"Piramal Pharma Limited
Q1 FY '26 Earnings Conference Call"
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Moderator: Ladies and gentlemen, good day and welcome to the Piramal Pharma Limited Q1 FY '27 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference call, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note this conference is being recorded. At this time, I would like to hand the conference over to Mr. Gagan, Head of Investor Relations and Enterprises Risk Management. Thank you and over to you, sir.

Gagan Borana: Thank you, Steve. Good morning, everyone. I welcome you all to our post-results earnings conference call to discuss our Q1 FY '27 results. Our results material have 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 Global Pharma, Mr. Peter DeYoung; and our CFO, Mr. Vivek Valsaraj. With that, I would like to hand it over to Ms. Nandini Piramal to share her thoughts.

Nandini Piramal: Good morning, everyone, and thank you for joining our Q1 FY '27 earnings call. We have started FY '27 on a strong and encouraging footing with all three businesses delivering mid-to-high teen revenue growth along with meaningful EBITDA margin expansion. During the quarter, revenue from operations grew 17% year-on-year to INR2,270 crores, while EBITDA increased 72% to INR285 crores. EBITDA margins also expanded by approximately 400 basis points to 12.5%. Our profitability improved significantly driven by all-round revenue growth, higher capacity utilization, operating leverage, pricing discipline, and continued focus on operational excellence.

Our CDMO business delivered broad-based growth across India and the overseas sites. Over the last year, we have strengthened our commercial team, deepened customer engagement, and sharpened our go-to-market approach. Combined with the continued signs of recovery in US Bio-Pharma funding, these efforts contributed to healthy RFP activity and robust order inflow during the quarter.

Our complex hospital generics business delivered a resilient performance while maintaining leadership positions across key therapies. We're seeing encouraging traction in ex-US inhalation anesthesia markets. Kenalog supplies, which remain an important growth driver for FY '27, are expected to start from Q2 FY '27.

Our consumer healthcare business delivered yet another quarter of strong mid-teen growth led by continued momentum in Power Brands and e-commerce. Expansion in distribution, disciplined brand investments, premiumization, and cost optimization initiatives supported both growth and profitability during the quarter.

Quality and compliance continue to remain a key differentiator for us. During the quarter, our Sellersville facility in the US received an EIR from the USFDA, successfully concluding the inspection. We're also proud of our long-standing quality track record across the global network, having maintained a strong compliance culture and a zero OAI classification status.

Moving to our business-specific performance, starting with our CDMO business. Our CDMO business delivered 19% year-on-year revenue growth during the quarter. Growth was broad-based with a healthy contribution from both India and overseas sites, supported by strong execution, improved demand conditions, and good order inflows across the network.

Over the past year, we have made significant investments in strengthening our commercial capabilities. We've expanded our commercial team, enhanced customer engagement, and refined our commercial strategy to improve market coverage and win rates. Combined with the continued recovery in US Bio-Pharma funding over the last few quarters, these initiatives have contributed to a meaningful increase in RFP activity across most of our sites.

While customer decision-making timelines remain extended, we remain encouraged by both the quality and the breadth of RFPs entering our funnel. Importantly, a significant portion of these RFPs are directed towards our overseas sites, which have a favorable margin profile and offer meaningful scope for margin expansion as utilization levels continue to increase.

Geopolitical and trade-related uncertainties are reinforcing the importance of supply chain resilience and diversification efforts across the pharmaceutical industry. Increasingly, customers are seeking reliable CDMO partners with differentiated capabilities, high quality standards, and a manufacturing footprint spanning multiple geographies. Our global network positions us well to capture these emerging opportunities. Operationally, strong execution drove growth across most of our sites.

High utilization levels, pricing discipline, and operational excellence initiatives supported profitability improvement despite ongoing inflationary pressures. We continue to strengthen our differentiated capabilities, particularly in the ADC space. During the quarter, we inaugurated a new commercial-scale payload-linker development and manufacturing site at our Riverview facility.

Equipped with advanced containment, automation, and analytical capabilities, the facility enhances our ability to support customers from development through commercial manufacturing. The expansion of sterile injectable capacity at Lexington also remains on track. Together, the Riverview and Lexington investments form part of our USD90 million expansion program and significantly strengthen our integrated ADC platform, spanning payload-linker manufacturing and sterile fill-finish capabilities.

We continue to witness encouraging customer interest in these capabilities. During the quarter, we also announced a strategic collaboration with Ajinomoto Bio-Pharma Services, combining their AJICAP site-specific conjugation technology with our ADC manufacturing expertise.

This collaboration will provide customers with a more seamless pathway from early development through commercial manufacturing while simplifying technology transfer and scale-up. In addition, we announced a manufacturing and supply agreement with Botanix to support development and commercial supply of Sofdra.

This arrangement highlights the strength of our integrated North American network and our ability to offer customer supply continuity, operational flexibility, and potential dual-site manufacturing. Overall, improving market conditions, strengthening commercial capabilities, differentiated offerings, and strong execution position the CDMO business well for continued growth and progressive profitability improvement.

Moving on to our complex hospital generics business. Our complex hospital generics business delivered a resilient performance over the quarter with revenue growing 17% year-on-year to INR743 crores. We maintained our leadership position across key therapies, including Sevoflurane and Intrathecal Baclofen in the United States, while continuing to expand our presence in the ex-US markets.

