“Piramal Pharma Limited

Q4 FY '26 Earnings Conference Call”

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Moderator: Ladies and gentlemen, good morning, and welcome to the Piramal Pharma Limited Q4 FY '26 Earnings Conference Call. As a reminder, all participant 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 star then zero on your touchtone telephone. Please note that this conference is being recorded.

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

Gagan Borana: Thank you, Ryan. Good morning, everyone. I welcome you all to our Post Results Earnings Conference Call to discuss our Q4 FY '26 results. Our results material have been uploaded on our website and you may like to download and refer them during our discussion. Today's discussion 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 day, everyone, and thank you for joining us for our post-results earnings call. FY '26 was a transitional year for the company, marked by a combination of external headwinds and deliberate strategic actions that we believe will position us well for the next phase of growth.

During the year, we were impacted by macroeconomic uncertainties, subdued biopharma funding in the first half, inventory de-stocking in key on-patent commercial products, and intensified competition in inhalation anesthesia in the non-US markets. As a result, we reported a year-on-year decline in revenues and EBITDA.

However, when adjusted for the impact of de-stocking, our underlying performance was more resilient, with the business delivering modest growth in both revenues and EBITDA for the year. But despite these near-term challenges, we made significant progress that has put us on a stronger footing for FY '27 and beyond.

These include a strong pickup in RFPs and order inflows for our CDMO business in the second half of FY '26, especially for our overseas sites, which have a superior gross margin profile; expansion of our CDMO commercial team to engage with more clients in key regulated markets of the US and Europe; strengthening our execution across our network sites to ensure customer delight; the completion of the Kenalog acquisition at the start of the year; steady ramping up of our sevoflurane supply to ex-US markets from Digwal.

And continued momentum in our consumer healthcare business led by the power brands and the e-commerce channel. These factors, put together, give us the confidence that we're well-positioned to return to healthy early-to-mid-teen revenue growth with EBITDA and PAT growing faster in FY '27.

On quality and regulatory compliance, we continue to demonstrate strong performance during FY '26. We successfully completed 38 regulatory inspections, including three US FDA inspections without any official action indicated observations, sustaining our best-in-class track record of Zero OAI.

In addition, we underwent 209 customer audits during the year compared to 165 in the previous year. This marks the highest number of customer audits completed in a single year in our history, reflecting heightened customer engagement, deeper technical interactions, and the growing complexity of programs that we support.

Sustainability continues to remain a key focus for us. During the year, we made strong progress against our identified priorities: decarbonization, reducing freshwater intake, responsible waste management, diversity and inclusion and belonging, strengthening our supply chain practices, employee safety, and CSR initiatives. This commitment was also reflected in our improved ESG ratings, with a score of 68.5 from SES ESG Research and 64 from NSE Sustainability Ratings.

Moving on to business-specific highlights, starting with our CDMO business. Our CDMO business reported revenues of INR1,708 crores in the fourth quarter of FY '26 and INR4,915 crores for the full year. Adjusting for the impact of temporary de-stocking, the business delivered modest revenue growth during the year.

Growth was impacted by macroeconomic uncertainties and slower RFPs and order inflows in the first half on the account of subdued biopharma funding. However, with biopharma funding rebounding significantly in the second half, we witnessed a clear acceleration in RFP activity and order flows.

This gives us confidence that we're poised for healthy revenue and EBITDA growth in FY '27. Importantly, we're seeing a strong pipeline of RFPs at our overseas sites, which, if converted to orders, should help scale revenues and unlock operating leverage.

During the year, we further strengthened our commercial teams and undertook restructuring to align with evolving demand patterns and changing market dynamics. These actions have helped us deepen and sharpen our customer focus in key regulated markets of the US and EU, improve order prioritization, and enhance speed of response.

During the year, we also saw better RFP-to-order conversion rates, especially with new customers. If we maintain this momentum with the open RFPs, we should have a healthy order book for FY '27 and beyond, which is an important determinant of our medium-term growth trajectory.

On the development pipeline, we're working with more than 155 molecules, with 25 currently in Phase III. These Phase III programs represent a strong source of future on-patent commercial opportunities. In terms of innovation, 47% of our FY '26 CDMO revenues came from innovation-related work, with 96 million contributed by on-patent commercial manufacturing.

While this represented a year-on-year decline on a reported basis due to the temporary de-stocking in one product, we saw strong growth across other on-patent commercial programs. Demand for our differentiated capabilities remains high, especially for ADCs, HPAPI, onshore sterile fill-finish, and onshore drug substance.

To capitalize on this demand, we've been investing steadily. A 90 million investment to expand sterile injectables and payload linker capabilities at the Lexington and Riverview sites remains firmly on track. The Riverview expansion has already been completed and is supporting customer requirements, while the larger Lexington phase is progressing as planned and is targeting for completion by the end of calendar year 2027.

During the year, our execution improved meaningfully, with stronger performance across key operational KPIs, including OTIF, RFT, campaign readiness, and schedule adherence, driven by our operational excellence initiatives. As a result, we achieved a Net Promoter Score of 60, surpassing the industry average and reflecting high levels of customer satisfaction.

We remain confident in the long-term growth prospects of the global CDMO network and continue to support this conviction through timely investments in capacity and capability expansion. In an evolving geopolitical environment, our onshore manufacturing facilities have gained increasing relevance and are well-positioned to benefit from customer preference for resilient and geographically diversified supply chains.

