NATURAL CAPSULES LIMITED

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Date: June 03, 2026

To
BSE Limited
25th Floor, PJ Towers
Dalal Street,
Mumbai – 400001
Scrip Code: 524654

To
National Stock Exchange of India Limited
Exchange Plaza, C-1, Block G
Bandra Kurla Complex, Bandra (E)
Mumbai – 400051
Symbol: NATCAPSUQ

Dear Sir/Madam,

Sub: Transcript of Conference Call held on Tuesday, June 02, 2026.

Pursuant to Regulation 30 and Part A of Schedule III of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we enclose herewith a copy of transcript of Conference Call held on Tuesday, June 02, 2026.

Kindly take the aforesaid information on record in compliance of SEBI (Listing Obligations and Disclosure Requirements), Regulations 2015.

Thanking you,

Yours Faithfully,

For Natural Capsules Limited

SUNIL LAXMINARAYANA MUNDRA
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Sunil L Mundra
Managing Director
DIN: 00214304

“Natural Capsules Limited
Q4 & FY’26 Earnings Conference Call”
June 02, 2026

MANAGEMENT:

MR. SUNIL MUNDRA
MANAGING DIRECTOR
NATURAL CAPSULES LIMITED

MR. RAJ KISHORE PRASAD
CHIEF FINANCIAL OFFICER
NATURAL CAPSULES LIMITED

Natural Capsules Limited
Q4 FY'26 Earnings Conference Call
June 02, 2026

Moderator: Ladies and gentlemen, good day and welcome to Q4 and FY26 Earnings Conference Call of Natural Capsules Limited hosted by TIL Advisors.

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 that this conference is being recorded. I now hand the conference over to Mr. Abhishek Mehra from TIL Advisors. Thank you and over to you Mr. Mehra.

Abhishek Mehra: Thank you Neerav. Welcome everyone and good evening. Thank you for joining this Q4 and FY26 Earnings Conference Call of Natural Capsules Limited.

Results and investor updates are available on the stock exchanges. In case anyone does not have a copy of the same, please feel free to write to us, and we will be happy to send it over to you.

To take us through the results of the quarter, we have with us today Mr. Sunil Mundra – Managing Director and Mr. Raj Kishore Prasad – Chief Financial Officer.

We will be starting the call with a brief overview of the quarter from Mr. Mundra, which will be followed by the Q&A

I would like to remind you all that everything said in this call that reflects any outlook for the future which can be construed as a forward-looking statement must be viewed in conjunction with the uncertainties and risks that the company faces. These uncertainties and risks have been included but are not limited to what is mentioned in our Annual Reports.

With that said, I will now hand over the call to Mr. Mundra. Thank you and over to you, sir.

Sunil Mundra: Thanks Abhishek. Good evening, ladies and gentlemen. On behalf of Natural Capsules Limited, I extend a warm welcome to all participants joining us today for our Earnings Call to discuss the financial results for the and the full Financial Year ended 31st March 2026.

I will begin with our financial performance covering the quarter and then the full year

Now, for Q4 FY26, we reported consolidated revenue from operations of Rs. 58.45 crores, reflecting growth of 55% on a quarter-on-quarter basis and 30% on year-on-year basis. EBITDA for the quarter recovered to Rs. 1.33 crores, an improvement of 157% over Q3 FY26, with EBITDA margins at 2.28%. This represents a sequential improvement of about 844 basis points, though margins remain 747 basis points below the Q4 FY25 level. The loss of the tax for the quarter stood at Rs. 4.98 crores, reflecting depreciation of Rs. 4.28 crores and the finance cost of Rs. 2.89 crores.

I will address the trajectory of these charges in the context of our full year performance:

Now, for the full financial year FY26, consolidated revenue from our operations grew 11% year-on-year to Rs. 187.20 crores from Rs. 169.21 crores in FY25. This top-line growth is encouraging in the context of the operational disruptions we experienced during the year. However, I must be candid with you regarding the profitability outcome for FY26. EBITDA for the full year was a loss of Rs. 1.56 crores at a margin of negative 0.83% compared to Rs. 17.52 crores in a margin of 10.35% in FY25. This represents a deterioration of 1,119 basis points and is a result of two distinct factors:

- First, the operational disruption in our capsule business caused by the temporary shutdown of our Puducherry plant.
- Second, the pre-commercial cost burden of our API manufacturing subsidiary, Natural Biogenetics Pvt. Ltd., which has been incurring manufacturing costs and fixed overheads meaningful revenue.

Finance cost for the year was Rs. 10.95 crores up from Rs. 6.31 crores in FY25, reflecting the term debt drawn to funds from the Tumkur API facility. Depreciation was Rs. 17.14 crores higher than FY25's Rs. 9.12 crores as the API facility assets entered into the depreciation cycle. Together, these charges resulted in a profit before tax loss of Rs. 27.92 crores and a net loss of Rs. 24.66 crores for the full year. I acknowledge the significance of these figures and wish to address directly how we intend to reverse this trajectory.

On the balance sheet, total equity stood at Rs. 234.72 crores. Operating cash flow for the year was a positive Rs. 10.92 crores, which reflects the underlying cash generation capacity of the capsules business and provides us with a reasonable working capital base to operate from. Let me now turn to the operational account for the year, beginning with the capsules business and then addressing the API segment. Q4 FY26 was operationally the strongest quarter of the year for our capsule business as we had guided on the Q3 FY26 call that deferred dispatches that accumulated during the Puducherry plant shutdown were cleared in Q4 FY26. Approximately Rs. 6 crores of revenue in the quarter reflect those deferred sales. Importantly, because the associated manufacturing costs were absorbed in Q3 FY26, these dispatches carried a higher net realization, contributing positively to the quarterly margin recovery.

On capacity, we are pleased to confirm that the new HPMC line commissioned in FY26 which increased our installed capacity from 19.5 billion capsules per annum to 25 billion capsules per annum is fully ready for double zero capsule production. Revenue from this line is expected to commence in the second half of FY27, subject to customer qualification and approval in the US market. We are actively progressing those approvals. For FY27 the capsules business enters the year with two clear objectives are to optimize utilization across both our Bangalore and Puducherry facilities and to improve the product mix progressively towards regulated market customers and value-added variants.