In inhalation anesthesia, we retained our leadership position in the US Sevoflurane market with a 48% market share while witnessing encouraging traction across select ex-US markets. We expect these markets to become an increasingly important contributor to growth over time. In intrathecal therapy, we continue to maintain our leadership position in the Baclofen market, reinforcing our strength in differentiated hospital products.

Within injectable pain, we're making steady progress in addressing supply constraints and improving product availability. Enhanced supply should enable us to better capitalize on demand opportunities across key markets going forward. Kenalog supplies, which are an important growth driver for FY '27, are expected to start from Q2 FY '27.

We also remain focused on building a differentiated specialty portfolio .through a combination of 505(b)(2) products, complex generics, branded products, in-licensing opportunities, and co-development partnerships. These initiatives are aimed at not only broadening our product portfolio but leveraging our customer relationship and worldwide supply network to support long-term growth.

Overall, the business delivered strong growth while maintaining cost discipline amidst supply-related challenges and input cost pressures. Moving to our consumer healthcare business. Our consumer healthcare business continued its strong momentum, delivering another quarter of mid-teen revenue growth.

Growth was driven by the continued strength of Power Brands, rapid expansion in e-commerce, wider distribution reach, and disciplined investments behind our brands. Power Brands grew 23% year-on-year and contributed 53% of consumer healthcare sales during the quarter, reflecting the success of our focused brand-building efforts and consumer engagement initiatives. Our e-commerce business grew 40% year-on-year and contributed 28% of sales. E-commerce remains a key strategic growth channel and an important source of long-term value creation.

During the quarter, we launched i-choose, a new master brand that brings together our women's intimate care portfolio under a unified identity. The platform addresses consumer needs across multiple life stages and represents another step in our strategy of building scale and differentiated brands. We continue to invest behind our brands and allocated approximately 12% of sales towards media and trade promotion during the quarter.

Our approach combines traditional and digital media channels to maximize reach, engagement, and effectiveness. Our innovation strategy remains focused on fewer, better, and bigger launches. We continue to prioritize high-potential opportunities that can scale meaningfully while also driving premiumization across the portfolio through higher-margin offerings.

In addition, judicious pricing actions and cost optimization initiatives helped mitigate raw material inflation and supported profitability despite a challenging input cost environment. Overall, strong brand momentum, channel expansion, premiumization, and disciplined execution position the business well for sustained growth and continued EBITDA improvement.

Summarizing the performance, to conclude, we are very pleased with our strong and encouraging start to FY27. All three businesses delivered mid-to-high teen revenue growth supported by favourable long-term industry dynamics, focused investments, and disciplined execution. Importantly, this growth translated into meaningful EBITDA expansion and improved profitability.

Our diversified portfolio, strong customer relationships, quality track record, and global manufacturing network continue to strengthen our competitive positioning. Looking ahead, we remain focused on deepening customer engagement, driving operational excellence, maintaining financial discipline, and judiciously investing behind select long-term opportunities.

We will continue strengthening our differentiated CDMO capabilities, expanding our specialty product portfolio in complex hospital generics, and investing behind priority brands and channels within the consumer healthcare space. Based on our strong start and current business momentum, we look forward to delivering sustained revenue growth and margin expansion during FY27 while staying agile in a fluid external environment. With that, I'd like to open the floor for questions.

Moderator: Thank you. We will now begin the question-and-answer session. The first question comes from the line of Amey Chalke with JM Financial. Please go ahead.

Amey Chalke: Yes, thank you for taking my question and congrats to the management on a good set of numbers. First question I have on the CDMO business. We have delivered good numbers during the first quarter. Typically, we have seen the trend in CDMO particularly that quarter-on-quarter growth is always there from 1Q to 4Q; we keep on seeing the gradual improvement in the number. Considering the first quarter of this year has been quite good, do you expect that trend to continue for following quarters during the year? And do you intend to upgrade your top-line guidance for the year considering we have done well during 1Q?

Vivek Valsaraj: So, Amey, thank you for the question. And yes, historically what we have seen is that our CDMO business has seen higher quantum of revenues being delivered in H2 versus H1. This year, we began with a more stronger opening order book, which we had referenced to during our last investor call, which is why we began on a stronger note.

Between the quarters, there may be some ups and downs depending upon how delivery patterns emerge throughout the course of the year. But on a full-year basis, we continue to, you know, stand with the original guidance that we had given at that point in time. At this stage, it's early days, Amey, and we don't want to revise any guidance. We'll come back with anything fresh maybe after the September quarter results, but we're maintaining the annual guidance at this stage.

Amey Chalke: Sure. Just one more thing on the CDMO side. We have, I think, a couple of contracts which were to get commercialized during the course of the year, like New Amsterdam, etcetera. When exactly is it likely to start adding up in our numbers?

Peter DeYoung: Again, we discussed this from time to time on our investor calls. We don't really comment on specific contracts. We would suggest the best way to look at it, if it's a publicly traded customer, they have their own analyst reports and investor calls, and you can make your own conclusions from those because they're covered very well by very strong analysts, and I would suggest you read those materials for predictions on when they would expect to have revenue from the different offerings that they have.