Moving on to our Complex Hospital business. Complex Hospital Generics, in the inhalation anesthesia, we continue to strengthen our leadership profile in the mature US market, with market share increasing to 47% compared to 45% in March 2024. Performance in rest-of-world markets, however, remained impacted by intensified competition. While sevoflurane supplies for these markets have commenced from our lower-cost Digwal facility, traction is expected to build progressively as regulatory approvals are secured.

In the intrathecal segment, we maintained our number one position in baclofen in the US, reaffirming our leadership in this high-entry-barrier category. Within injectable pain management, we're working with our supplier to resolve supply constraints. New product launches will be an important driver of growth in the CHG business. In line with this, we recently completed the acquisition of Kenalog from BMS, with revenue contribution expected to commence from Q2 of the financial year.

Successful integration of the product in our portfolio will be critical given its manufacturing complexity. Kenalog has limited competition and carries healthy EBITDA margins in line with the CHG business. In terms of differentiated and specialty products, we continue to invest in 505(b)(2) programs, complex generics, differentiated generics, and select branded products. These are procedurals for in-licensing arrangements and co-development partnerships to support long-term growth.

We have already entered into partnerships with a few products, which are expected to begin contributing over the medium term. These products are well aligned with our existing

portfolio and distributing footprint, leveraging our strong hospital network and offering meaningful barriers to entry to product complexity, differentiation and supply capability.

Moving to our Consumer Health Care. We continue to deliver strong and consistent growth in our Consumer Health Care business, recording 17% growth in Q4 FY26 as well as for the full year driven by both broad-based performance across the portfolio.

In our key representative markets, this is translated into growth as approximately twice the market rate, reflecting continued gains in penetration and brand preference. Our Power Brands sustained their momentum, delivering approximately 26% growth in Q4 and 24% growth for the full year.

Key brands including Little's, Lacto Calamine, CIR and i-range outperformed the market and continue to bring traction across channels and geographies. Several of our brands also crossed important milestones during the year, highlighting a strong consumer acceptance in a fast-growing segment. During the year, we sharpened our focus on improving profitability and calibrated our strategy accordingly, anchored around two key pillars.

First, we're driving product premiumization by launching increasingly high-value offerings aligned with evolving consumer preferences, enabling superior margins while addressing the upper segments of the consumption pyramid. Second, we're shifting towards fewer but higher-impact launches with a focus on quality and scale over volume and targeting categories with larger impressible market opportunities to ensure sustainable and profitable growth.

Our e-commerce business has remained a key growth driver, recording 48% growth during the year and now accounting for nearly 30% of total PCH sales. We maintained a calibrated and disciplined approach to media and trade promotion investments during the year, ensuring consistent and impactful brand engagement across the channel. Our marketing initiatives span television, social media, influencer campaigns and regional activations, strengthening consumer connect across demographics and geographies.

In terms of our distribution network, while e-commerce is gaining a lot of traction, we're also simultaneously increasing our presence in the general trades such as chemists and cosmetic stores, general trade small towns and cities and hypermarkets and supermarkets.

Summarizing the performance. To summarize, FY26 was a year of recalibration, shaped by external disruptions and certain business-specific factors. Despite these challenges, we exited the year on a stronger note. We're seeing positive leading indicators and expect FY27 to mark a return to growth.

We're currently anticipating revenue growth in the early to mid-teens with EBITDA expected to grow faster than revenue, supported by operating leverage. This outlook excludes any revenue contribution from the previously destocked on-patent commercial product.

While we remain mindful of the continued macroeconomic volatility, our underlying business is improving. Consistent with historical patterns, revenue is expected to be H2

weighted, reflecting CDMO order delivery schedules and the ongoing Kenalog integration. Growth momentum is expected to build progressively from Q2 onwards, resulting in a meaningful improvement in full year PAT and EBITDA.

As visibility improves over the course of the year and depending how the macro environment evolves, we will reassess and update our guidance as appropriate. At this stage, the trajectory is positive with increasing optionality to deliver improved outcomes as conditions become more supportive.

With this, I'd like to open the floor for 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 Brajesh Nirala from 3P Investment Managers. Please go ahead.

Brajesh Nirala: Yes, good morning. Do we see any visibility in the assumption of supply for our most important on-patent commercial product? And second question is, what specific steps we are taking to address the decline in CDMO revenue and when we expect normalization?

Peter DeYoung: So as mentioned in Nandini's comments earlier that, at the moment, we do not anticipate any orders in the near term from that customer. And if and when that changes, you'll see that in our forward-looking performance. The second one is that, also as mentioned, excluding that product with that customer, even last year, we were in a growth mode for the CDMO.

And we expect healthy growth as we look ahead due to the factors that Nandini mentioned, which would be related to the improvement in biotech funding that happened in H2, which then led to an increase in RFPs, which then led to an increase in order booking, which was supported with a higher win rate than prior periods. And as we expect and hope that that will sustain into the year as we go ahead, we should see that support our return to growth absent corrections or one-offs in the year FY27.

Brajesh Nirala: Okay. Thanks for taking my questions.

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

Avnish Burman: Hi. Good morning. Thanks for taking my question. If you can just articulate the impact of the Middle East crisis on business, and it could be like multi-phased based on the raw material shortages or even the raw material price increases, the freight increases, or the insurance increases. Just wanted to understand across various businesses how the contracts are structured, who's taking this pain, or is it being shared? Just some color on that, please.