The contribution of the new HPMC line, once approved, will support both revenue and margin improvement. I am pleased to report that Q4 FY26 marked the commencement of commercial API sales at our Tumkur facility, operated through our subsidiary, Natural Biogenex Private Limited. This has been a long journey, and reaching commercial production is a genuine milestone for the team.

During the quarter, Natural Biogenex also executed definitive framework and contract manufacturing agreement with Fermbox Bio-Private Limited. Under this arrangement, Fermbox Bio will provide advanced fermentation technology and equipment at our Tumkur facility, while Natural Biogenex undertakes licensed manufacturing, quality assurance, and regulatory compliance. We expect this collaboration to improve utilization of our fermentation block and create an incremental revenue stream for us.

The products we are producing commercially at present carry margins that are lower than what we ultimately expect from this business. The reason is that the higher value customer segment and certain export geographies require regulatory approvals that are still in the process. We are working with the relevant regulatory authorities and customers to obtain those approvals.

And once secured, we believe the profitability profile of the API segment will improve materially. We enter FY27 with more operational clarity. The Puducherry disruption is behind us.

Commercial API sales have begun. The HPMC line is ready for qualification. The Fermbox collaboration has been formalized.

All the building blocks are in place. Our task now is to execute with discipline. We are conscious of the pressure on our balance sheet and the expectations of our shareholders after a difficult year.

Restoring profitability at the console level is our primary financial target for FY27. Thank you. We are now ready to take your questions.

Moderator: Thank you very much. We will now begin the question-and-answer session. Ladies and gentlemen, we will wait for a moment while the question queue assembles. Participants, you

may press "*" and "1" to ask a question. First question is from the land of Anuj Mehra from Artha Capital Management. Please go ahead.

Anuj Mehra: Good evening and thanks for the opportunity. My question is at the strategic execution level, you are simultaneously trying to grow the HPMC capsules in regulated markets, parallel scale gelatin capsules business and ramp up the API commercial scales and qualify the fermentation block and partner with Fermbox bio on a new project. Now, there are close to five concurrent strategic priorities for a company at a near zero cash balance and a loss making consolidated P&L. So, how are you actually trying to prioritize management bandwidth and working capital across all of these initiatives at once?

Sunil Mundra: As far as management bandwidth is concerned, we have dedicated teams working for all these divisions. Like for gelatin capsules and HPMC capsules, we have dedicated teams operating. There are about totally 18 members in our marketing team across the world who are working on that.

As on date, we have order book which is having a backlog of almost 36 days of all types of capsules. In HPMC capsules, we are working aggressively to get approvals in the US market working with a few customers whom we have sent the samples and once those are approved, HPMC business should start. Having said that, there is definitely a slow situation in the US market and we are working to overcome that by means of having aggressive marketing calls.

On gelatin side, the domestic team is very well positioned. Our approach is to reduce the sales to the customers whose net margins are less and concentrate on customers where the margins are better. Now, coming to API sales, API or regulatory approvals, the facility is a process.

So, once the DMF related CTD work starts, that is the technical dossier work, it takes time and then we start the filing process and then the updation of the DMF has to happen. Post that, the concerned regulatory authorities will come and trigger the audit and they will come and audit the facility. So, it's a process.

So, there is a dedicated team working there and this process will go on. Regarding firm box contract is concerned, as very clearly, I said in my opening remarks, all the technology and operational supervision will be in control of firm box. Only ground operations will be under our control.

So, we have nothing to worry there because ultimately the batches and all the production will be under their control. I think from the operational point of view, we are more or less secure. Now, on the other front which you mentioned about the liquidity situation, yes, this is the area where we definitely need to work upon because of the continuing pressure on the balance sheet and the liquidity position.

Because of the API business, we are looking at various options to do fundraising.

Anuj Mehra: Okay. So, are you planning to dilute further equity or are you planning to raise debt if you can share some kind of thoughts with us?

Sunil Mundra: So, there are various options. We have also made an application under government RDI scheme to BIRAC, and I am hopeful that we might get some funding as being a deep tech company here in pharma API line. We expect to contribute equal amount from our side which should be in form of equity. We might do a kind of preferential allotment where the promoters could also participate, and we could also do a right issue.

So, at this point of time, the promoter group doesn't want to dilute much on the overall holding.

Anuj Mehra: Got it. Sir, my second question is on the scale-up of Capsule's business. The HPMC line is ready, and revenue is expected from the second half of FY27 as you just mentioned subject to the US client approval.

Now, this implies that even if everything goes to plan, HPMC revenue contribution will only accrue for two quarters, that is half a year, the second half of the year. So, can you tell us what revenue contribution you are assuming for the HPMC line for FY27 in your base case and what happens to the profitability of the Capsule business if that approval is delayed by another quarter or two, just in case?

Sunil Mundra: So, looking into the uncertainty of the US market where the business of Neutra segment has completely slowed down. As you are all aware that last year post the tariffs imposed by the US government, all the businesses slowed down and especially our Neutra business which is more of a wellness business where the impact was much more than the other businesses. So, at this point of time, demand is very slow in the US, and we anticipate that this should improve in about three to six months down the line.

During this current year FY27, we have therefore anticipated a very low expectation from the revenue from HPMC. We have anticipated last year we did revenue of about 8 crores from one line and there the US exports were roughly around 3 crores out of that. Now this year, keeping that in mind, but this is a new size double zero which we have added now, and we are exposed to other markets like Brazil, Mexico have improved.

We are now anticipating revenue of about 20 crores from HPMC line.

Anuj Mehra: Also, sir, the steroidal API market has seen excess Chinese capacity which has depressed the price over the last two years. In the Q4 FY25 call, you acknowledged that the API segment faced industry-wide pressure on product realization due to significant excess capacities in China. Has that situation improved, worsened or remained the same in FY26? And at current Chinese export prices for steroidal APIs, are your API products like price competitive on a full-cost basis?

Sunil Mundra: So, Chinese capacities are, I would say, to a large extent fungible because they keep changing the products within the steroidal portfolio. So, many of the products, when they become uneconomical, they discontinue some of the companies there. But having said that, there are large players, about five to six large players in steroidal API segment.

The prices which they sell to the Indian market, you will be surprised that they are much, much lower than what they sell in China and to large extent to the rest of the world. And Indian prices are very, very significantly lower, I would say and may not even cover their costs. I have done deep analysis of these pricing there in China, and even the Chinese manufacturers are a little under pressure because of this.