Amey Chalke: Sure. Just one more last question on complex hospital generics, where our trend for the last few quarters has been muted, for at least for the last five to six quarters. This quarter has—we have delivered something like 17%, 18% kind of a growth. You mentioned in your opening remarks this is largely driven by non-US markets. So, the issue which we were facing in this segment, which was from the Chinese competition, should we assume that has been subsided and should we expect this growth trend to continue for the rest of the year?

Peter DeYoung: So, I would say that we started to take actions over the course of last year to respond to the Chinese competitive situation, and the Chinese competitive situation remains. However, our actions have started to bear fruit. And we would expect to, as Vivek mentioned, we reaffirm our guidance for the full year for the business.

I wouldn't necessarily assume that the exact percentage rate we had in Q1 will be the full-year number. I would look back at the full-year guidance we gave for the business and I would take the Q1 base business growth that you noticed in particularly in the ROW market as a positive indication that we have a plan to execute this year throughout the year.

Amey Chalke: Sure. Thank you so much. I'll join back the queue.

Moderator: Thank you. The next question comes from the line of Sajal Kapoor with Antifragile Thinking. Please go ahead.

Sajal Kapoor: Yes, thank you for the opportunity. Hi, team. I've got a couple of questions. In CDMO, many companies initially win isolated development or manufacturing assignments, but over time, the stronger platforms become embedded partners across multiple molecules and multiple stages of the development and commercial manufacturing life cycle. When you look at your

Top 10 CDMO customers today, is the average customer spending meaningfully more with Piramal every 3 to 5 years, or is the growth still largely driven by continuously replacing completed projects with new ones?

Peter DeYoung: So, I think we cover some of this in our annual report break-up where we do a bunch of demographics, but we're particularly proud of our growth rate with our Top 20 customers over a multi-year period. And also, we break up and share in that the fact that many of our Top 20 customers are working with us across multiple sites because they see value in our network.

And even further, we give a breakdown showing that it's not just multiple sites; a lot of them see the East-West benefit where they're working at least one of our Indian sites and one of our Western sites. And so, we think that these demographics are meaningful and significant in terms of the Top 20 customers demonstrating that they're buying multiple things from us and that they're growing faster than the rest of our business.

Sajal Kapoor: And Peter, are you saying that they actually expand their relationship by giving us multiple molecules over multiple sites over time? So, we get in the door, do one with them, and then one becomes 5 and 7?

Peter DeYoung: So, I'd say that, I was trying to draw the fact that we have absolute revenue growth higher for this segment. And the second point was that we have multiple offerings we give them, and very rarely would you get a whole bundle at once, you'll get that over time. And so, we use the concept of land and expand. And so, you often would begin with a single offering at a single site or maybe a single integrated project.

But yes, we have a track record of growing and adding projects with our larger customers over time. It's a core part of our strategy where we're trying to -- obviously, we like to grow across the different segments, but we would like to make our larger customers become more larger.

Sajal Kapoor: No, that's helpful. And in your experience, what are the common characteristics of customers who expand their relationships with Piramal, or who have expanded their relationship with Piramal from a single project to multiple programs, more complex programs for commercial manufacturing?

Peter DeYoung: Part of it is us and part of it is them. I'd start with what the part that is in our control is that we deliver on what we committed to and delight them. So, we have a whole customer satisfaction program to ensure that we're delighting. We call it delivery to delight and how do we ensure that we are delighting our customers and get to the point where they'd want to give us a referral or reference? That's our measure of success is the emotional in addition to the objective outcomes. And so, that's under our control.

And then what would be under the customer's control is that they need to have enough needs that are not being met, or that we could meet, that are in their portfolio. And so, they would need to have enough things in their pipeline or their offering that would be needing services.

And so, we would see this strategy work best with the medium-to-larger size customers that have multiple pipeline offerings for whom we are delivering on our promises.

Sajal Kapoor: That's helpful, Peter. Thank you so much. Thank you.

Moderator: Thank you. The next question comes from the line of Abdul Kader Poonawala with ICICI Securities. Please go ahead. The current participant has been disconnected. We'll move on to the next question. It's from the line of Raj from Kotak AMC. Please go ahead.

Raj: Yes, hi. Thanks for the opportunity. Just a few questions. So, first in terms of the operating -- in terms of the gross margin expansion actually, at the subsidiary level, so, I can see that it is going from 72% year-on-year growth to 68%. So, at what level of revenues in the subsidiary levels, or any guidance that you can give in terms of when this subsidiary gross margin starts to show meaningful improvement towards -- can we put a target of, say, 80% gross margin?

Vivek Valsaraj: Okay. So, Raj, firstly, if you look at gross margins for a quarter, they are not necessarily indicative of what the annual gross margins for the respective geographies would be. Therefore, there is some mixed impact that normally affects gross margins. Typically, on an average, our gross margins for our overseas facilities are in the range of north of 75%, between 75% to 85%, whereas in India, if you look at it, the gross margins are on the lower side, around 55% to 65%. And that's how the blended average comes to about 64%, 65% for the overall company as a whole.