Vivek Valsaraj: So, hi, Avnish. Across the broader operating environment, the initial assumption was the impact of this Middle East situation would possibly be contained. But as we see, it has prolonged longer than what was initially anticipated, and it's becoming evident that some of these effects would remain prolonged and there would be implications on sourcing, utilities, logistics, working capital, a host of other areas as you alluded to.

So, yes, in the immediate term for us as Piramal, we expect the operations to remain manageable, but there would be some cost escalations, and we have to wait and see because the situation is still very fluid. What we are paralleling doing is to ensure that all the mitigation measures have been proactively activated, and this includes but not limited to also re-looking at passing on some of these cost pressures wherever our contractual structures permit to do that.

So it's going to be a mix of multiple initiatives, Avnish, to try and mitigate, and we're taking a close look at the developments and our actions will be aligned with how the situation emerges.

Avnish Burman: Yes, thanks, Vivek. Just a follow-up on that. Just if you have to rank your businesses in terms of ease of passing on these costs to your customers, what would be like the business where it's hard, what would be the business where it's easy? Just some qualitative color on that.

Vivek Valsaraj: Obviously, the PCH business is to some extent going to be impacted to the extent the way the currency will impact the PCH business, and there we'll have to see what we do and how the market reacts as well. But coming to the other two larger businesses, it's completely going to be customer-based and our long-term relationships with each customer and what the contractual arrangements are, Avnish. So I wouldn't say that one business probably is more different than the other; it's going to be more case-by-case basis depending upon the product, the arrangements, etcetera.

Avnish Burman: Okay. Thanks, Vivek. I'll get back in the queue.

Moderator: Thank you. We take the next question from the line of Shyam Srinivasan from Goldman Sachs. Please go ahead.

Shyam Srinivasan: Yes, good morning. Thank you for taking my question. Just on your ADC slide, I think you've quantified ADC revenues are about 64 million. So just want to understand the outlook for this piece, say what was this number in '25, has it grown? You know, there's a lot of interest in the space, especially from both big pharma as well. So I just want to understand -- or if you could illustrate some of the projects that we've been talking about, obviously, without taking names. But I just want to understand how should we look at the outlook for this? And is it a meaningful growth driver when we look forward?

Peter DeYoung: So we thought you may notice this in the Investor deck. Thank you for pointing it out. We're very excited with what we have going on in ADCs, and we've added a number of new customers to our set of customers this fiscal year. And so with those additions, we would anticipate this number to be a meaningful driver of our growth in the short and medium term, and we would anticipate this number going up in FY27-FY28 and beyond.

And some of our recent Phase 3 additions would be -- including products for this offering. And so we are excited with what we have going on here, and we look forward to sharing more in the future.

Shyam Srinivasan: And Peter, just one quick double click on this. So the slide talks about multiple services. In

your opinion, what do innovators value the most? Is it conjugation services? Or is it payload? And where is the large part of the TAM from a CDMO perspective trying to offer service? Where does it lie? And how is somebody like Piramal positioned for it?

Peter DeYoung: So I'd say, at least in our experience, the most intense discussions happen around who is the best partner for the conjugation, which is where we get the largest share of our revenue. And it's the area where you need to have, as a CDMO, a track record and capability to support the types of conjugations you want to do. And so this has been our historical area of strength, and this is an area that we think is a key area of differentiation when a potential client were to choose between let's say, us and an alternative.

While the mAb contribution may be larger in value, there seem to be many providers for mAb. And in that construct, the differentiation between mAb providers may be lesser. And so our experience has been the conjugation is the anchor. And then you can attach the other 3 services based on the preferences of the customer for a single provider versus line-by-line procurement. And we see both modes of interaction. But we do think that, again, to repeat the anchor for CDMO selection is and remains the conjugation as the primary focal point.

Shyam Srinivasan: And my last question is to Vivek. Just, Vivek, let me go to Slide 18, just subsequently. You have listed out all your plants, right? And I think one of the thesis for Piramal was also around overseas facilities and how their profitability is flat, improving, declining, whatever. So when we look at '26 over '25 and maybe some outlook on '27 as well, how are these facilities doing either in terms of utilization levels?

Maybe as an aggregate, if you don't want to give site-specific numbers, what has been the improvement? What has been the narrowing or reduction in losses, if any, right? And onshoring has been a theme I noticed multiple times being mentioned, even in the opening speech as well as Investor Presentation. So is there a durable trend towards getting this utilization at these sites higher? So let me -- those are my questions.

Vivek Valsaraj: Yes, Sure. So let me first talk about FY26. FY26 has been a mixed year for our overseas facilities. In fact, several of our facilities, both in the U.K. and in North America, did demonstrate growth. And this came from an emanating interest in the specific niche capabilities that those sites had to offer. So when you eventually get to see the financials when they are uploaded for the year ended March '26, you will see that several sites did show a decent turnaround versus what it was.

And as you rightly alluded to, we are seeing interest, whether it's in our ADC space or whether it's in our high-potent API space or in our injectable space, we are seeing a lot of interest, and we do expect the growth momentum to continue in FY27 as well.

Peter DeYoung: I just want to add one bit to this, which is connecting some of the dots you would have heard in both Vivek and Nandini's comments is that our overseas sites typically have a higher gross margin. And we are seeing significant RFP inflow and also some recent order wins in the back end of last fiscal year. And this is driven by one thing that Vivek mentioned, which is the capabilities we have we think are intrinsically attractive. That's why we have the facilities.

And the second one is the general onshoring push is significant as a tailwind. And put together, we're seeing, even with what we ended in FY26. We would anticipate all of our overseas sites, but especially those in the U.S. and U.K., to benefit from this combination of factors. And so with that, again, higher gross margin and more differentiated offerings, we should see in FY27 a subsequent improvement in these sites.

