been a muted year for the Company, impacted by the inventory destocking in one of our large on-patent commercial products by the customer, slower early-stage order inflows in H1 FY '26 due to an inconsistent recovery in U.S. biopharma funding, and regulatory delays in the inhalation anesthesia for the ex-U.S. markets from the Digwal facility.

However, recently, we are seeing early signs of a recovery with pickup in RFPs and order inflows on the back of improved biopharma funding and increased M&A activities in the U.S. healthcare space. Sustenance of this momentum, along with the faster decision-making by the customers, would be the key to healthy growth in FY '27.

Complementing our Complex Hospital Generics portfolio, yesterday we entered into an agreement to acquire Kenalog from Bristol Myers Squibb. Kenalog is a branded commercial injectable containing Triamcinolone Acetonide, a synthetic corticosteroid with anti-inflammatory, antipruritic, and antiallergic properties. It is indicated as an adjunctive therapy in acute gouty and rheumatoid arthritis, as well as other inflammatory conditions.

Kenalog is a branded commercial injectable product with complex manufacturing requirements complementing our existing CHG portfolio. This complexity limits competition and enables the product to deliver EBITDA margins comparable to our existing CHG portfolio.

The acquisition also broadens our CHG offerings and adds revenues without significant incremental cost, particularly in the U.S., Europe, and the Asia-Pacific markets. This is an all-cash transaction with an upfront consideration of US\$35 million, along with the additional contingent consideration of up to \$65 million tied to the achievement of agreed-upon operational and financial milestones.

Talking about our performance during the quarter, nine months of FY '26, we reported revenues of 2,140 crores and 6,117 crores for the quarter, nine months, which is a Y-o-Y decline of 3% to 4%. Despite lower revenues, impact on EBITDA was partially offset by our efforts towards cost optimization and operational excellence. During the quarter, nine months, we reported EBITDA margins of 11% and 10%, respectively.

Talking about our quality and regulatory track record, we completed 30 inspections, including 2 U.S. FDA inspections, without any OAI during the nine months of FY '26, therefore maintaining our best-in-class track record of zero OAIs. In addition to regulatory inspections, we have also undergone 170 customer audits so far this year, compared to 142 in the same period last year.

On sustainability, we showed a meaningful increase in our sustainability scores from global rating agencies such as S&P Global and EcoVadis, with a 15% to 18% increase over last year. This improvement underscores our continued commitment to responsible operations and sustainable growth.

Moving on to business-specific highlights:

Starting with our CDMO business. Our CDMO business reported revenues of 1,166 crores and 3,207 crores during the Quarter 3 and nine months of FY '26, respectively, impacted by inventory destocking and the slow early-stage order inflow due to muted biopharma funding in the first half of the year.

However, as mentioned earlier, we are seeing some early signs of recovery in the last three to four months. The U.S. biopharma funding environment has witnessed a sharp rebound in the second half of Calendar Year '25, supported by increased M&A activity across the U.S. healthcare space.

According to industry reports, U.S. biopharma funding in H2 Calendar Year '25 was nearly double that of H1 and more than 50% higher compared to H2 Calendar Year '24. Sustenance of this funding momentum would be a key factor to support faster decision-making by the

customers and increased order inflow velocity, helping us build visibility for healthy growth in FY '27.

During the quarter, we saw significant improvement in RFPs, coupled with a good pickup in orders from both large pharma and mid-size biotech companies. Order inflows at onshore facilities such as Grangemouth and Riverview were particularly encouraging. Our onshore facilities, with differentiated capabilities, have a superior gross margin profile, which, at optimum revenue scale, can deliver healthy EBITDA margins.

Despite a challenging year, we continue to believe in the long-term growth prospects of our CDMO network and continue to back them with timely investments in capacities and capabilities. Our \$90 million investment to expand our sterile injectables and payload linker capabilities at our Lexington and Riverview facilities is on track. We are seeing very good customer interest for our North American sites, especially those looking for onshoring in North America.

During the year, we also strengthened our business development team to adapt to evolving market dynamics and to deepen engagement with customers across key markets. We are seeing some positive results from the same.

Customer delight remains our key focus area, with strong execution across our network, superior quality, and robust supply chain. During the year, we have seen an increase in our customer satisfaction scores across multiple sites, which should help us win repeat business and cross-sell differentiated capabilities.

Moving on to our Complex Hospital Generics:

Talking about our performance in the inhalation anesthesia segment, we continue to maintain our leadership position in the mature U.S. market, with our market share increasing to 47% versus 44% in March 2024. We have also commenced Sevoflurane supplies from our lower-cost Digwal facility for the rest of world markets. However, the initial ramp-up has been slower than expected due to regulatory delays.

In the intrathecal segment, we continue to maintain number one position in intrathecal Baclofen in the U.S. with a 75% market share.