Typically, gross margins tend to be higher in our overseas facilities; the margin profile is high. But of course, expenses will also be high. So, at an EBITDA level, at scale, the EBITDA margins are comparable whether it's India or whether it's overseas. So, don't go by one quarter gross margin; it's not indicative of how the gross margin profile for the geographies is.

Raj: Sure. Thank you. You mentioned in terms of mix. So, again, not necessarily only for CDMO, but just if we can get some color on both qualitatively, quantitatively in terms of the split between standalone and consol for basically your CHG -- the CHG split between standalone. So I think Sevoflurane in the US is made in the subsidiaries and I think the ex-US is in the standalone. So, what would roughly be that mix for CHG and then for CDMO?.

Vivek Valsaraj: Yes. Currently for our CHG business, predominant portion of the business continues to reside outside of India. So, the standalone has a very small component of the overall CHG business; it's predominantly outside of India. And as far as our CDMO is concerned, it is roughly 48% outside of India and the balance is India.

Raj: Okay. And just one last bookkeeping question. So, I think last quarter you mentioned about the FY26 ADC sales of $64 million. Any sense that we can get this quarter, Q1, either exit rate or annualized rate for ADC this quarter?

Vivek Valsaraj: We're not providing this on a quarterly basis. You will see another update coming later during the fiscal year, Raj, not on a quarterly basis.

Raj: Okay. Sure. Thank you.

Moderator: Thank you. The next question comes from the line of Vinod Jain with WF Advisors. Please go ahead.

Vinod Jain: Congratulations. The position continues to be adverse in this quarter too of taxation. How will it pan out in the coming 3 quarters? And secondly, is there any thinking on business reorganization to reduce the tax impact?

Vivek Valsaraj: Yes. So, Vinod, there are a couple of questions that you have asked, so let me take them one by one. The first is on the tax for the quarter. So, there are two components to it. Firstly, the tax for the quarter, if you're comparing that versus the corresponding period last year, is on the higher side and that's predominantly due to two factors.

The first being higher incidence of profit in tax-paying jurisdictions, and therefore you have a higher absolute value of tax. And the second is, last year we had created a deferred tax asset on the R&D tax credit that we get in our overseas facilities. This year, we actually had to take a disallowance for some of those R&D work and we are going to file an appeal for that. But pending that, that impact is there. So, you'll see a negative tax last year and a positive tax impact this year creating that delta.

But to answer your larger question, which is how are we thinking about in structure, let me just assure you that we don't pay tax higher than the tax rate applicable to the respective jurisdiction, which means tax in India is less than 25%, tax in the US is less than 21%. The overall effective tax rate appears higher because some of the overseas facilities currently are not to scale, which means their PBT is lower, which is why the tax outflow divided by the PBT looks on the higher side.

As we have said that as our overseas operations scale up, EBITDA margins will improve and you will see a reduction in the tax. Our normalized tax rate should be in the range of 24% to 25% when we are at scale. Currently, it will look inflated because of this anomaly.

Vinod Jain: So, you can expect a sharp reduction in the coming quarters?

Vivek Valsaraj: No, not a sharp reduction in the coming quarters. As we have guided, tax rate will remain elevated in this financial year, but as we scale up on revenues in the years ahead, you will see a reduction.

Vinod Jain: Very well. Thank you. That's all from my side.

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

Bharat Sheth: Hi. Congratulations, Piramal team and thanks for the opportunity. So, I have a question for Peter. Peter, when we are referring our annual report where we have stated that our differentiated offering within CDMO space has increased from say 32% to 42% to 47% in FY26. So, how with now several again capex that we are entering and which is likely to get over in one year time.

So how do we see this differentiated offering really start contributing over next two, three-year time frame in CDMO and hence, I mean, improvement in the EBITDA on the -- within the CDMO business?

Peter DeYoung: I'll try and tackle that in two parts. The first is, if you look over the last few years, our contribution from differentiated offerings has been increasing and we expect that and growing at a higher rate than our overall business, and we expect that trend to continue. That's because of, I guess, some obvious points, but we will restate it.

First is they're differentiated and therefore more attractive to our customers. And second, we're putting more of our investments behind the differentiated offerings than the non-differentiated offerings. And so, our overall capacity is aligning towards differentiated offerings and customers want them because they're differentiated. So, we would expect over the forecast period in our LRP this percentage should go up.

If you ask the question about our EBITDA margins improving, I think we've discussed in the multiple calls over the past, there's—the single largest driver for our EBITDA margins to improve will be operating leverage and related to getting more of our facilities at the target scale. And we've demonstrated that when our revenues go up, that our operating leverage pulls through and we see the EBITDA margins expand.

And we've also demonstrated that as we increase the scale of our overseas sites, that the EBITDA margins hit more towards the target levels. And so, that will be the single largest driver for our overall margin expansion. But a second important driver would be a combination of differentiated offerings and also our on-patent portfolio, and those would be a mixed related element that would be individually and together supporting the EBITDA margin expansion story on top of operating leverage.

Bharat Sheth: Okay. Great. And second question on now with our NPS has improved to around 60% in CDMO and which was a much lower in earlier year. So, with—where do we target and with that NPS continuously improving and improving our deliverability to the various customers, so how much new customer we have been able to, I mean, onboard or within existing customer deepening and hence we expect, I mean, some utilization of, I mean, our international plant and then hence improving EBITDA margin?