Shyam Srinivasan: And lastly, just on data keeping, just the intangible write-down that we have taken, INR176 crores. Can you qualitatively give some more details, please?

Vivek Valsaraj: So Shyam, aligned with our long-range plan, we have been prioritizing where exactly we spend our capital on. And in respect of certain intangibles, which were under development, where the market and the macro conditions changed meaningfully versus what was originally envisaged. And where the potential financial outcomes did not meet our return ratios, we decided not to put in more capital in those spaces and take an impairment at INR1 crores.

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

Abdulkader Puranwala: So the first question with regards to your stand-alone financials and commentary on overseas plant. So just trying to build up a bridge here. So when I look at your stand-alone financials, I think this quarter, you 20%-odd. But on a consol basis, the margins are a little lower. So just wanted to get some sense on how things look at a consol and where exactly there is to improve its margins.

Vivek Valsaraj: Yes. So Abdul, first, as you know that and we've been talking about this narrative that, at scale, our operating margins shoot up. And that's precisely seen every year in quarter 4. In India, as you have rightly identified that because of a higher quantum of revenue, the stand-alone financials show a better EBITDA margin. As far as overseas is concerned, as I have responded to Shyam earlier, it's been mixed.

So some sites have seen a higher quantum of sales in quarter 4 and some sites have not, which is why it's a mixed performance, and that's why the margins have remained slightly lower as far as our overseas facilities are concerned. It's just a question of scale. As we start building more from some of these overseas facilities, you will see improvement in the margins going forward.

Abdulkader Puranwala: Understood. And my second question with regards to your on-patent commercial manufacturing. So firstly, if you can provide some color on how many products we're supplying currently? And second is with regard to even after testing for that onetime, you will see destocking related at this point. I think there has been some growth.

So if you could highlight what's driving that. And for next year, how are we looking at in terms of revenues from this segment? Any launches into the pipeline? If you could provide any color on that front.

Peter DeYoung: So if you adjust for the onetime situation described, we would have nearly 50% growth in revenue from on-patent commercial products from last year to this year that just completed. And the number of products is, I think, between 15 and 16 in the 2 years. So we think that,

that demonstrates that it's a more broad-based set of commercial products this year.

And we would anticipate that to continue to become broader and continue to grow as we look ahead. And so we would expect as you look into FY27 and beyond that you would see less of a single product concentration and we would see multiple drivers here.

Abdulkader Puranwala: Fair enough. And just last one, if I may. So if I look at your FY26 financials balance sheet and cash flow, there has been a sizable improvement in working capital. So going ahead, how should we look at the working capital days? Is there still some scope for you guys to realign your overall working capital? And in terms of cash flows and debt repayment, how should we look at from a 2-year perspective?

Vivek Valsaraj: So Abdul, first, you're right that there has been a very conscious effort to manage the overall balance sheet. So whether it's collection of receivables or negotiating better payment terms with vendors or optimizing our inventory, on all of those fronts as well as other aligned factors like the GST credit refunds because we are net exporters, we've tried to ensure that all of them flow in, and that kind of helped improve the situation.

And the intent is obviously to continue this momentum, but I'm saying this with a lot of caution because we are in a volatile environment. And currently, depending upon how the overall West Asia situation evolves, there may be a need to carry some extra inventory or there may be some kind of working capital block that might happen.

So we'll have to try and see how we monitor the situation. Our net debt-to-EBITDA as we close this particular financial year, we were at 3.6. And we do expect to be remaining in this range basis a full year number for next year as well.

Though, of course, the long-term intent is to bring this down to close to 1. But because we have this ongoing capex which we have announced, we will see a slightly elevated levels currently in the immediate term.

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

Moderator: Thank you. We take the next question from the line of Navin Baid from Nuvama. Please go ahead.

Navin Baid: Apologies for missing your opening remarks. I just wanted to confirm, did you guide for sort of mid-teens kind of revenue growth for FY27? Did I hear that correct?

Vivek Valsaraj: Yes. Navin, so we've guided for an early to mid-teens kind of growth with EBITDA growing faster and PAT growing for FY27.

Navin Baid: Got it, got it. Thank you so much.

Moderator: Thank you. We take the next question from the line of Bino Pathiparampil from Elara Capital. Please go ahead.

Bino Pathiparampil: Hi, good morning. A follow-up question on the guidance. This early to mid-teen growth, is

that in INR terms or constant currency?

Vivek Valsaraj: That's in INR terms, Bino.

Bino Pathiparampil: Okay. So INR, if it stays at current levels, 6%, 7% growth comes from just that. So the constant currency would be that much less from the guidance. Can I assume so?

Vivek Valsaraj: Correct. The only thing to note is that, obviously, when we did our estimates and budgets for next year, the overall currency, INR was at a certain level lower than what it is today. So we already have some kind of natural buffer that's got because the rupee depreciated further to the dollar.

Bino Pathiparampil: Understood. What would be the capex number for '27?

Vivek Valsaraj: So for FY26, the year that closed by, we had guided for between INR100 million to INR125 million and we closed at about INR94 million. So there's some spillover that will happen from the current year to the next. At this stage, we are expecting a capex of about INR120 million to INR135 million for FY27. Largely a part of it will be towards the Lexington expansion, which is currently ongoing. And this does not include what we have spent on the Kenalog acquisition, or in case we managed to do similar kind of deals, that's not included in this.