So, they are trying to make their strategies to improve the prices, but somehow there is also overcapacity there across all the API segments. So, over a period of time, they take the prices up, they come down because of the sales from the other smaller players. So, having said that, now the API prices in Indian market, India is a highly price-sensitive market.

As you know, government's focus is on generic medicine, low-cost production, and the price control. So, most of the manufacturers are looking at cheaper APIs, and therefore, there is a, especially the segment, which is catering to these generic markets, looks for cheaper APIs. So, there, as I mentioned in my opening remarks, that the margin for these generic API customers is very, very low.

It is in single-digit low numbers, EBITDA margin, I would say. And whereas, our attempt is to improve ourselves or take ourselves up to a higher ladder and reach the semi-regulated and regulated customers within India. I would want to say go to the customers who are exporting to semi-regulated markets and then go to the customers who are exporting to US, Europe.

So, there, probably, these margins are much, much better, and that is our growth strategy to survive.

Anuj Mehra: Got it, sir. But considering these products are also in the PLI scheme, so will you be approaching the government for an import duty to be applied just to get the pricing parity?

Sunil Mundra: Yes, I think you are quite right. Recently, government has granted a minimum import price they have imposed in case of four products which are manufactured by two companies which are selected under the PLI scheme. So, here, the government's condition is that we should produce those products with a 90% domestic value addition, like we have got three products, Prednisolone, Dexamethasone, and Betamethasone.

So, I am happy to inform the members who are present here that we have been successful in doing Prednisolone and Dexamethasone at the kilo level now, which are, if scaled up, will be maybe around 10% lesser than the Chinese cost. So, we are now hoping, we have given the documentary evidence to the government for the rebadges that have been produced, and we

expect them to visit in about three to four months. The chartered engineer visit is over, and their technical team will come and visit the plant to confirm that we have started commercial-scale production.

So, once the commercial-scale production of one or two products starts, then we hope to get the minimum import price imposition by government, and that would definitely be a big boost for us. And like in case of two companies, I would name them, Kinwan was one company which has produced Potassium Clavulanate and Clavulanic Acid, and in case of Aurobindo Pharma, they got these for Pen G (Penicillin G), 6-APA, and 7-ACA, and they have been, I mean, the price selling at the time was $18 per kg of 6 Pen G. Now, government has imposed $36 per kg. So, government is being realistic, goes out of the way now to support the industry, especially for those whom the PLI scheme was given. So, we are quite positive thatif we are able to demonstrate in next three to four months, but we have not taken any of those in our revenue projections. I am hopeful that parallel teams are working to demonstrate this prednisolone and Dexamethasone 2 products.

Betamethasone is slightly difficult, and we have kept the target of Q4 in the current year. These we are keeping a target of Q2 and Q3 for commercial scale production and getting the PLI covered from the government, rather minimum import price covered from the government.

Anuj Mehra: Got it. Also, sir, in Q1 FY26, you had guided for the API facility to reach cash breakeven by the end of Q4 FY26. But then we saw commercial sales only commenced in Q4 FY26.

So, there have been multiple instances starting FY24 till FY26, where timelines on earnings calls were not met. So, how do you suggest we take the current guidance? Have you tapered down the current guidance? Is it aggressive according to you? How should we be looking at the guidance that you are giving right now?

Sunil Mundra: The current guidance has been, we have given conservative guidance, one. Secondly, we have not considered major revenue, any revenue from these PLI-based products where last year we slipped up. Thirdly, the guidance on the API front especially has been given based on my Q4 numbers. Q4 what we achieved about Rs. 9 crores of revenue from API. Based on that and a gradual increase from there, we have assumed the numbers. So, in the current year, we are giving guidance from gelatine capsules about Rs. 170 crores, HPMC about Rs. 20 crores, API business and domestic market about Rs. 70 crores, and from firm box contract about Rs. 14 crores. So, there we have not considered any of these kind of PLI-based benefit in those product sales. The last year reasons for slip-up are very clear as I mentioned already. Let me capture them again. There was a delay in the PLI products where we could not achieve the yield. There was a very big gap in the commercial level and despite the PLI incentive, we could not have done the breakeven. So, therefore, we were to keep around, pushing around for alternative route of synthesis and we were also trying for some sort of a technology support from Chinese companies which unfortunately did not come though they promised.

Ultimately, our internal teams only have been successful in achieving the completion of two products at kilo level now. Now, the other major reason for not achieving the guidance for API business was the fluctuations in these intermediate prices from China was so high. Actually, we decided that if we are not able to get this PLI revenue, we will also start importing intermediate from China and do the two-stage or three-stage derivative manufacturing and sell them in India.

But during last year in Q1, we took the decision. Q2-Q3, there were huge disruptions in prices, but still we started importing in Q3 and Q3 end and Q4 from December of last year till March, we were able to start manufacturing from intermediates and therefore, the revenue came only in the last four months. So, I would think that these two are the major reasons in our API business.

As far as capsule business is concerned, I think we had given a guidance of about 196 crore which I think included Rs. 25 crores of revenue from HPMC and Rs. 171 crores from Gelatin. So, in the current year, we did achieve about Rs. 163 crores. In last year, we actually achieved Rs. 163 crores from Gelatin which is almost achieved Rs. 170 crores because 6 crores of loss due to shut down in Pondicherry plant.

Whereas HPMC, we could not achieve the targeted revenue of 25 crores and we achieved only around Rs. 8 crores. That was mainly due to stoppage of exports to US. So, I think in the current year, our guidelines are pretty much conservative, and we hope to achieve those numbers.

Anuj Mehra: So, sir, with the guidance that you gave in terms of especially the API segment, roughly I think 80-85 crores worth of top line that you are clearly looking at conservatively. Can you further elaborate in terms of the operational breakeven that you would be achieving? I just need to understand this so that our assumptions can be correct if we are looking at the worst behind us now or we can still look at negative numbers in the coming quarters.

Sunil Mundra: As far as API guidelines are concerned, in the next year, what I have told, API from domestic sale is about roughly Rs. 70 crores. There we are expecting a margin of about 2-3% at the gross level. I would say lower single-digit numbers on the gross raw material level.

At EBITDA level, it could still be in a negative side. But as we grow further and improve our customer base, this should be in a lower single-digit EBITDA also. Now, as far as firm box contract business is concerned, we are considering about 20% EBITDA based on the cost sheet agreed with them and the amount of work committed by them. But I would say at the console level in the current year also, we might face challenges and probably we would end up with a very low consolidated net margin.