Peter DeYoung: So, we have different approaches to trying to get the positive impression our customers have lead to new business. The first is we have the NPS, which is an indicator of customer delight.

And just to remind the background, it can go from -100 to +100, and a third-party benchmark demonstrated that the average CDMO has a negative net promoter score. So, I think the fact that we are in the 60 range is very favorable and so our targets are to maintain that as we grow and maybe modestly improve it, and we lay out those goals each year.

The second point is in terms of ammunition we have. We see that with these positive net promoter scores, we can get referrals, references at each of our sites. And we find that that's a very useful tool. Often when you're down to the, let's say, the last three choices in an RFP process, a customer will ask for referrals, and we look for the people who had given us an 9 or a 10 and they're very often the same ones that'd be willing to give a reference.

And so, we see this as very good ammunition when we want to go after new business. And we have added a number of new logos, first-time clients this quarter, and we see that as a positive sign of our collective commercial efforts, of which the delighted customer base is one of the inputs.

Bharat Sheth: Okay. Great. And thanks for the -- one more question on see -- and it's a very hearty to that we have announced a large ESOP for our customer -- employee who are a key pillar of the growth and education. So, with this kind of ESOP, can we -- what kind of roughly we assume in our financial model a cost within a P&L?

Vivek Valsaraj: So, if you're referring to the ESOP cost, it's normally based on the accounting guidance in terms of how the ESOPs get valued using a Black-Scholes model that considers the impact of the ESOP across the three-year period over which the vesting happens, and accordingly proportionate impact of that is taken in the P&L every year.

Bharat Sheth: No, with this new ESOP what?

Vivek Valsaraj: So, nothing changes from that. This is just a process of continuation of the ESOP policy that already existed. So, it's not like a new policy that's come in; we already had an ESOP policy in place. These are just with respect to the additional grants for the upcoming years.

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

Vivek Valsaraj: Thank you. And all the best.

Moderator: Thank you. The next question comes from the line of Abdulkader Puranwala with ICICI Securities. Please go ahead.

Abdulkader Puranwala: Yes, hi. Thank you for the opportunity. So, my first question is with regards to your CDMO growth. So, you know, possible to break it down between, you know, how the innovator portfolio would have grown versus generics, and within the innovator, you know, how ADC would be a contributor for this particular quarter?

Vivek Valsaraj: So, Abdul, I would say it's a more broad-based growth. So, it's across each of the sub-verticals within the CDMO. So, whether it is our North American assets or whether it's our Indian assets, it's been more broad-based.

Abdulkader Puranwala: Okay. And so, with our partnership with Ajinomoto, what are the kind of investments we're planning, you know, to put into this partnership?

Peter DeYoung: The way this particular partnership works is that it's more about us sharing our ability to work together on the technology. And so, we already have examples where we're using their technology with clients. And so, it's about signaling to the market and particularly our customers or prospective customers on both our side and their side that we know how to work with each other to progress their technology in our facilities.

And so, it's really actually already capitalizing on work we had done with their technology for our clients that demonstrate that we can do it, and that for them that they can use their clients could use our facilities. And so, it's a positive signal that we know what we're doing with each other and that we are compatible.

Abdulkader Puranwala: Okay. And my next question is on the complex hospital generics business. So, you know, that business has grown fantastically well this quarter. And, you know, for the quarters ahead, I know we would have Canalog contribution coming from Q2. What on an organic basis do we see this kind of a revenue run rate flowing into the next few quarters as well?

Peter DeYoung: So, we tried to address that, I think, in the first question in the queue, which was we reaffirm our original guidance for the year, and that does include both organic growth and Canalog-related growth. However, I wouldn't necessarily assume the exact organic percentage that we had in Q1 would continue through the rest of the year. I would look back to the original growth we gave for the business overall.

Abdulkader Puranwala: Understood, sir. Thank you and all the best.

Moderator: Thank you. The next question comes from the line of Shyam Srinivasan with Goldman Sachs. Please go ahead.

Shyam Srinivasan: Yes, good morning. Thank you for taking my question. Just going back to your opening remarks, you mentioned higher capacity utilization and you also mentioned pricing discipline as some of the things that are driving growth. So, if you could illustrate say how our utilization levels have either moved Y-o-Y in in our key plants or if there's an average number for the network as a whole? And from a pricing discipline perspective, so what have we effected that's leading to better realizations?

Nandini Piramal: I'd say that I think we don't disclose utilization on a plant-by-plant basis, but I would say that, you know, this quarter we, as Vivek said, we've seen broad-based growth and that includes increased revenues from our overseas sites. In terms of pricing discipline, I think it's both a mixture of, especially in the consumer healthcare business, we have raised prices a little bit to combat input cost inflation, as well as even in the CDMO business, we are looking at different pricing measures and how to manage some of the rising input costs.

Shyam Srinivasan: Helpful. Thank you. Just my second question on the capex update. So, how much was -- sorry if I missed the number -- quarter, how much did we do? What's our rate-rated guidance for this year? I can see that we have completed the Riverview one, but what about Lexington? If you could just give us the update on the capex plans and the qualitative update as well. Thank you.