Bino Pathiparampil: Understood. And one last question on tax rate. At the consol level, for the quarter, it has kind of normalized to about 25%. So has it normalized at the consolidated level? Or will it be fluctuating like last few quarters?

Vivek Valsaraj: Yes. So Bino, that just builds the narrative that we've always been saying that, at scale, we will have peak competitive operating margins, which are in the high-teens-plus. And similarly, tax rates would be in the 24% to 25% range.

Now this, as you can see, historically, we've had revenues and EBITDA is more skewed towards H2 and more specifically quarter 4, which is why you see this. It's not fully normalized. In the interim period, you will see elevated ETRs on a full year basis. But as we gain scale across, especially our overseas facilities, it will move in the range of between 24% to 25%.

Bino Pathiparampil: Okay. So for FY27, if I had to take a rough estimate, normally, would you be able to provide that for the full year?

Vivek Valsaraj: I would just say that it will remain at an elevated level because, for us, the tax actually depends upon the geographical mix. We are present in multiple jurisdictions where our effective tax rates are different. And in some cases, we are profitable, some cases, we are not. So it depends upon that mix. So I'll just say that we'll remain at elevated levels.

Bino Pathiparampil: Got it. Thank you very much.

Moderator: Thank you. We take the next question from the line of Yasser Lakdawala from M3 Investment. Please go ahead.

Yasser Lakdawala: Hi. Thanks to the team for allowing me to ask questions. Basically, what percentage of our, say, Phase 3 projects, I think we have got 25-odd projects, do we expect to commercialize those in the next couple of years? And if you could throw some light on would this be commercialization based out of India or overseas facilities?

Peter DeYoung: So I would, as a rule of thumb, assume that if it's in a Phase 3 window in any given year that would become -- there would be a decision on the launch within a 3-year window, some shorter, some longer. And from a geographic mix perspective, we are reasonably nicely distributed between our different sites and different geographies. And so there's no single large concentration.

The only other point I'd make is that the overseas sites, particularly the ones in the U.S., well, the overseas sites in general, are much more a percentage of on patent work. But we do have contribution from India as well for this. So sorry, I can't say it's only one place. It's actually reasonably broad-based.

Yasser Lakdawala: And can you also probably give us some color on our peptide and the peptide opportunities that we have after we acquired Hemmo and our strategic acquisition of -- our strategic deal in Yapan? Like how do you evaluate the success of these capabilities? And what would be, say, our long-term targets at Piramal to get these acquisitions to some sort of internal metrics of success? Like could you probably give us some color on that?

Peter DeYoung: So we don't break out individual offerings separately, especially after they're fully integrated into our stand-alone financials, such as our peptides. However, if we look at it since acquisition, that offering has grown substantially and the profitability is meaningful. And we've had great addition in overall revenue and incremental EBITDA and EBITDA margin expansion.

Historically, when it was acquired, it was largely a generics offering, and that continues to be the single largest contributor to revenue and a big driver of growth. However, we have been working hard to bring the site up to the expectations for CDMO customers, and we're now actively also selling that offering for them.

Given the size of the facility and the capabilities, we would anticipate it will be more suited towards the biotech customer than the large pharma. However, we do expect it to continue to grow in the medium term. With respect to Yapan, we find that having this offering is an important element to offer in the bouquet for someone wanting bio-conjugation or ADCs. And so we continue to remain interested and excited about being able to offer that.

From a capability perspective, it is somewhat scale limited. And so it's more for kind of that early first Phase 1 post-IND offering. And that's the sweet spot for what we can do at that site with that investment, and we continue to expect to offer that and outgrow with them together.

Yasser Lakdawala: And just building on that, Peter, the fact that we've had such a legacy being in the ADC space, since this sector is seeing -- the space in biotech is seeing a lot of interest from innovators and investors, any thoughts of probably maybe scaling up and up so that we could probably

do instead of just being the Phase 1 provider, maybe eventually if you do have any commercial outcomes, would that possibility exist with us? Or would that molecule eventually go to someone who has those large-scale facilities in -- especially in the mAb space?

Peter DeYoung: We will continue to evaluate the customer demand for the offering in this geography, and also this has been done in partnership with the current entrepreneurs that we are investment partners with. And we would evaluate that choice as we believe it presents.

So as I mentioned earlier in the remarks, there are substantial mAb providers that are providing very large scale capabilities, and so we need to find the right niche for this offering, and we would continue to look at that to see if and where it's appropriate.

Yasser Lakdawala: Sure. And just lastly, on our CHG business. what has been, say, the pricing versus, say, volume growth across anesthesia and the non-anesthesia bit of a portfolio? And as a team, also, what are your thoughts on growing the non-inhalation portfolio, right? Because predominantly, almost about two-thirds of our business are from the anesthesia business. So how do we sort of increase the non-anesthesia piece of our business? What are we doing to sort of do that, if you could give us some insights on that?

Peter DeYoung: So in the short term, meaningful -- if you break our business in two segments, I think we have some in our investor presentation, some broad segmentation. So you're not asking about inhalation, you're talking about other. So for other.

Yasser Lakdawala: Yes, the other.

Peter DeYoung: For other, there is injectable pain. This is a meaningful franchise for us where we've had primarily been supply limited due to our CDMO partners that make these products for us. And so we're working very hard with those partners to try and address their issues with making the product for us and our customers.

And we anticipate as our CDMOs address those issues that we should be able to not be supply constrained, and there should be some growth potential in that product offering either this year or next year. But it is a mature product. It's been around for a long time, and so we would see that to be modest growth.