In our injectable pain management segments, our efforts to resolve supply constraints have begun to yield results. On the differentiated and specialty products, we are continuing to invest in 505(b)(2)s, complex generics, differentiated generics, and branded products through in-licensing deals and co-development projects to enable long-term growth.

Moving on to our Consumer Healthcare business:

We continue to develop strong growth momentum this quarter as well. The PCH sales grew by 20% in Quarter 3 and 16% over the nine-month period, driven by broad-based performance across the portfolio. Our power brands once again led the growth engine, delivering around 30% growth in Q3 and 23% over nine months. Key brands, including Little's, Lacto Calamine, CIR, and i-range, outperformed and continued to grow traction across markets.

On the distribution channel side, our e-commerce business remained a standard performer, growing at over 50% during the nine-month period and now contributing 26% to total PCH sales. This reflects increasing strength of our digital capabilities and the continued shift in customer preference towards online platforms.

We have maintained a calibrated and disciplined approach to media and trade promotion investments, with a clear focus on scaling our power brands into established and profitable brands. In 9 months of FY '26, our media and promotion spend was around 12% of PCH sales, broadly similar to last year, reflecting consistency in our brand-building strategy.

In terms of new product introductions, we launched 30 new products and SKUs in the last 9 months.

Thus, summarizing our performance on the outlook going forward, I would like to say, while FY '26 has been a muted year for the Company, we continue to believe in the long-term growth prospects of our businesses and back them with timely investments in capabilities and capabilities.

We are seeing some early signs of recovery in our CDMO business, with a significant increase in RFPs and pickup in order inflows since October, primarily on the back of improved biopharma funding in the U.S. Our overseas site, which have a superior gross margin profile, are witnessing good customer interest, especially those looking to onshore in North America. On achieving optimum scale, we are positive that our overseas sites will start contributing meaningfully to EBITDA going forward.

We have also enhanced our BD team to better engage with customers and simultaneously strengthen our execution to deliver customer delight. With a good foundation placed in terms of capacity, capability, and global network, we are looking forward to optimizing them to deliver better value.

In the CHG business, while we maintain our leadership position in Sevoflurane, Baclofen in the U.S. market, we are looking to broaden up our product portfolio and expand our presence into ex-U.S. market to drive growth going forward. Adding differentiated and specialty products to our portfolio with limited competition will be an important lever for us. Acquiring niche brands like Kenalog is an important step in this direction.

Finally, in our Consumer business, we expect to continue our performance in our representative market, led by our power brands and expansion for our distribution network. Before I end, I would like to reiterate that Q4 has been historically the strongest quarter for the Company, and we expect this trend to continue as well.

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

Moderator: Thank you. Ladies and gentlemen, we will now begin the question-and-answer session. We take the first question from the line of Tushar Manudhane from Motilal Oswal Financial Services Limited. Please go ahead.

Tushar Manudhane: With respect to Kenalog, while this product do not have a patent, but interestingly, there are still no generics. But if you could also share what kind of sales this product generates currently and where will this get manufactured once you acquire this product?

Vivek Valsaraj: So, with respect to the sales, we expect annualized revenues between \$30 million to \$40 million for the product.

Peter DeYoung: And on the manufacturing side, it is made on behalf of the seller at the moment by one CDMO, and it is in the process of being transitioned to a second CDMO by the seller, and we will assume responsibility for that through the transition and integration.

Tushar Manudhane: And so this product has been growing, or it's been pretty stable currently?

Peter DeYoung: The product is generally in a value decline, and overall, it is stable in terms of volumes, and that is typical for generics, even with limited competition.

Tushar Manudhane: That's it from my side.

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

Abdulkader Puranwala: Sir, my first question is in regards to the CDMO business. For the quarter and nine-month, if we exclude the inventory destocking, would it be fair to assume that the portfolio has grown in single digit?

Vivek Valsaraj: Yes, that is right. So, if you were to look on a like-for-like basis, the portfolio has grown in the low single digit.

Abdulkader Puranwala: And second, just on this acquisition again, so for Kenalog, I just wanted to understand the rationale for purchasing this. I understand it is being done at quite a reasonable valuation in terms of the upfront payment, but how well does this product fit into a portfolio?

And secondly, from here on, how should we look at the CHG business growth entirely with this inorganic and organic growth in place?

Peter DeYoung:

So, first is the strategic rationale is the underlying customer alignment. So, if you look at how we go to market in this business, we are very strong in the hospital and, I guess, that channel. And our existing sales, marketing and distribution capabilities would be aligned with that channel. And so this product could be sold and distributed through our existing capabilities, particularly in the relevant markets where this is being sold with the largest revenue contribution.

And so we see significant synergies because we can add the revenue and add this to our basket of offerings without significant additional operational cost. And the ultimate customer or buyers would be the similar buyers and customers as who are buying our current portfolio and offerings. And so we see this as being in line with our overall ambitions.