Vivek Valsaraj: So, Shyam, we had guided for an annual capex of anywhere between USD120 million to USD135 million of capex. And currently we have spent about USD21 million. It's obviously capex also ramps up as we progress through the year. The Lexington capex is on track for getting completed by the end of calendar year 2027 and the spends on that as well have been progressing as per plan.

Nandini Piramal: This would be calendar year '27. End of year.

Shyam Srinivasan: Got it. Thank you. All the best.

Moderator: Thank you. The next question comes from the line of Tushar Manudhane with Motilal Oswal Financial Services. Please go ahead.

Tushar Manudhane: Thanks for the opportunity. So, this ADC facility now sort of commercialized, so what kind of revenue potential one can think and over what period of time?

Peter DeYoung: This is the one at Riverview or at Grangemouth?

Tushar Manudhane: Riverview.

Peter DeYoung: Yes, the linker payload. Yes, it's a meaningful additional capacity at that site. I would say it's -- I would say it's in the single to low double digit revenue potential. It's immediately available for use and we're already having customers that are siding in it. So, we're seeing significant interest in it.

And just to recap why we're doing it is that we had already kind of sold out our existing capacity, and these are usually reasonably short lead time or comparatively shorter lead time projects that can go straight into that. And so, we expect that to be beneficial in this year and also next year.

Tushar Manudhane: So, single to low double digit is the kind of potential for this site over a period of time, or this is the starting point and then…?

Peter DeYoung: So, sorry, just to be clear, this is a single room in a large facility. The facility is primarily a high-potent API facility with large reactors. That's the primary purpose of the facility. This additional capacity was less than $5 million of investment that was to kit out a specific room with the linker payload technology needed to allow us to do further scale production.

Tushar Manudhane: Understood. And just secondly on employee expenses has increased sharply for the quarter. How to think about it for the full year on absolute basis as well as a percentage of sales?

Vivek Valsaraj: Yes. The correct measure of that would be to compare it versus the Q1 last year. Sequential quarter might create some distortions because normally there would be some reversal of provisions for the short-term and the long-term incentives. But if you look at from Q1 last year versus Q1 this year, you will notice that even after adjusting for forex, the increase is in very low single digits.

Tushar Manudhane: Got it. And just secondly, other income has sort of increased sharply for the quarter, if you could…?

Vivek Valsaraj: So, there are basically three components to our other income. One includes the amortization of government grant for the capex subsidies. The second is there could be some reversal of prior period expenses. And the third would be related to forex. So, these are the three components which are there. In this quarter, the increase is driven by a reversal of some provisions no longer required.

Tushar Manudhane: So, basically INR45 crores to INR50 crores is the run rate to think about rather than the number which we have achieved in Q1?

Vivek Valsaraj: That number could significantly vary because of the forex. So, depending upon how the currency moves, you will see, you know, some forex-related gains appearing there. So, it's difficult to give a exact number as to what that quantum will be.

Tushar Manudhane: Got it. And just lastly, with respect to exports, how much would have been the constant currency growth for us for the quarter? You can use CDMO and CHG separate.

Vivek Valsaraj: Benefit of currency across all business at a very high level would roughly be about 9% to 10%.

Tushar Manudhane: On a year-on-year basis, right?

Vivek Valsaraj: Yes.

Tushar Manudhane: All right, sir. Thank you.

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

Alankar Garude: Hi. Good morning, everyone. Sir, in the past, you have spoken about your integrated differentiated ADC offering. Currently, your ADC sales are more skewed towards conjugation. With the Riverview expansion done, say over the next three to five years, should we expect more traction in winning integrated ADC contracts?

Peter DeYoung: Yes, we would expect with both the Riverview expansion, which is our newest -- one of our newest offerings in the integrated bundle, that we can then handle larger scale and more in line with our capacity in Grangemouth. And also, as important, the commercial expansion at Lexington will also further allow us to have larger scale ADC linkages.

And so, we would expect the growth to continue at Grangemouth for conjugation, but to be complemented by higher growth probably in the other two offerings to get the overall package more balanced. But we continue to expect the conjugation to be the anchor and the largest contributor to our offering, where we think we have the most differentiation.

Alankar Garude: Got it. The second question is on the large contract that where we had seen destocking. You had spoken about excess stock in the system in the last quarter and you had also mentioned about getting orders once inventory in the system is consumed. Can you update us on the current status of your discussions with the innovator and realistically can we expect any sales from next year, meaning FY '28?

Peter DeYoung: We don't currently anticipate anything this fiscal year. I think we communicated that was the expectation last quarter and we will -- we are continually in touch with them because we serve them on other projects. And when their situation changes in a material manner, we would likely let you all know.

Alankar Garude: Fair enough. And the final question from my side. You mentioned earlier in the call that a significant portion of the RFPs are being directed towards overseas facilities. Apart from the fact that you have capacities available overseas with very low utilizations and you have some differentiated capabilities as well in those facilities, are you seeing a clear preference by Big Pharma towards near-shoring?