The second one would be our ITT franchise, which is primarily the specialty offering we have in the U.S. for intrathecal baclofen and morphine. And in that case, we're reasonably high market share. So we'd anticipate that to be more about maintaining revenue, which then leads to the third area for growth, which should be our pipeline of new offerings.

And I think as we discussed in our Investor Day and subsequent communications, we've embarked on a plan to add new -- and Nandini also mentioned in her comments to add new products to the portfolio. And those would be more specialty differentiated 505(b)(2) type category products. And the investment and return horizon on that would be more in the later years in our FY30 plan.

And so in the near term from a new product offering perspective, that's why we were particularly excited with the Kenalog acquisition because it brings current year FY27 revenues from an already on-market product.

And so, it's going to be a combination of selective opportunistic additions to the on-market portfolio like what we did with Kenalog if other ones present at a reasonable value, along with the portfolio additions through co-development and licensing of products that would be more differentiated in the back end of the window and then maximizing our potential from the injectable pain through the partnership with CMOs that are helping us there.

So, it's a bit of a multipart answer, and it depends on the year, but we anticipate to have significant growth in our non-IA business over the fiver year FY30 horizon that we described. And it's going to be not single offering there, but it's going to be the combination that will drive the growth in the non-IA portfolio.

Yasser Lakdawala: And lastly, Peter, if you could just shed some light on one thing, the migraine drug where we had some destocking issues, do you expect maybe over the next couple of years to be at the levels before the destocking situation occurred? And have we lost any share in supplies as a manufacturing partner to the other supplier? Could you share some commentary on that?

Peter DeYoung: I think we continue to be told by that customer that they prefer what we do for them when they have a need. But obviously, any customer in that segment would have multiple suppliers. You can read the Exim data. Our anticipation is that if you do an outside in and look at the Exim data and the underlying demand that there's probably still excess stock in the system. And so, we anticipate when the stock gets to normalized levels that we would get orders again. But we would have to wait for those orders to appear and then we can prosecute them.

Yasser Lakdawala: Sure, Thanks a lot Peter.

Moderator: Thank you. Ladies and gentlemen, in the interest of time and fairness to others, we request you to restrict to two questions per participant. We take the next question from the line of Harith Ahamed from Avendus Spark. Please go ahead.

Harith Ahamed: Good morning. Thanks for the opportunity. On the new Amsterdam partnership, the supplier will be attracted and estimate the combination product, so for this opportunity, what are the timelines that we're looking at and then the capex that we are incurring specifically for this? And also, if you could comment a bit on the commercial side of things for this combination product specifically in terms of peak sales potential?

Peter DeYoung: In, this particular case, you have the benefit of the customer being announced as being our customer and also them being a public company and then further them being covered by very well-reputed analysts. So, my strong suggestion would be is that you look at analyst reports for that end customer, looking up the combination you mentioned and seeing where they predicted.

They will be much more informed and educated and what they can communicate in us because we're obviously bound by our confidentiality agreements on details like what you

mentioned.

In terms of capex, it was largely customer-funded, and that's complete. The suite that was needed to be made for them is up and running, and that's the announcement that you're letting you know that we have this arrangement.

And so there's no new significant capex spending plan to support this, and we're looking forward to them continuing to generate good data to allow them to get the regulatory actions that we are excited about, along with them so we can start serving patients with them.

Harith Ahamed: And on the INR90 million expansion at Lexington and Riverview, any updates on those projects? What's the timeline that we're looking at in terms of commissioning? And beyond these two projects, how does our capex pipeline look? Should we expect a period of consolidation beyond these two capex projects?

Nandini Piramal: I think the Riverview one is largely complete and is sort of serving clients as we speak. The Lexington will be CY27, the latter half of CY27 before completion of that, I think there will continue to be both, obviously, depreciation and maintenance capex, but also growth capex as we go forward.

Harith Ahamed: And last one. Beyond the on-patent commercial manufacturing segment within the CDMO business, can you comment a bit on the other verticals, like the discovery services, development services and just generic API segment where we've seen some pricing pressure in recent quarters? How is that looking currently?

Peter DeYoung: So the biggest driver of growth of the ones you've listed will remain our development services, which will be the on-patent work for clients that are not yet commercially approved. And that's also linked to our differentiated offerings, and so that remains up an area of focus and meaningful growth.

We do anticipate growth in our API generics business also, although it will be more modest. But we do have reasons to believe that our current prior seeding efforts where we put smaller quantities with companies that are looking to add sources or add geographies or products should show us benefit of growth in the current fiscal year.

And we have new API generics that we're developing that have market demand for. And so we anticipate growth continuing in the API generics business, albeit at a modest level.

And then finally, for discovery, it's not a material contributor to our revenue. And while we do see benefit and follow the molecule and it's a probable offering for us, it's more just compared to maybe some other players, that's more modest. We're more historically a later phase in the clinic in terms of what we offer.

Harith Ahamed: Thank you, that is all from my side.

Moderator: Thank you. We take the next question from the line of Tushar Manudhane from Motilal Oswal Financial Services Limited. Please go ahead

Tushar Manudhane: Yes, thanks for the opportunity. Just on the CDMO side, while the RFPs have improved considerably, there has been significant capability or capacity increases by the competition as well. So how do you see that factor playing out in our case maybe in terms of pricing or in terms of the size of contracts which is awarded? That's my first question.