Anuj Mehra: Got it, sir. That will be all from me. Thank you so much.

Moderator: Thank you. Next question is from the line of Yashvi Gandhi from Molecule Ventures. Please go ahead, Yashvi.

Yashvi Gandhi: In the past calls you mentioned the PE investor in Natural Biogenex has a claw-back clause linked to the FY27 targets and that they have informally agreed to extend it by a year. What is the current formal status of that claw-back clause? Has a written extension been agreed and what are the financial consequences on the promotors if the FY27 targets are not met?

Sunil Mundra: No, the claw-back clause is referring to FY29 figures and that also is already mentioned in our shareholders agreement, and this is for FY29. So, as far as it is concerned, at this point of time, there is no discussion on that.

Yashvi Gandhi: Okay. On a consolidated basis, can you please help us break down how we are looking at FY27 from the revenue and profitability standpoint? A detailed breakdown would be helpful in terms of capsules if you could give a breakdown between Gelatin and HPMC and if you could also throw some light on the scale-up of API.

Sunil Mundra: Yes, I think I have already given that. Once again, for your benefit, I will repeat that. Our revenue forecast for sales from Gelatin capsules is about Rs.170 crores, from HPMC capsule about Rs.20 crores, from API mainly which is domestic API about Rs.70 crores, our forecast from firm box production, CMO contract about Rs.14 crores. So, we are talking about a consolidated level Rs.274 crores.

Yashvi Gandhi: Okay, got it. Thank you.

Moderator: Thank you. Next question is from the line of Madhu Rathi from Counter Cyclical Investments. Please go ahead.

Madhu Rathi: What kind of margin do we expect from the capsule division for FY27 with HPMC scale-up?

Sunil Mundra: From HPMC we have assumed 18% as our EBITDA margin and from Gelatin around 13% which is what we expected to improve better now since there is a devaluation of rupee, the dollar, rupee and the recoveries are better. We can expect better EBITDA margin, but we have assumed similar number as our Q4 number.

Madhu Rathi: Got it. Sir, did we receive any PLI during FY26 and what is the PLI expectation for FY27?

Sunil Mundra: No, we did not receive anything in FY26. We do hope to get something but in forecast we have not included anything in it. As I already mentioned that we might be able to present to government our conclusive evidence of getting two products on commercial scale level maybe in Q3 or so and Q4 respectively one after the other and there could be some revenue from PLI.

But at this point of time since there is uncertainty of timing and all that we have desisted from giving a forecast.

Madhu Rathi: What I understood was that we have already achieved kilo level batches for Dexamethasone and the pre-release solid. You mentioned like right now they will commercialize in Q3 or Q4 of FY27.

Sunil Mundra: Yes.

Madhu Rathi: Okay, got it. Sir, if you would help us understand what is the arrangement with Fermbox for what kind of products and do we expect some kind of capability development for our fermentation in-house with this? If you would help us understand how does it fit strategically for our business and the fermentation API business going forward?

Sunil Mundra: The Fermbox business is a win-win situation for NBPL and NCL because the Fermbox what the contract is of two basic principles that they will be utilizing our spare fermentation capacity. Now the question is why did fermentation capacity become spare? It is because in the Prednisolone and Dexamethasone originally, we had put up the capacity with the idea that we would require all the capacity for which we have applied for. Later, last year, Government of India, Department of Pharmaceutical gave a clarification that you need not produce what is applied capacity, you have to produce only sanctioned capacity. So, that freed up almost, I would say, in Dexamethasone and Betamethasone our committed capacity was 27, allotted was 8. So, 19 metric tons of finished API and added to that our second stage fermentation.

Now we have been successful in using enzymatic route where the need for fermentation at large scale has been reduced. Therefore, at least about 40% of our capacity becomes spare in fermentation. So, therefore, this agreement with the Fermbox whereby Fermbox will, because the Fermbox products are different, they have yeast-based, enzyme-based and other kind of products where the downstream processing equipments are totally different.

So, the agreement says that Fermbox will be investing a close to amount of Rs. 60 crores in various such equipment which will be placed on our site, will be owned by them on their books and NBPL is also free to use those products in case they choose by giving them the whatever the charges applicable. So, as you mentioned that whether it will improve our capabilities, yes. And we are also free to bring in our CMO contracts of similar products.

Of course, there is a no-compete clause with the Fermbox. We can't bring such products. Whatever is to be done with their consent, we have to do it.

But definitely it will improve our total, I would say, capabilities and repertoire of this knowledge about the fermentation techniques.

Madhu Rathi: Sir, so they, the personnel manufacturing these fermented products because if I'm looking at the Fermbox website,so these products will be manufactured by natural capsules personnel or employees or these will be manufactured by Fermbox's employees only?

Sunil Mundra: No, Fermbox will provide total supervision. It means all these decision-making regarding operational parameters will be under their control. Their people will be there to take the decision or people will be only operating the equipment and because the products belong to them, they are responsible for the success of the batch. It will be totally under their control.

Madhu Rathi: Got it. And sir, how big can this contract become? Maybe over the next 2-3 years, can this become a 50-crore revenue contract for natural capsules?

Sunil Mundra: Yes, it can. Because right now we are talking of only part of the year, current year forecast and that too with one product which they have for confirmed order from Government of India. So, that product alone we have given anticipation of revenue forecast of Rs. 14 crore.

They have multiple products from Europe, US and there is a revenue build-up, and the profit share will be better. And therefore, we anticipate that this revenue could be much larger.

Madhu Rathi: Got it. Sir, just a final question from my side. Sir, on the API business, how should we see this business over the next 2-3 years down the line? Because the main product that we were expected to manufacture, the realizations have gone down and it is not viable. Capacity scale-up issues have been there, and we have moved towards contract manufacturing. So, how should I look, sir? What is your vision for the segment for the company, maybe over the next 2-3 years down the line?

Sunil Mundra: I would say that the future is bright. In 2-3 years down the line, both our API as well as the Fermbox CMO contract will do well. In 2-3 years, maybe as we start getting accreditation like WHO GMP in the current year, EU GMP and USFDA in the coming years, our business to regulated market should improve and a significant portion of the revenue should come from these kind of businesses which will improve our EBITDA margin. In addition to our portfolio of products in steroidal API field, Fermbox is going to be a completely incremental business which should also contribute significantly.