Peter DeYoung: Not really. What I would say is that we are seeing -- I would -- I want to actually pick four reasons why we think that we're optimistic about demand. I'd say the first reason is that was covered is that our overall operational performance has improved. That's resulting in customers being delighted. We covered that with the net promoter score, so that's showing up in us having more references and positive sentiment in the market for what we have to offer.

The second one is that, we've substantially increased the size of our BD team, so we have more feet on the street talking with customers, drumming up proposals. And the third is that we have made further progress in our commercial transformation, which is how we go to market, reorganizing our teams and approach to be aligned with customer types and how we communicate with them.

And then the fourth one, I think, is external, which is more of our potential and current customers have money and need to spend it to progress the pipeline to meet their promises to their investors. That's generating a broad-based increase in RFP flow across our network that is not limited to the US or near-shoring.

That being said, we have a particular spike in interest in our near-shore offerings that is above and beyond that exciting, but I wanted to re-emphasize that all the prior points are affecting our network broadly and we're seeing an increase in proposal inflow across nearly all of our sites.

Alankar Garude: That's helpful. That's it from my side. Thank you.

Moderator: Thank you. The next question comes from the line of Karan Gupta with ACMIIL. Please go ahead.

Karan Gupta: Yes, hi. So, my question on the CDMO side, how many active molecules pipeline we have? Last quarter you said 155 molecules and 25 is in the third phase, which is something commercial stage, right? So, how many molecules now in the commercial stage and what is the potential revenue of those?

Peter DeYoung: It's a fair question. I think historically we've updated those statistics annually. We are evaluating from time-to-time how frequently to share those with you all and we are evaluating whether we would do an interim update throughout the fiscal year, but at the moment that's been an annually updated set of figures because we find that you can have too many anomalies in a quarterly level, but we are and we will continue to re-evaluate whether we want to change the periodicity of sharing that, but right now it's an annual update.

Karan Gupta: Yes, I mean, you can share also maybe six-monthly, but what the potential revenue that you are looking for those 25 molecules?

Peter DeYoung: We don't historically, again, share individual or aggregate forecasts for groups of programs. I would just indicate that the later-stage programs typically are larger than the early-stage programs because of the definition of them being at that stage.

And so, the reason why we highlight that late-stage pipeline is that it's the, 50% chance on average it could make it to commercial and they typically would have the potential to be larger recurring revenue streams. So, we would ask you to assume that most of the 25, if successful clinically and with their registration, would be meaningful contributors to our future growth and that's why we've highlighted them.

Karan Gupta: Okay. Okay. One question on the margin side, just wanted to understand the margin trajectory going forward for the next two to three years. As we have set up the capacity in U.S. so, now how much the manufacturing capacity in percentage terms we have in India and in the US?

And as the scale of US capacity, considering the labour cost and all the cost associated with those facilities, going forward for the CDMO specifically, how the margins trajectory will change and any ballpark figure for the same? And for the same thing, you can also share details on consumer healthcare and PCH business.

Vivek Valsaraj: So, Karan, we had in our five-year strategy indicated what the margin profile for each of the business we are targeting. For all the three businesses, the intent is to move on similar lines. Currently, the overall capacity utilization at our India assets are relatively higher versus the overseas assets where we have newly created capacity, so their utilization levels are lower.

The overall margin obviously depends upon the level at which capacity utilization happens. So, if you look at our North America or our European asset, as the capacity utilization ramp up, the margin will increase.

At the company level, we had said that we are targeting EBITDA margins of 25% by FY30 and likewise for the CDMO business also we have said margins to move up in a similar range by FY30 and that's what we are targeting over the next five years. All of these details you can find in our strategy deck as well which is available on the website.

Karan Gupta: Okay. No, so I mean, which is particular business will contribute more in terms of margin expansion? So, I can understand that the other two businesses, I think, more stable in terms of margins, where the generics part and your PCH business, but your CDMO business I'm a bit concerned about how the margin trajectory will change for the CDMO business, right?

So, as you said you have a couple of molecules in the commercial stage, right? So, what's the potential basically the revenue side of those molecules or the consistency of getting those molecules in the commercial stage? So, that is something that I want to understand.

Vivek Valsaraj: So, Karan, CDMO is 60% of what we do, right? And also, the largest potential for margin expansion is in the CDMO business. So, this drive of margin from where we are today to go up to 25% will largely be driven by the CDMO business and more specifically driven because utilization at our overseas facilities is expected to improve, which will help drive this.

And at the same time, as you rightly mentioned, the pipeline of products with more innovator products with that kind of a differentiated mix becoming an increasing part of our business, that will drive the overall margin expansion.

As you rightly mentioned, complex hospital generics margins are stable and will remain stable, and for consumer products also we are expecting margin expansion to happen over the next few years.

Moderator: Thank you, sir. Mr. Karan, I would request you to please come back in the queue for further questions. Thank you. The next question comes from the line of Parikshit Gupta with Fair Value Capital. Please go ahead.

Parikshit Gupta: Thank you very much for the opportunity. And I joined the call a little late, so I'm sorry if I'm asking a repeat question. So, first on the CHG business, I wanted to check you were moving into newer geographies, the rest of the world part of the landscape. Has there been any updates on that?