And if you look at the underlying product, while it's not a 505(b)(2), it does have limited competition due to certain complexities in the manufacturing requirements that make it difficult for large numbers of competitors to offer it. And so we again think that that is in line with our overall strategy and approach. So, we see this as a highly synergistic and strategy-aligned addition to our portfolio. And as you mentioned, we found the overall value to be beneficial in line with our financial metrics.

And in terms of the overall mix, we will continue to look at co-development, licensing, and acquisitions to add to the portfolio for the growth in our overall plan, in addition to growing the existing base business through the elements we described in our LRP. And so by the existing base business, it would be, for example, leveraging growth of our inhalation portfolio outside the U.S. as we get the additional registered markets from the Digwal facility.

Abdulkader Puranwala:

So, sir, any color on what would be the sales contribution outside the U.S. of the \$35-\$40 million you talked about?

Nandini Piramal:

Abdul, we are not giving a specific guidance at this stage, and we will come back on that at a later stage.

Abdulkader Puranwala:

Fair enough. And just on the \$90 million investment that you are doing towards Lexington and Riverview facility, so by what is the timeframe year in terms of when this capacity gets added and in terms of the kind of asset turn you would be looking on this incremental capacity?

Peter DeYoung:

So, for the coming online, the linker payload expansion at Riverview is expected to come online this quarter. In fact, it is nearly ready. And for the purposes of the Lexington facility, I think that is the end of Calendar Year '27. And in both cases, we have strong interest and strong demand for those offerings, which is why we had embarked on those expansions.

In terms of asset terms, I don't believe we give individual production turn-specific returns, but I will let Vivek comment on our overall goals for asset turns.

Vivek Valsaraj: So, as you are aware, the asset turns currently are below 1 for our overseas facilities. And eventually, depending upon the levels of utilization, we do expect it to go to between 2 to 2.5 at scale.

Peter DeYoung: Just one more additional point, maybe, is that, as covered in the talk track by Nandini, that the overseas sites are inherently structured with high gross margin. And so incremental revenue is highly beneficial to the financial metrics you described as it flips over on the assets.

Abdulkader Puranwala: And just a final one from my end. So, when we talk about Q4 being stronger for us, so in terms of, say, the Y-o-Y performance, are we expecting some kind of growth there as well, or we are more talking about a sequential improvement vis-à-vis what we have done in Q3?

Nandini Piramal: Q4 is historically strong quarters, we are expecting growth. We are expecting sequential growth. Obviously, last year, Q4 was helped by the large order. So, removing that, I think we should be okay.

Moderator: We take the next question from the line of Madhav from Fidelity International. Please go ahead.

Madhav: I just wanted any incremental feedback on the 30+ products which we have in Phase-3. Do we have in Calendar Year '26 any readouts for these products? I know you cannot name names, but just in terms of how many products have the Phase-3 readout or potential for commercialization?

Peter DeYoung: We generally don't comment on that number, and we find it more useful to kind of give an annual update on the portfolio of Phase-3. I would just comment that when we were recently at JPMorgan meeting with a lot of our current and prospective clients, that there did seem to be general positive momentum for both our clients and the market in terms of progressing some of the late-stage clinical assets as per their anticipation or desires.

And so I would say the overall sentiment for our portfolio and for the market was, and people are willing to raise money to progress the market for those clinical efforts, particularly late-stage programs like the ones that we are working on, was generally positive. Sorry, I can't give you something more specific, but I think that we have had a general feeling of overall for us and for the market, the progress of the clinic, and I think also the FDA making timely decisions, and finally, the client's ability to make fundraising actions.

Madhav: I am just thinking from the perspective of the investment community, how we should get confidence on the ramp-up of the CDMO business, given we obviously have a very large Phase-3 pipeline. But if you had to think from a 3-4-year perspective, how should we kind of think about it? That was the thing I was trying to understand.

Peter DeYoung:

So, I think we have demonstrated over, we think, a period of time that the Phase-3 pipeline has turned into sales in due course with the regular expectations around attrition and progression. And I think that maybe the second element to think about would be the general improvement in funding for our client base, given that we do target the emerging or the biotech customer segment. And that shows up through the significant increase in RFP inflow that we saw last quarter. And if that trend continues, we would expect to continue to have the potential to add new customers.

And then as also mentioned in the talk track, we had a good bit of order booking in the 3rd quarter, which didn't make up for the prior quarters where funding and decisions were muted. But Q3 does seem to be a leading indicator of clients' ability to raise money and spend it on CDMO services and also our ability to capture some of that share of wallet.

Obviously, we will have to see how a lot of the RFPs that came in last quarter play out. Just as a rule of thumb, it is about 180 days from when an RFP is quoted to a typical decision for a new client project that hasn't been with us before. And so we will see that play out in the coming quarters. But we do see a reason for cautious optimism or improved sentiment or improved outlook, particularly on a leading basis, if what we saw last quarter continues into this quarter and the next.