Peter DeYoung: Sorry, the line was a bit fuzzy. So what was the comment you made about the competitors before I answer, I just want to make sure I heard what you were trying to reference there.

Vivek Valsaraj: Hello?

Tushar Manudhane: Hello? Am I audible? Am I audible now?

Peter DeYoung: Yes. Can you try again and just repeat the part...

Tushar Manudhane: Sure. So, what I was trying to ask is that while the RFPs have increased considerably over the last 6 months, what we see is that there has been a reasonable increase in the capacity/capability by the competition as well. So, is that having an impact in terms of, let's say, the pricing of the contract as well as maybe the volume or, let's say, per vendor supplier? If you can throw some light on that.?

Peter DeYoung: So I would say that in a post -- after the biotech funding cash post the COVID boom, there was a general increase in competitive intensity that we experienced across the set of offerings we have, and we really did a lot of looking as to how we need to up our game so that we can get our win rates to go up.

And I think what you may not have captured from Nandini's comments is that we actually saw our win rate increase last year versus the prior year. And we think that's because of a couple of factors.

The first is we think we have the right combination of assets in the right locations. The second is that we've done a lot of work on strengthening our business development organization to be, we think, more aligned with our FY30 growth goals. And so, we did substantial enhancements to the number of people, but also how it's organized and how we go to market.

And the third one is that while price is obviously an important factor, it's really No.1, 2 or 3 in a buying decision. And clients that really are good at buying would look at the full set of factors. And that's where, again, Nandini's comment about our promoter score of 60, that's kind of a lagging indicator of a lot of work that goes into how you interact with clients and how you deliver for clients such that, at the end, they really are promoters for your services and that they would be willing to recommend you to others.

And so, it's very frankly, easy to buy a bunch of kits and put it in a factory. It's very hard to organize how you operate that kit with a high-performing team such that customers are delighted and you don't have any regulatory actions or OAIs. And so, we think that's the combination of reasons that we've seen our win rate actually go up despite competitive intensity increasing.

And we are not going to rest on our laurels. We will not take anything for granted, and we're going to be very aggressive about the expectation for increased competition. But we think that we know what we have to do to win, and we're going to execute on that.

Tushar Manudhane: Got it, sir. And just on this innovation-related on-patent business products, is largely to do which geographies now in FY26?

Peter DeYoung: The innovation-related business is broad-based across our network. We have very -- most of our sites and especially the sites that we're investing in are innovation oriented, and that's part of our multiyear pivot from life cycle management to innovation and support. So most of our sites are innovation oriented, and they all generally are contributing to the pivot.

Tushar Manudhane: And just lastly, with increase in this working capital requirement to address maybe the global turmoil as well as the amount that would be required to pay for Kenalog, so what kind of net debt you would see for FY27?

Vivek Valsaraj: So currently, we are at 3.6. Based on the guidance that Nandini shared, we expect to remain range bound in that level, at about 3.6, through FY27. There may be ups and downs intermittently depending upon how our overall profitability pans out and how we spend our capex. But on a full year basis, that's the range that we are targeting.

Tushar Manudhane: So, on basis, if you could just -- considering this ratio?

Vivek Valsaraj: So let me put it that way, that, that's the range that we're looking for 3.6 times net debt-to-EBITDA.

Tushar Manudhane: Okay sir alright, that’s enough. Thank you.

Moderator: We take the next question from the line of Alankar Garude from Kotak Institutional Equities. Please go ahead.

Alankar Garude: Hi, good morning everyone. First question, which are the RoW markets towards which supplies have started from Digwal? And how is the pricing environment in these markets?

Peter DeYoung: I think it's really kind of that, well, India would be our largest RoW market. We've already supported from like, I'm just looking at our list here, India, UAE, Cambodia, Kenya, Sri Lanka, Uganda. These are all the price competitive markets, but we believe that Digwal will achieve target margins with what we supply from there to those locations.

And we anticipate countries such as examples like Bangladesh, Brazil and Malaysia, Russia, South Africa being next in line. So these are typically markets where pricing is more intense, and we've set up our cost structure to compete with China in those markets.

Alankar Garude: Has there been any improvement, Peter, in the pricing environment at all, especially given the last 2 months, the disruption in supplies, solvents, etcetera? Or the situation remains stable as far as pricing is concerned?

Peter DeYoung: As you may know, this particular product that we're describing has a very product-specific

supply chain, and it's not really solvent driven, per se. And regardless, we have not at the moment seen pricing increase. Typically, prices stay whether at or go down. But we've maybe seen perhaps an ability for us to start winning contracts in these markets, which we'll just have to see how it plays out.

It's too early, honestly, to ascertain pricing movements only a month or 2 after a conflict like this in a product with a very product-specific value chain. As you know, our Dahej facility makes the key input for this, and then we're reasonably backward integrated.

Alankar Garude: Got it. Second question is, how are you assessing the impact of tariffs on the on-patent CDMO segment?

Nandini Piramal: I think tariffs should be a net positive. Obviously, the U.S. facilities will be exempt from tariffs, and you will see there's a general on-shoring trend. The UK facilities also see zero or nil rate under the UK-U.S. trade agreement. So there, and we should see, yes I think, again, increased demand there. For India, generic products are excluded, but innovation-related work is at reasonable levels, and it will depend on the outcome of negotiations between the customers and the U.S. government. And there's a 120, 180 day window for the customers to reach agreements. And for CHG and PCH there's no impact.