Madhu Rathi: And sir, has there been any impact of anti-involution drive on the steroidal APIs coming out of China? Because you mentioned that the pricing in Indian market is lower than what it is in Chinese market and that we are only 10% lower than the Chinese. So, has that affected us or the competitors from China?

Sunil Mundra: Yes, it is affecting us because that is why we could not launch the products about 6 months back. We could have done that had the prices been not so competitive. So, it was like taking a decision where we could have lost much more. So, we chose not to launch those products at that point of time and still started working further and got to a situation where the gap is now around 10%. So, we are confident that this 10% could be covered by the PLI incentive, which is our assumption now. Now, as I also mentioned, these prices in India are the lowest across the world and Chinese have kind of a specific or a special kind of a pricing strategy for Indian market because I believe as far as my studies say that steroidal API comes by volume 40% of the total

Chinese production whereas India population is hardly about 16% of the world population. So, balance I presume is going out of India in form of derivatives either in form of API or in form of finished formulations. I hope I have answered your question.

Madhu Rathi: The export rebate, whatever the Chinese were getting, has that affected this particular API segment or not?

Sunil Mundra: Yes, so export rebate has been reduced, I believe. It is not completely removed. There is a reduction in the rebate but to that extent, government has also given them the benefit of depreciating their local currency Yuan. So, to that extent, the Chinese are also at a disadvantage at the moment but having said that, they are also not too happy to sell it at such low prices to India, but I think they are under pressure to sell this because of overcapacity in Chinese market. So, there is no regulated way of controlling capacities even though they control the pricing within China by a licensing mechanism whereby for any particular product, they do not give license to more than three manufacturers for a product to sales within China. So, through such mechanisms, they control the pricing within China and maybe then they are free to sell everywhere across the world and therefore, they are able to dump the products at a low pricing in India.

Madhu Rathi: Got it. And sir, only 5 to 6 major manufacturers control this market. So, anyone going under or anyone going bankrupt or closing their capacity should be a trigger for us. Is it a fair assumption?

Sunil Mundra: No, I would put it this way. COVID has taught a lesson to most of the countries that there has to be alternative supply chains especially in the matter of drug safety. So, I think most of the countries are looking for alternative source. Probably, we are the only company outside China to manufacture end-to-end from base raw material, Phytosterol, these products. So, I would say instead of thinking that way, we would take it in a positive manner that the world is looking at an alternative. We are talking to companies in US and Japan.

All of them are eager to tie up with us provided we are able to fulfill their regulatory requirements. There are opportunities out there. In China, of course, out of these 4-5 companies, 2 or 3 are all government-owned companies or largely government-backed companies. So, chance of their failure or going down are very less.

Madhu Rathi: Got it. Sir, that was from me. Thank you so much and all the best.

Moderator: Thank you. Thank you. Next question is from one of Ishan Thakkar from Ford Capital Investments. Please go ahead.

Ishan Thakkar: Thank you for the opportunity. Sir, for the full year, we need Rs. 8 crore HPMC sales, right? So, how much came from the domestic market and how much from the exports?

Sunil Mundra: Out of Rs. 8 crore HPMC sales, we got about Rs. 3 crore from US market and that too it was only somewhere around till July of last year. Post-July, the sales abruptly stopped. So, that is why our forecast also went wrong.

Ishan Thakkar: Got it. And we are currently behind our FY26 target of utilizing 25% of the API manufacturing capacity and around Rs. 90 crore of sales. So, what challenges are we facing currently? And why were we unable to capture domestic demand during the initial phase itself, especially when there was a clear opportunity for import substitution?

Sunil Mundra: As I just mentioned to the previous question that domestic market is a highly price-sensitive market, we decided in the Q1 of last year itself to focus despite we got the clarity that there was a big gap in our yield level where we could have made a reasonable margin or a survival margin. So, we decided to focus on domestic marketing with the intermediate from China. But then the margins were so thin, and the prices are so volatile that we also took some time to understand that and couple of quarters went by. And therefore, when we started somewhere in December, so the results were clearly we got the sales of last year was practically for only 4 months of sales.

Ishan Thakkar: Okay. One more question I have. During the last call, you mentioned that the API revision could achieve a turnover of Rs. 240 crore. So, however, based on the current installed capacity and prevailing realization, API sales appear unlikely to exceed around Rs. 120 crore. So, could you please elaborate on the assumptions behind the Rs. 240 crores - Rs. 250 crore revenue target and explain how management expects to bridge this gap?

Sunil Mundra: Yes, Rs. 250 crore target is still there in front of us. We probably need about two or three years. Only thing is some capacity on the technical manufacturing side is available. On the clean room, that is the final finished API side, probably we need to add a few more clean rooms for which basic infrastructure has been made. Only thing is we need to finish them and do that. I think achieving a target of Rs. 250 crore is achievable from this plant with additional investment to make ready the balancing some more clean rooms.

Ishan Thakkar: Okay. So, how much additional expenses to be required?

Sunil Mundra: I can think about Rs. 25 crores to Rs. 30 crores of expenses could be required to put up these two clean rooms.

Ishan Thakkar: Okay. Thank you.

Moderator: Thank you. Participants, you may press "*" and "1" to ask a question. Next question is from the line of Sanchita Sood from Robo Capital. Please go ahead.

Sanchita Sood: Hi, thank you for the opportunity. Most of my questions have been answered. Just one thing. Can we get an idea of what our debt levels would look like in FY27 and FY28?

Sunil Mundra: Prasad ji, you would answer?

Raj Kishore Prasad: Debt level will remain concentrated which is around Rs. 100 crores to Rs. 110 crores in FY27. And FY28 maybe further will be same level. Some reductions will be there or some further additional capital funding will be required. So, I see around Es. 100 crores to Rs. 110 crores total debt on the consolidated basis.

Sunil Mundra: Annual repayments are in the range of about Rs. 10 crores to Rs. 12 crores. And in case required over two years if we borrow additionally Rs. 20 crores, the total debt will remain around Rs. 110 crores.

Sanchita Sood: Okay. Got it. That's all from my end. Thank you.

Moderator: Thank you. Next question is from the line of Aniket, Individual Investor. Please go ahead.

Aniket: Sir, I just wanted to ask like what utilization level for the API business could be EBITDA breakeven?