Madhav:

Just one last clarification. Is it a fair understanding that of these 30+ Phase-3 products which we have, a lot of it are levered more to emerging biotech-type clients rather than big pharma, which is why a lot of our comments are steered towards recovering the biopharma funding environment? Is that a fair assessment to make?

Peter DeYoung:

I would say that it is actually a reasonable mix for those programs because even if we sign them up as being a biotech, typically a common place of takeout from big pharma with M&A would be at that Phase-3 pre-commercialization point. And so we have a couple of instances in our Phase-3 program where we signed them up when they were a biotech, and now they are in our same portfolio as a large pharma. And so I would say that it is actually an even mix.

And we would see that as these companies go commercial, a fair number of them may end up being big pharma by the time they launch. And it is not obviously a hard and fast rule, but we do see that a lot of companies, once they get that pivotal Phase-3 data or they get that confidence that the target action date with the U.S. FDA is going to be favorable, they view that as a value point in some cases, and then it flips. So, I would say actually it is a reasonable mix.

The reason why we keep talking about the biopharma funding environment is because that is how you add new clients to restock that 30 Phase-3 pipeline with new winners. And so that is really important for us too. We call it "fill-the-bucket" sales. That is how we keep adding new logos, new programs because that is where the innovation is. If you look at new drug approvals, the large majority would be still from this segment. And so if you want to find the innovation,

you got to go where the innovation is. And the innovation is predominantly happening, particularly for the clinical phase in that segment.

Madhav: And do we think the longer-term guidance for CDMO holds to get to the \$1+ billion sales in the next 3-4 years? Is that still given the pipeline that you have?

Peter DeYoung: At this moment, we continue to reaffirm our LRP guidance. We see no reason at this stage to change it. We do obviously recognize that it will require more catch-up over the remaining years of the period. But at this stage, we don't see a reason to change that. But obviously, we recognize that we are further from that than we would like at this moment.

Moderator: We take the next question from the line of Parikshit Gupta from Fair Value Capital. Please go ahead.

Parikshit Gupta: My first question on the Complex Health Generics business about Sevoflurane. Would capturing the rest of the world markets come at a cost of margins for the first 1 to 2 years? Also, which countries are we initially targeting for the rest of the world, considering that the Digwal facility is accredited for U.S., UK, and Japan? So, if you could first articulate on these, please.

Peter DeYoung: So, we are seeing the overall market being a little bit increased competition for the ROW markets vis-à-vis China suppliers with Sevoflurane. And we decided to not be overly aggressive on price to try and manage the margin growth trade-off. And so we do anticipate being able to grow there, but we didn't want to rush it at the expense of being undisciplined from a margin perspective.

We do have significant cost advantages in supplying from that site. And so we don't anticipate it being margin-dilutive, but we want to approach it in a stepwise and disciplined manner. And therefore, we are willing to trade off a little bit slower revenue growth than our initial ambition to be appropriate in our margin.

And we have an additional cost improvement program even at our Digwal site and combined with our Dahej site, that should allow us to continue to see ourselves to be competitive with those markets.

In terms of ROW, we are already approved in India for India through our partners and ourselves. And we have a number of what you would call the lesser regulated markets that may be earlier to provide approval. And while we do have approval to supply from India to the regulated markets, we are targeting the lesser regulated markets first for the reasons mentioned. And so we would see those individual, I would say, ROW markets outside of the ones you mentioned being approved as the individual regulators approve them over the coming, let's say, 12 to 18 months.

Parikshit Gupta: Second question on the Kenalog acquisition again. I understand that the limited competition and the cross-sell synergies, but do you anticipate any risks from non-steroidal anti-inflammatory immune regulatory solutions? Because such therapies have been consistently increasing in other diseases, considering the side effects of the long-term use of corticosteroids.

Peter DeYoung: So, we have looked at the overall market for this, and we feel that there will be room for a therapy of this category for some time. We have not anticipated it to grow, and we have not anticipated, in fact, we would assume some amount of price decline. And given the overall value equation for what we looked at, we think that the incremental benefit is meaningful to us given our position and our portfolio. But we aren't looking for this to be a grower. We are looking for this to be a near-to-medium-term contributor, and anything beyond that would be great.

Parikshit Gupta: I understand. On the CDMO business, please. I know you mentioned that you cannot share much details on the Phase-3 trial molecules, but can you please mention any specific therapy TAM, for example, some molecules which are nearing approvals or have been anticipating since a while now? What kind of addressable markets for those therapies can we anticipate?

Peter DeYoung: We see a lot of our work being in the area of oncology. We also see a lot being in the broad area of, let's say, metabolic disease, whether it be cardiovascular or obesity. We see a lot in the area of rare disease. I think those would be three example categories. I know they are very broad, but I am trying to answer as generally as I can.