Peter DeYoung: The only other two points to add is that there's also an opportunity if India were to be interested to discuss the FTA with the U.S., which is what other countries did. And that could be a second way out. And then a third way out is that many of our customers would be buying what we make in one of the countries that has already got an FTA.

And they may do further value addition steps before it goes to the U.S. end market. So the MFN way out, the FTA way out and then the intermediate country way out. Some combination of those, we believe, should conclude, we hope, before the end of the period.

Alankar Garude: Got it. Just one final follow-up here. Assuming the FTA is not signed, and those agreements with the U.S. by the remaining companies are not signed. How should we look at the ability to pass on for the India manufacture, for the India side. How do you assess the ability to pass on the incremental hikes to the clients? Are clients more receptive in your initial discussion? Or this is too early to comment on at this point in time?

Peter DeYoung: I think it's too early. There's too many unknowns at this stage. So I would just, we would need to kind of see how the different factors that are, I would say, above our company level situation play out. And I think it will become more clear as we get closer to the September date. I wish I could tell you more, but this is one of those things that we just have to let the cards play.

Alankar Garude: Fair enough. That’s it from my side. Thank you.

Moderator: Thank you. We take the next question from the line of Devang Shah from DD Enterprise. Please go ahead.

Devang Shah: Yes. The question is, are we going to see any stable quarters coming up? Of course, because

in one quarter, we are posting profits, in one quarter, we are posting like loss. We are not coping up with that after the demerger. I'm not getting, like I'm not understanding. Like are we into the business of all these types? Or we are like in a business of a CDMO, where consistency should be there?

Vivek Valsaraj: So, Devang, while that's the intent, that we should be having more stable quarters, unfortunately, the nature of the business is such that we have been seeing volatility. Now if you go to the other two smaller businesses, which is our critical care and our consumer products business, they are relatively stable with a more equal phasing across the quarters.

It's our CDMO business, which is 60% of what we do, where you see a significant skew. This has not just been after the demerger. It has also been before the demerger. It's just that now when we are separate, you have better visibility to how it plays out.

And yes, you do see lumpy quarters. Unfortunately, even in FY27, this trend will be there where CDMO will be more H2 weighted with a larger chunk in quarter 4. So that situation doesn't change. All our efforts are in the direction to have a more even quarter, but it largely depends upon when the customers buy from us. And that's what determines how the phasing pans out and that's what determines how the profitability comes up.

Devang Shah: So is there any plan to reduce the debt? The things comes up like promoter holding is not inclusive?

Vivek Valsaraj: Sorry, if you could please repeat the last statement?

Devang Shah: So promoter holding is not increasing. The promotors skin in the game is just 30% or 35%. It's not beyond that, right? And the things comes up like, the debt is very much high. If I'm not wrong, its 3.5% or something like that.

Vivek Valsaraj: Yes, yes. And you're right, Devang, that 3.5 is the level at which we are operating, but it's largely driven by some of the investments which have been ongoing. And these are the planned targeted investments to expand capacity, scale and capability at sites which we believe will be part of the long-range plan growth drivers. So the investments are in that direction. And as we've said, that on a long-term basis, we will have net debt to EBITDA come down to 1. And we had also mentioned that in the interim period, it will remain elevated, and that's what you are seeing play out at this stage.

Devang Shah: That’s fine that’s all from my side. And all the best for the future.

Vivek Valsaraj: Thank you.

Moderator: Thank you. We take the next question from the line of Vinod Sohanlal Jain from WF Advisors. Please go ahead.

Vinod Jain: Yes good morning. Madam, I refer to the Q4 numbers, which are muted, so are the annual financial year '25, '26 numbers. The turnover remains skewed in favour of the last quarter of the year, a harmful phenomena, highlighted by over the several quarters and years by me.

But in this context, I ask two questions. Would '26-'27 be any different? You have just said that CDMO may remain similar, but I want to clarify whether the overall business in terms of the turnover would it be spread over the quarters in any different manner?

And secondly, the exceptional charge of INR175 crores in Q4 was neither hinted earlier nor has been explained in detail. Please convey what caused this exceptional intangible R&D asset write-off and how you would avoid this in the future.

Nandini Piramal: Okay. I think one is, overall, I think we have said that for next year, we expect early to mid-teens growth across each of the businesses and this is full year. The CDMO is unfortunately still will be back weighted to H2. As Vivek said, that, that is driven by the timing of when the clients and customers want delivery, and that's when we can recognize the revenue.

That's part of the nature of the business. The other two businesses will see, I think, consistent growth across. And I think your second question was on the intangibles.

Vinod Jain: Yes.

Nandini Piramal: Yes, I'll leave that to Vivek.

Vivek Valsaraj: So on the intangibles, I have just clarified on the call that there were certain intangible assets which were under development, where the overall macro and market situation did change versus what was originally envisaged. And since we are prioritizing capex as a part of our long-range plans, we are ensuring that they are going in the areas, which give the returns as anticipated. And therefore, to prevent any further impact, we decided to cut further investments on these products and, therefore, impair it as a result of these realities.

Vinod Jain: And you would such ventures in the future?

Vivek Valsaraj: That's the endeavour always. But there are certain factors. If the market conditions do change, then there will be some things. But in general, that's the larger principle.

Vinod Jain: Very well thank you.

Moderator: Thank you. Ladies and gentlemen, we take that as the last question and conclude the question-and-answer session. I now hand the conference over to Gagan for his closing comments.

Gagan Borana: Thank you very much. We hope that we were able to answer most of your questions. In case you have any follow-up or still any clarification that you will 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.