Sunil Mundra: So, EBITDA here is more than the plant utilization as I mentioned is to towards the type of customers to whom we are catering. Land utilization at this point of time is roughly around 25% to 30%. And even at the current customer base if I use 100% of capacity probably, we may not breakeven. So, ultimately it boils down to the fact that we get on to a better quality of customers or better market geographies like we get on to after WHO GMP to customers who supply to regulated markets like Cipla, Lupine, Mankind, these kind of companies or exposed to Europe, US and Japan. Then our definitely EBITDA breakeven or EBITDA bottom line will come up.

Aniket: And for us to explore such markets, do we require some certifications, and do we have it or it will be what we get in the current year or in future?

Sunil Mundra: Yes, so these are the certifications still in the pipeline and working. Right now, we are having WHO GMP target to happen in the next quarter. Then followed by our CEP filing and inspection under WHO GMP in about Q2 of next year and USFDA about Q3 or Q4 of next year. So, once these are achieved then business to those markets can start.

Aniket: And so regarding the Rs. 84 crore API guidance given, what would be the net EBITDA? Would it be negative or would it be breakeven or something like that?

Sunil Mundra: It will be I would say negligible and maybe low single digit.

Aniket: And for the Fermbox arrangement, if I got it right, is it a combination of contract manufacturing plus revenue sharing minus the tech transfer?

Sunil Mundra: Yes, so it is a combination of contract manufacturing with revenue sharing. That is the type of contract. Tech transfer only to the extent of operational. So, their team will be there on the site, all the proprietary information which will be under their control, like the strains and all that processes and all that. So, as far as we are concerned, we will have revenue share in most of the products.

Aniket: And so suppose if their ability to scale up goes up or do we have fungible space to provide them so that they can manufacture more?

Sunil Mundra: Yes, why not? Probably, maybe not in this site because Fermbox is a forward-looking company. It is an asset-light platform where they don't intend to own any facility of their own. But they have a lot of contacts and a lot of technologies. Their R&D is the major strength. They have put up a large R&D facility in Bangalore. So, as per my understanding, they may be intending us to manufacture more. So, maybe we can add on fermentation capacity going forward.

Aniket: And would this require some CAPEX or the existing facility would be okay with handling this type of production they require?

Sunil Mundra: No, no. As far as the Rs. 250 crore target that we have given ourselves for the next two to three years in FY29, so definitely it doesn't require any new facility to be set up. But if Fermbox feels that they need us to add on more capacity on fermentation, we will be more than willing to do that going forward. But for that, there will be a separate facility to be created, new CAPEX to be done.

Aniket: And what's the annual fixed cost burden from the fermentation facility?

Sunil Mundra: Could you repeat your question, please?

Aniket: What's the annual fixed cost burden from the API facility?

Sunil Mundra: The annual fixed cost is in the range of, I think, about Rs. 1 crore a month, Rs. 1.25 crore, roughly around Rs. 15 crores per annum.

Aniket: And last year, I just wanted to ask, what's the capacity for the HPMC line versus the traditional gelatin capsules?

Sunil Mundra: So, HPMC capsules, one line capacity is 750 million capsules per annum, whereas gelatin capsules line capacity is about 1.8 billion capsules per annum. We have two lines of HPMC, so two lines of HPMC makes it about 1.5 billion capsules capacity.

Aniket: And what kind of utilization we are looking for this year?

Sunil Mundra: So, out of the 1.5 billion, we have assumed a very conservative, if I go for the utilization of capacity, it will be less than 50%. But this has been assumed because of the US uncertainties,

we have assumed like that. Whereas our fact is that gelatin capsules have been running at more than 93% capacity for the last many years.

Aniket: In the presentation, it was mentioned that some US customer approvals are pending. So, what kind of approvals are pending for the HPMC line?

Sunil Mundra: These are basically machine suitability approvals. Our new machine HPMC came and got installed in March. Now it is under validation stage, and we have sent out capsules to various customers in the US and after their machine trial suitability, they do their stability testing at their end, which takes about two to three months, and this is what we are waiting for.

Aniket: Sir, thanks for answering my questions. I hope good luck for FY27.

Moderator: Thank you. Thank you, Aniket. Thank you very much. Reminder to all the participants, you may press "*" and "1" to ask the question. Next question is from Arya Gaokar from Ford Capital. Please go ahead.

Arya Gaokar: Good afternoon, sir. Thank you for taking my questions. I wanted to know if you can give us data for FY26, import data for Dexamethasone, Betamethasone, and Prednisolone, both in value terms and volume terms, which you used to give in the presentation.

Sunil Mundra: I think the exact FY26 data I have not got because in last quarter data still not got published. I believe now Government of India has blocked all publication of export data. So, I have data till about nine months, till December and as per this, the Dexamethasone, Betamethasone, and Prednisolone, all three are inclined with the imports which is happening year after year. Prednisolone is getting imported around 40 metric tons with a value of roughly around average of about $230. Average cost is about $230. Dexamethasone is getting imported in the range of about 50 metric tons with an average price of about $350 per kg and Betamethasone is in the range of about 25 metric tons with an average price of about $580 per kg. These import volumes are more or less consistent for last many years.

Arya Gaokar: Sir, I also wanted to know, why is it taking so long for the API plant to get a regulatory approval and when can we expect, can you provide us a timeline when can we expect a regulatory approval for the API plant?

Sunil Mundra: Regulatory approvals are a kind of a process. First, we have to get the validation qualification of all our facility, equipment, processes. Then we have to take the batches, put into stability, six months goes away in that. Then you have to file with our local body, Indian drug controller and then they will come and do the validation study and verify all the claims and then they will give the GMP certificate. Then there will be additional certain more audits which will qualify as a WHO GMP. Now, either we have a choice to go with the same data to US and Europe, but their requirements are much more in detail. They want us to audit our vendors. They want us to validate in very great detail at least three or four stages of manufacturing before the final

API for which we are doing the filing. Suppose I am doing Prednisolone as my product which I need to file the DMF in US, I need to go for at least N-3 stage of last three steps of manufacturing. I will have to do complete detailed validation of all that and put into stability. So, that is a much bigger requirement and much more time-consuming and cost consuming. Each DMF will cost, will take at least about eight to nine months to prepare and it will take about Rs. 75 lakhs to Rs. 1 crore rupees cost to prepare one dossier. So, regulatory bodies demand that we have to file such detailed Drug Master Files and then they review. The review takes time. Say if I have to file my data of six months, I will require nine months to file. Then they will take about six months to review. Then post that they grant us the number and then we have to tie up with the customer in US or say in Europe. Once we tie up with the customer in US, he will trigger the audit. Then the USFDA comes in and audits the plant. So, therefore this process is longer and it takes time.