But I would say, we are generally aligned with the areas where innovation is happening because we have invested in technologies that allow us to compete and provide services in those areas. And so if you look where new drugs are being approved, frankly, that is a lot of where we are seeing our clients outside of biologics, MABs, where we aren't present.

Parikshit Gupta: I understand. On the on-patent commercial manufacturing, what are you anticipating the percentage share of the overall CDMO business for FY '26, and what is the aspiration for FY '27? Essentially, I would like to understand the lost revenues from the customer with the inventory issues. Are we expecting that to reverse in the next year?

Peter DeYoung: With respect to FY '27 guidance of all sorts, we will give that in a subsequent board meeting when we have laid out our plans for the year and we have the increased certainty. And so we would refrain from making forward-looking comments about the next fiscal year guidance.

In terms of the current year breakup, we are not really giving quantified breakups of the with and without that customer, and we are going to try and move away from that going forward. And so I would just try and articulate that we are seeing growth in our underlying like-to-like-based business. Obviously, not at the level we would like, but it is growth, and we anticipate even more significant growth as we look ahead. But the quantification of that we would have to reserve for our subsequent board meeting when we give the guidance.

- Parikshit Gupta:** My final question, please. What amount of growth CAPEX have you anticipated or planned until your aspirational target of a \$2 billion top line?
- Vivek Valsaraj:** So, on an average, our spend of CAPEX is anywhere between \$70 million to \$100 million. It is slightly higher in the immediate term when we are doing big-term expansions like in Lexington and Riverview, which we have announced. And we do expect this to be the momentum in the immediate term. For the slightly more longer term, we will come back at a later stage.
- Parikshit Gupta:** I understand. Thank you very much. I will get back in the queue for any further questions.
- Moderator:** We take the next question from the line of Shyam Srinivasan from Goldman Sachs. Please go ahead.
- Shyam Srinivasan:** Just one on the qualitative comment from your press release and your comments as well. RFP, RFI trends for overseas facilities have started improving since October 2025. So, maybe what are the kind of conversations or discussions that are happening, whatever you can share qualitatively, and just the comment on onshoring as well, if you could double-click on this, please.
- Peter DeYoung:** So, we have noticed starting in October, and maybe the backdrop, I mean, for many in the call, it is obvious, but maybe just to restate it, we think that part of the sentiment increase was some of the industry arriving at MFN deals with the U.S. administration, may have created some amount of re-rating in the sector and increased ability to raise money. And so we saw that start to happen in kind of that October time frame.
- And we saw then also aligned with that an increased interest in overall RFPs across our network, but particularly strong in our U.S. facilities at which we have three in Sellersville, Pennsylvania, for solid oral dose and liquid cream ointment, in Riverview, Michigan, for the high-potent API and linker payload for ADC, and then the Lexington sterile fill-finish site for liquid and vial.
- So, we have seen not just there, but also there an increased amount of proposals since October. And I would say it is a significant increase. We aren't quantifying it, but it is not trivial. I would say it is large. And I would also say that we did obviously encounter this before, and the proof will be in the won proposals, which will play out over the next 180 days. But we do get the feeling, and I can't give you data yet because the clock hasn't run out to the decisions, that people, because they have raised the money, this seems like there is a certain proportion of this that is genuine, and we hope to translate it to decisions. And that is why we are seeing a little bit more optimistic outlook, but it only will be proven out when we have the decisions.
- The only other point I would say is that if you compare last year J.P. Morgan, our experience, to this year J.P. Morgan, our experience, we have a higher percentage of or count of clients who were with money and need to make a decision and needed to make a decision reasonably urgently

to progress their ambitions. And we had a lot less of that last year. And so we are hoping that all of those factors into improved future numbers. But at the moment, it is to some degree a leading indicator, not a lagging indicator.

Shyam Srinivasan: Thank you, Peter. Second question, just on the Kenalog acquisition, the contingent considerations of \$65 million. So, while you said the annualized sales of \$30 million-\$35 million, so what triggers these contingent considerations?

Peter DeYoung: We haven't really shared a lot of details about the specific triggers, but it would be linked to elements around financial performance and transition along the lines that would be expected. And the way we have tried to structure it with the seller is that we are highly aligned. So, as in, if we pay it, it is really good for us because we want to pay it, and it is really good for the seller because they get the benefit.

And so we would see the structure is highly aligned such that we would have the financial metrics that we would want and the seller would want in scenario where we pay it or we don't pay it. So, as in, it is good for us to pay it, and it is good for the seller if we pay it. And so we believe that the structure is aligned, and it is related to financial performance of the asset post-close and some of the transition-related activities that need to happen.

Shyam Srinivasan: And just last question, I know third, just if you could reiterate our fiscal '26 guidance, please. Revenue, EBITDA.

Nandini Piramal: I think we are not changing the guidance at the moment. We are recognizing that it is a stretch, but I think we are going to endeavor to meet it.