Peter DeYoung: So, I think we shared in the opening remarks that the much of the growth in this quarter over the prior year was our X-US growth for our base business. And so, we think that that's a positive signal that some of the actions we began to take at the back end of last year were showing some fruit. And so, that is and will remain an important part of our growth this year in addition to Canalog, and we expect this is a positive signal for the remainder of the year.

Parikshit Gupta: So, just a quick follow-up on this. So, the contracts that you mentioned in two quarters ago that you were negotiating and entering geographies which had relatively less stringent regulations, so are these the growth that has come, is this from the same contracts that you were mentioning then?

Peter DeYoung: So, it's maybe less binary than what you're describing. We sell in 100 countries and in many of those countries we have some existing business, but we were not at our target market share percentages. And so, when we look at the growth this year over last year, we've had some market share gains in some of those countries where we historically maybe didn't have quite the same share that we have in this period.

And so, we're hopeful that we can continue to get some wins like this going forward based on other discussions we're having. And so, it's -- when you have that large of a ROW market landscape, we continue to play across the field and see where we can get wins.

Parikshit Gupta: Okay. This is helpful. My second question, in terms of Sevoflurane, I wanted to check for the US directed batches, is it completely manufactured from the -- from scratch in the US or some part of it is pre-manufactured say, for example, in the Digwal facility in India? I'm only asking this question because of the recent announcement of a potential two-year 0% tariff on

India and then maybe a 100% on the generics portfolio. I know it's still in the works, but I just wanted to check any risks that we had over here.

Peter DeYoung: We think that we're reasonably well-positioned with that particular product to meet the wide range of possible outcomes with the US perspective on this. So, at the moment, we are making the API and the drug product for Sevoflurane in Bethlehem, Pennsylvania. We do have inputs that are provided to that from India and for supply chain resilience we had -- we could either send an input from Dahej straight to Bethlehem or we could do some intermediate processing at Digwal and then send it on to Bethlehem, but in both cases the API is made and the final stages are made in the US.

Parikshit Gupta: Understood. On the tie-up with New Amsterdam for the cholesterol metabolism drug, is there any update on that, please?

Peter DeYoung: Yes, that was asked by one of the other participants before you joined and we repeated what we may have shared on prior calls, which is that we encourage you to look for publicly traded clients that we've announced or that they've chosen to say they're working with us. We encourage you to look at the analyst reports that are published on them because those analysts would be very well-informed as to the timing of each of those different companies and that one being an example.

Parikshit Gupta: Understood. On the CDMO business, you've mentioned that going forward a product mix and better utilization strategy would help uplift margins. I just wanted to check in terms of ADCs, what kind of percentage share are we at at the present moment and given our FY '30 guidance, what would be the percentage share that we have baked in in our assumptions?

Peter DeYoung: I would say that we have a small percentage share of a very large and rapidly growing market. And so, in order to achieve our long-range plan, we would not need to have any crazy or aggressive assumptions around market share gains. I think we are hoping to participate in what is a large and growing market with what we think is a differentiated offering, particularly for clients who are open to and interested in a non-China oriented supply chain.

So, we don't need to achieve our LRP ambitions, which we are excited about, we don't need to have any heroics around massive market share gains. And we're not currently at a very high percentage in the market share also, so we think there's a lot of headroom.

Moderator: Thank you, sir. Mr. Parikshit, I would request you to please come back in the queue for further questions. The next question comes from the line of Devang Shah with ANT Financial. Please go ahead.

Devang Shah: Yes, hi. First of all, congratulations for some good set of numbers. There are only two questions regarding -- my concerns are regarding the overseas subsidiaries. I think so there are 11 overseas subsidiaries and the loss we accumulated over that was around INR146 crores or something like that, right? What are the utilization rates running today or do they need some percentage of utilization rate to come to the break-even?

Nandini Piramal: Yes, I think we are expecting that the increased utilization will help us to get scale and get operating leverage, which will help us to break even. I think this quarter you will have seen that increase -- we'll see an increase in revenue in the overseas subsidiaries, which has helped improve our EBITDA margin.

Devang Shah: And the next question -- like the last question is, we paid a tax on a pre-tax loss. How much accumulated overseas tax loss is currently unrecognized on the balance sheet?

Vivek Valsaraj: So, we do have a -- if you look at our overseas subsidiaries' financials which are available in public domain, we do have significant carry-forward tax losses which are available across our North American, UK, and European facilities. Some of which we have recognized deferred tax assets over a period of time. For the ones which are yet to move to PBT positive, we are yet to recognize and those figures are available on the balance sheet.

Devang Shah: No, so that -- like by '27, FY '28, can we expect that that would nullify it out or it's going to get extended till FY '29 and '30 also?

Vivek Valsaraj: It will be a gradual shift depending upon the jurisdiction we are talking about. It won't be upfront at one go across all the locations. Different sites are at different level of utilization and profitability as we speak. As and when we see demonstrable profit, sustainable profit that happens, we will start utilizing those. It is more rapid towards utilization in our North America versus our European asset at this stage.

Devang Shah: That's fine. That's all from my side.

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

Gagan Borana: Thank you very much. We appreciate you taking time out to join us for today's call. We hope that we were able to answer most of your questions. In case you have any follow-up questions or need any clarification, 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. Thank you for joining us and you may now disconnect your lines.