Arya Gaokar: Okay, sir. So, I have one more question. How much raw material prices will increase in the API segment? In the last call, you mentioned 25% of the raw material for the API business has been sourced from China. So, what is the update on that? Can you give us an update that how much it has been increased?

Sunil Mundra: No, the recent past increases have been basically due to the latest Iran-US war, which has led to petroleum prices going up, causing disruption in supplies, so which has affected petrochemical industry, affected the pharmaceutical API industry also. So, some of the products in China market has become short and their prices have gone up. So, yes, as you have been reading in the newspaper, the prices of many such APIs have gone up and government has also given an accepted increase in the formulation of many such drugs.

Arya Gaokar: Okay. I have one more last question from my side. I wanted to know in Quarter 2 FY26 call, you mentioned you were in talks with some Chinese consultant to improve your 60 KL yield. So, any update, any success on that?

Sunil Mundra: Not really. That did not fructify. We could not get visa for the Chinese consultant to come to India.

Arya Gaokar: Okay. Thank you. That's it from my side.

Moderator: A reminder to all the participants, you may press "*" and "1" to ask a question. Next question is from the line of Tarun Kumar and Individual Investor. Please go ahead.

Tarun Kumar: Am I audible, sir? Yes. So, I have one question regarding, it could give us some color on your R&D pipeline. I mean, what kind of new molecules that we are doing?

Sunil Mundra: So, Mr. Tarun, we are not in the business of new molecules. That's a completely different ballgame and that's a huge cash guzzler. So, new molecule is a very long affair. Our R&D pipeline consists of those APIs, which are in the public domain, but which are off-patent and

which we intend to manufacture over the coming next couple of years and then we put them in our R&D pipeline.

Tarun Kumar: Okay, sir. So, one more question, like in FY22 and '23, our capsule margins are really high. Is there in the mid-to-near term two to three years, do we see our EBITDA margin going up?

Sunil Mundra: During '21 to '23, there was a after effect of COVID, I would say, during...

Moderator: Sorry, Tarun, can you mute your line from your side, please?

Sunil Mundra: Okay. Yes. So, during initial phase of COVID, there was a huge disruption in the supply chain.

So, most of the pharma industry wanted to keep their supply chain secured. So, they stocked a lot of materials, which led to a price surge in the capsule prices, like any other API also. So, that period saw the margins boost up almost to the level of 20%, 21%, 22%. But post that, from '23 and Q1 of FY24 onwards, when this industry started descaling and kind of a supply chain slowed down, margins were gradually coming down. So, they had come down to as low as 11%. Now, we are around 12%, 13%. So, probably, as our volume of sales of HPMC grows up, our more higher capacity machines are added in future, probably, as and when we do it, our margins are definitely going to go up. I hope I have answered your question, Tarun.

Tarun Kumar: Yes, sir. One more question. Could you please quantify what kind of incremental margins that you could in mid to near term, get like 200 basis points or?

Sunil Mundra: I think if our HPMC capsules, between HPMC and gelatin, there is definitely about 5% gap delta. HPMC gives around EBITDA margin of 18%, whereas gelatin is in the range of 12% to 13%. And as our volume of HPMC grows up, definitely our weighted average, EBITDA margin will grow. So, we could expect, if our HPMC full capacity is utilized, we should do a top line volume of at least about 1.5 billion, about Rs. 45 crores from HPMC capsules. And that should give at least a 200-basis point increase in EBITDA margin.

Tarun Kumar: Thank you, sir. Thank you, sir. That's from me. Thank you.

Moderator: Thank you. Next question is from the line of Pravin Sharma, individual investor. Please go ahead.

Pravin Sharma: My first question is, last May, there was a circular from USTR as to imposing anti-dumping duty on HPMC capsules. So, after July, what happened is apart from the 50% additional tariff of Trump that we could not sell much of HPMC there apart from that 50%. And how is the situation right now? Is that tariff still applicable? And if we were not supplying, where were the US customers buying from?

Sunil Mundra: Yes. So, you are very right that last May, there was a USTR notification. One of the courts had approved this anti-dumping duty, which was, in fact, favoring the Indians. There was a duty of

around 18% on the Indian products, whereas it was imposed as high as 88% on certain Chinese companies, which were the major sellers there. What had happened was, apart from these anti-dumping duties, Trump's specific duty of, India's specific duty of 50%. So, that was the one which completely stopped our business. So, this kind of high tariff, most of these importers were not able to sustain. And whatever the Chinese could foresee because of the anti-dumping duty, they had dumped their material to a large extent. And Chinese companies were able to circumvent some of these anti-dumping duties by routing it to some third countries like Colombia and all that. So, that made the Chinese supplies were going on for some more time, whereas Indian supplies completely stopped. Even the large Indian companies like ACG Group or Health Caps, their supplies had completely slowed down. So, as of now also, what our judgment is that the Neutra business in the US has got severely impacted because of various kinds of duties on India and China. Most of the ingredients were coming from these two countries. And now, the industry is in a little very slow position. And probably next three to four months, we expect that things could be better. As the US economy comes out of slumber and there is a clarity that the rate of duty is around 10%, probably in about three to four months, six months, we could see improvement in growth exports to the US.

Pravin Sharma: But I thought that US economy is doing very well with all these AI boosts, and all people will be requiring more nutraceuticals.

Sunil Mundra: Yes, but unfortunately, Neutra industry is more of a choice business, not an essential business. So, the sales of Neutra industry has gone down there. And inflation is pretty high in the US. So, therefore, it is one of the first products to get affected, is what our understanding is. So, there the industry, who are contact points there in the US, they are saying that their businesses are very slow.

Pravin Sharma: People have stopped eating vitamins.

Sunil Mundra: Yes.

Pravin Sharma: Now, wasn't it possible for us to reroute the material from third country because if you were saying Chinese were able to do that?

Sunil Mundra: Because that kind of a thing we didn't want to do that. We did not attempt doing that.

Pravin Sharma: But I heard that one Chinese company and ACG was planning to put up a plant there in US.