Moderator: We take the next question from the line of Vinod Sohanlal Jain from Wells Fargo Advisors. Please go ahead.

Vinod Sohanlal Jain: I have two questions. My first question relates to the 2030 projections. Do we stand, or would you like to revise it?

Nandini Piramal: This is a 2030 guidance. We would like to continue to stand by it. We are not changing it at the moment. And we are talking to a lot of customers in our CDMO business, and we hope to get that.

Vinod Sohanlal Jain: The second question relates to taxation. We see that there is continued negative profit over the quarters, and yet the tax incidence continues. Now, we have been explained that this is because of the divergent profitability of the various plants. Now, this argument, of course, is valid, but in the long run, how do you propose to mitigate this argument by ensuring profitability of the loss making plants or closure or reduction of those plants?

Vivek Valsaraj: So, Mr. Vinod, as you rightly identified, the reason for the tax outflow currently is because we are present in multi-jurisdictions. The outflow happens at the tax rate, which is prevalent in those jurisdictions.

At our overseas facilities, currently, our scale is suboptimal. As the capacity utilization improves because of the better gross margin profile, we do expect the profitability to improve thereafter. And on a long-term basis, we have guided that our effective tax rate across all sites would be in the 24% to 25% region ETR.

So, it is more about improving our capacity utilization, specifically in our CDMO business across overseas facilities, for which there are a lot of initiatives underway, which we spoke about in the earlier part of the call.

Vinod Sohanlal Jain: So, the 24%-25% guidance, is that inclusive of any carry-forward losses, income tax losses, or those would be accrued separately?

Vivek Valsaraj: So, there is a difference between the accounting and the cash flow. Because we have the carry-forward tax losses available, we will be able to utilize them. From an accounting perspective, it would be in the range of 24% to 25%.

Vinod Sohanlal Jain: Thank you for answering my questions.

Moderator: We take the next question from the line of Sucrit D. Patil from Eyesight Fintrade Private Limited. Please go ahead.

Sucrit D. Patil: I have two forward-looking questions. My first question is to Mrs. Piramal. With global demand dynamic shifting in regulated markets and pressure on generic pricing still going on, how is Piramal Pharma prioritizing its portfolio tactics, particularly between complex generics, differentiated dose forms, and specialty injectables to sustain growth and keep the margin stable?

Additionally, how are you aligning your R&D and business development efforts to capture emerging opportunities in high-growth segments while managing competitive intensity? That is the first question. I will ask the second question after this.

Nandini Piramal: I think we are continuing. When we look at our generic portfolio, we are looking at doing “hard-to-manufacture” or “hard-to-distribute” products. The Kenalog product is one example. It is a complex molecule that is hard to manufacture. And while it has been generic for a long time, there is still limited competition in the market.

While we are strong in the regulated markets, there are some rest of world markets that we do not have a very good presence, which is why we actually invested in our Digwal facility and are looking to continue to focus on rest of world sales from there. We have both internal R&D as

well as BD that are looking to develop on our own and in-license similar complex products as well as differentiated presentations for the business.

Sucrit D. Patil: I believe Mr. Vivek is also on the call today?

Vivek Valsaraj: Yes.

Sucrit D. Patil: My question is, given the interplay of input cost volatility, pricing pressures across the globe, and capital intensity of complex generic development, how are you thinking about margin growth and cash flow, keeping in mind the near-term targets, near-term to medium-term targets, to be more specific? Could you also elaborate on your capital allocation framework, especially as it pertains to balancing investments in R&D capacity expansion and while maintaining steady financial discipline?

Vivek Valsaraj: So, firstly, to answer the first question with respect to margins, as you are aware that our Complex Hospital Generic business already enjoys a stable and a high level of margin. The enhancement in margin year after will largely come in from our CDMO business and our consumer products business.

Our consumer products business has already broken even. It is contributing with a small EBITDA margin right now and will start showing expansion in margin year after. A predominant portion of the margin expansion in the CDMO space will come from our overseas facilities as the capacity utilization enhances. It has an inherently high gross margin profile. And as the overall utilization improves, due to fixed cost leverage, you will see an improvement as far as the margins are concerned.

The second question with respect to overall capital allocation, our consumer products business is self-funding and therefore does not need any external capital infusion. It manages its own growth. Between the CDMO and our Complex Hospital Generics business, as a part of our strategy exercise, we have earmarked what would be the potential areas for investments in these spaces.

The Lexington expansion is one such investment that we have done in this business and which we have announced and is underway. And likewise, in our Complex Hospital Generics, adding differentiated and niche products is part of the growth portfolio. And the Kenalog acquisition is another example of how we are doing it.

So, each of them have got their own business rationale. We do use a payback metric to see how this fits within the overall return on capital employed expected in these businesses. And the investments, therefore, will flow in line with the long-term plans that we have for these businesses.

- Moderator:** We take the next question from the line of Alankar Garude from Kotak Institutional Equities. Please go ahead.
- Alankar Garude:** First question, do you have any update from your client on the resumption timeline of supplies for the large contract? And typically, what is the lead time between getting visibility from the client and then starting supplies?
- Peter DeYoung:** We don't have anything material to update on that. We are in regular touch with the client. We have other ongoing business with them. And we anticipate that whenever they let us know, we will be able to act on that. I would say it is a rough rule of thumb would be 3 quarters.
- Alankar Garude:** So, just to get that right, 3 quarters is the lead time between getting visibility and then starting supplies?
- Peter DeYoung:** Correct.
- Alankar Garude:** Secondly, you had mentioned, Peter, in the previous call that getting tech transfer projects is one of the key priorities for the sales team. Can you provide any qualitative comments on your progress towards adding any incremental tech transfer projects?
- Peter DeYoung:** I think that I alluded to that a little bit in the discussion of the recent experiences we have had with new proposals and also our JPMorgan client interactions. I would say that particularly, it used to be that you had to follow the molecule and you have to start at the beginning and wait for the client to progress. But we have seen increasingly volatile entry points across all stages.
- And one such entry point is at the Phase-3 where people want to have a second source. I think with the overall increased desire for supply chain security, an alternative to China, or an onshore desire, we are seeing a lot of RFPs for these Phase-3 or late clinical programs. And so that is part of the RFP bolus we are seeing. And we have to see how our potential clients decide. But we are seeing that as being an important part of the mix of proposals we are seeing and perhaps maybe a more important mix than we would have seen 3 or 4 years ago by contrast.
- So, that is part of why we are cautiously optimistic about the potential. And we are hoping that some of those translate in a favorable way in the next 180 days that I mentioned as a typical lead time from proposal to decision.
- Alankar Garude:** And the final question, in the CHG segment, you spoke about regulatory approvals coming in from Digwal over the next 12 to 18 months. So, the last nine months have not been great in terms of pickup from Digwal. Realistically, when should we expect a pickup in growth led by Digwal in the CHG segment?

Peter DeYoung: So, first, we were open to selling out of Bethlehem at a different margin structure if the opportunities met our medium-term price targets. So, we were not going after the revenue because we didn't have the approval. We weren't comfortable with the pricing environment, and we wanted to go stepwise and sequentially to make sure we were disciplined.

That being said, in addition, I agree that the ROW approvals did take longer than we initially had thought. We would anticipate that the combination of the approvals coming in and our, I guess, experimentation with price decline should show some benefits in the next fiscal year. But again, we do anticipate it working, but we are really trying not to rush it so that we do the right decisions. But we do anticipate that benefiting us next fiscal year.

Alankar Garude: Fair enough. That is it from my side.

Moderator: We take the next question from the line of Dhruv Zobia from Lotus Wealth Family Office. Please go ahead.

Dhruv Zobia: I wanted to understand your take on the India pharma exports to the European Union as to how much do you think time will take for these exports to double? Because we can say that approximately one year will go for ratification. So, by 2030, do you think there will be a significant number there from Indian exports?

Nandini Piramal: So, I think overall, the EU trade treaty for formulations and pharmaceuticals, the duties are actually not very high. And there are kind of larger barriers to entry, such as the EU wants all products to be tested within the EU, and they also want EU inspectors to visit. So, there may be bigger changes in things like specialty chemicals and KSMs, but we will have to see when we get more detail if there will be a significant difference in formulations and pharmaceuticals.

Peter DeYoung: If we wanted to see a big change, the non-trade tariff barriers will have to be addressed. And I think just to summarize the ones that would make the biggest difference for Indian exporters of drug, it would be the requirement to have a European domiciled qualified person to do the release, to have a European domiciled QC testing, the lack of mutual recognition of Indian inspections.

I think those elements, I would say, would be pivotal in driving a more rapid growth. And in the current understanding of the current trade deal, those would be not yet present. So, I would say it is modest in our view, the benefit to kind of the end formulations for an exporter.

Dhruv Zobia: And my second question is on the impact on China. So, what do you think would be the impact on the exports that China does to the European Union in the pharma that can be affected due to this agreement?

Nandini Piramal: I don't think we can comment on that.