Sunil Mundra: Yes, both of them had announced $200 million investment. ACG had announced $100 million investment. All of them are now in the cold. They are in the cold shelf.

Pravin Sharma: So, our $25 crore, which we see as a guidance for this year for HPMC, the majority will be exported to US, or it will be for domestic?

Sunil Mundra: No, we have anticipated a very low revenue from US, that too in the last quarter or so, four months. Our major sales are to other countries like Mexico, to Brazil and other countries. We intend to start Europe business this year. We have recently got some clearances on the veterinary control side, the registration of gelatin capsules. Of course, for the HPMC capsule, also there is an opportunity now that we have got organic certification there. So, probably our exports to Europe should start in the current year.

Pravin Sharma: And my last question is on the API side, with this Indian GMP certification followed by WHO GMP certification, which appears to be relatively easy and fast. Not relatively, it is relatively easy. Because US, what you told and described seems a distinct possibility. I don't know how many years will it take. So, based on these two registrations, how much of the revenue can we generate? How much can we sell? How much revenue can we generate? And what kind of margins after these two certifications can be realistically impacted?

Sunil Mundra: So, the Indian GMP certification is a basic requirement for any factory under the current guidelines in India. Without Indian GMP, any new facility requires that GMP. Now, in addition to that GMP, we have to do the product stability and produce the data. The Central Drug Control Authorities come and audit and they provide WHO GMP. So, this kind of data is required by certain companies which are like middle to large corporate Indian pharma companies, which they sell in Indian market their branded products or export to ROW market. So, these are companies like, I would say, not top of the notch companies like top 100 to top 50 companies, whose major businesses are coming from Europe, US. But, say for a company like Cipla, they would prefer to buy a WHO GMP certified product from myself, my company, if it is meant for Indian market. But suppose same Cipla has to sell the product in US, they would want us to give the product with a US certification. That product will be different, that dossier will be different, DMF will be different. So, our judgment is that with this Indian GMP and WHO GMP, yes, in the current year, we are expecting WHO GMP certificate to come in Q2. Hopefully, we can onboard some of these companies with some products and our margins could improve. So, at this point of time, since we are not able to make a clear estimate of how much business it could generate, we have made the forecast based on the sales to purely generic customers.

Pravin Sharma: But, of course, after these two certifications, the top line will improve, and the margins will also improve.

Sunil Mundra: Top line to some extent and margins to more extent. I would say margins could be improving to higher single digits.

Pravin Sharma: Let me ask last question now. You said that a lot of these steroidal APIs which are imported from China by Indian companies, Indian consumption is around 16 metric ton or something. And the rest, you feel that it goes out of India in form of finished dosages. Correct?

Sunil Mundra: Yes.

Pravin Sharma: So, does it go to ROW exports or does it go to US and Europe or regulated world? So, it means that Chinese facilities are FDA approved. Correct?

Sunil Mundra: Yes. To answer your question, see the data, while I was speaking, there is a broad macro level data which showed that total steroidal export to India from China was around 40% of their production in China. Whereas on a thumb rule basis, the Indian population is 16% of the world. Assuming they consume the similar level of consumption, we said about half of it is going for domestic consumption, half of it is going for exports. Now, your next question was that are these products being sold to US market? Yes. Most of the companies have these large brands either being sold by themselves under generic or they do manufacture on behalf of certain large MNC corporates. Like for example, Strides does a product for Pfizer who is the innovator of these drugs and products like Prednisolone. Strides manufactures and exports this drug and they buy 8 metric tons of prednisolone, they import and supply to US, to Pfizer alone. Similarly, I would say Dr. Reddy's, they have a product called Abiraterone Acetate, and it is a prostate cancer drug. So, this they are right now manufacturing in Mexico, now they intend to start in India. They are bringing the basic intermediate to India or N-1 to India. They manufacture the API in India and they export to Mexico. Ultimately, it is meant for the innovator or the patent holder in US. So, there are large volume molecules which are getting manufactured in India and going to these regulated markets.

Pravin Sharma: Actually, I was trying to understand once we get these two, WHO and Indian GMP, then what kind of market we can enter? What is the total addressable market ROW plus India?

Sunil Mundra: So, the idea was that WHO GMP would enable us to get into some of the ROW markets like African markets, some of the markets in Southeast Asia, maybe some in Central America, whereas certain large countries like Brazil want their own certification ANVISA , Mexico requires COFEPRIS their own certification, Europe requires their own certification in form of EU GMP or CEP, and US requires US CEP. Japan requires their own certification, whereas we can route it through Korea. That is our attempt right now. We are working on that. So, the WHO GMP would enable us to supply to, as I told you, companies like Cipla or Lupin for their Indian market supplies.

Pravin Sharma: Which itself will be for domestic market mainly.

Sunil Mundra: Which will be for domestic market basically, but the prices will be better than what prices I get for the same product by selling it to another Indian generic company.

Pravin Sharma: The objective right now is to go nearer to Rs.240 crore sales from Rs. 80 crores to Rs. 240 crores whatever EBITDA margin we can get. So, that the API division doesn't make the capital profit eat it away on a consol basis.

Sunil Mundra: Our aim is to go up the ladder on the regulatory side. Definitely that will improve the bottom margins. Utilize maximum capacity and increase our percentage of share to exports. And also

utilize the Fermbox contact to maximize the utilization of the fermentation plant. So, these things will definitely help us to control the cash strain that we are experiencing at this point of time.

Pravin Sharma: Only thing is that we can compress that timeline from 4 years to 1.5 years. Already many years have--

Sunil Mundra: So, our timeline at this point of time is not 4 years. It is roughly around 24 months.

Pravin Sharma: Including US and Europe?

Sunil Mundra: Yes. USFDA is in 24 months.

Pravin Sharma: Okay, sir. All the best. Thank you very much. Thank you. Thank you. Good luck.

Moderator: Thank you very much. Ladies and gentlemen, we will take that as our last question. I will now hand the conference over to Mr. Sunil Mundra for closing comments.

Sunil Mundra: Thanks, Nirav. Thank you all for joining us today and for your continued trust in Natural Capsules. We remain committed to executing our strategy in delivering value in the years to come. Thank you.

Moderator: Thank you very much, sir. On behalf of the TIL advisors, that concludes this conference. Thank you for joining us and you may now disconnect your lines. Thank you.