- Dhruv Zobalia:** That will be all.
- Moderator:** We take the next question from the line of Avnish Tiwari from Vaikarya Investment Management. Please go ahead.
- Avnish Tiwari:** This increased demand conditions you have observed in December quarter versus prior periods, is this in the research and development area of CDMO or even in the manufacturing area as well?
- Nandini Piramal:** So, overall, it can be traced to the improvement in biopharma funding. And that would be primary funding, but also M&A that has been happening. So, when our clients, such as biopharma companies, get funding, they are more likely to do both R&D and manufacturing. So, I think it is, I would say, it is both.
- Moderator:** Thank you. We take the next question from the line of Amey from THLK Partners. Please go ahead.
- Amey:** This is Amey from JM Financial. Thank you for taking my question. So, most of my questions have been answered. Just one question on one of the products which we had disclosed last year or last quarter back, NewAmsterdam product. When should we see start revenue coming in from this product? And also, will it start from our overseas facility first and then Indian facility? How it will happen?
- Peter DeYoung:** For the future of that client, they are publicly traded. I would encourage you to look at their public filings and investor communications as being a primary source. And so while we are really pleased that they chose to do a joint announcement with us that we are working together and really pleased with what we can do for their patients, I would encourage you to look at their public disclosures around their plans.
- And we have made it clear what we are doing for them in that joint announcement, and you can deduce the impact of the timing as we are, per our understanding, the only supplier for that particular combination for them. And we have listed out the sites where the supply will be coming from. So, I would encourage you to look at them as the primary source.
- Amey:** So, they intend to, I believe the approval is expected somewhere in the first half of next FY '27. So, is this product going to be as big as the product where we are witnessing restocking? Any color you can provide on that?
- Peter DeYoung:** I would make one observation that the work we are doing for this client would be on the formulation side, and the work we were doing for the other client was on the API side. And so from a proportion of value, the steps in the value chain are different in terms of the activity being done. And as you would know, APIs are typically can be a larger part of the overall value chain.

In terms of specific revenue guidance, we aren't giving that. But we do think this is a meaningful customer for us. And we look forward to growing with them as they succeed.

In terms of specific timings, I would encourage you to read their investor presentations a little bit more carefully because there is different times for different markets. And they are currently pursuing directly and through partners a strategy. And so I would encourage you to kind of look through those communications.

Amey: And just last thing on the debt, is it possible to tell how much is the debt right now and what is the guidance over there?

Vivek Valsaraj: So, Amey, the debt levels are the same as it was in March. We are at about Rs. 4,200 crores of net debt. We would see a slight increase in the debt towards the close of the financial year.

Moderator: We take the next question from the line of Avnish from Vaikarya Investment Management. Please go ahead.

Avnish Tiwari: I just have one question regarding this large product for which we are seeing the inventory destocking. I just wanted to know whether the specs are fungible within markets as in across markets, which means basically what I am trying to understand is that is the same product, if it can be sold in the U.S., can it be sold in China also? And if you see, let's say, lesser of a demand in China, can that product be then sold to in the U.S.? Is that a possibility or the specs are different for different markets?

Peter DeYoung: I think it is maybe a level of detail that is beyond our ability to disclose on behalf of our client. And I think we have to respect our agreements with them.

Avnish Tiwari: Just one more question. I was just going back to the comment made that the base CDMO business has grown in low single digits. It seems, and I am also tying this up with your earlier comment that in the base year, FY '25, the revenue were almost evenly spread across the 4 quarters. These two statements are not aligning.

I mean, it seems that for a low single-digit base business growth in CDMO, the 3rd quarter of FY '25 should have a much lower contribution from this large PO. Can you just align these statements for me? Is that true that 3rd quarter of FY '25 had an unusually low quarter for the large drug?

Vivek Valsaraj: That is right, that the 3rd quarter had relatively lesser contribution from this large product. And then it resumed back in Quarter 4.

Avnish Tiwari: I will get back in the queue.

- Moderator:** We take the next question from the line of Tushar Manudhane from Motilal Oswal Financial Services Limited. Please go ahead.
- Tushar Manudhane:** Most of my questions have been answered. Just one last clarity if you could share. While you indicated you will have year-over-year growth in revenue for 4th quarter, given the visibility of the contracts, will also that convert to growth in EBITDA as well?
- Nandini Piramal:** It is sequential growth from Quarter 3 to Quarter 4. As we mentioned, Quarter 4 last year had a large portion of the large customer growth. So, therefore, there won't be Q4 versus Q4 growth.
- Tushar Manudhane:** Both in terms of revenue as well as EBITDA, right?
- Nandini Piramal:** Yes.
- Moderator:** We take the next question from the line of Abdulkader Puranwala from ICICI Securities. Please go ahead.
- Abdulkader Puranwala:** Thanks for the follow-up. One question. What is the timeline for closure of this Kenalog acquisition?
- Nandini Piramal:** Approximately 3 months, give or take.
- Moderator:** Thank you. Ladies and gentlemen, with that, we conclude the question-and-answer session. I now hand the conference over to Mr. Gagan Borana for his closing comments.
- Gagan Borana:** Thank you very much. We appreciate you taking time and joining us for the call. In case you have any follow-up questions or any clarification that you need, please feel free to reach out to us. Thank you and have a good day.
- Moderator:** Thank you. On behalf of Piramal Pharma Limited, that concludes this conference call. Thank you for joining us, and you may now disconnect your lines.