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Date: August 19, 2026

To,
BSE Limited
Listing Department
Phiroze Jeejeebhoy Towers
Dalal Street – Fort
Mumbai 400 001
Scrip Code: 544578

To,
National Stock Exchange of India Limited
Listing Department
Exchange Plaza, 5th floor, Plot no. C/1, G Block
Bandra Kurla Complex, Bandra (East),
Mumbai - 400 051
NSE Symbol: RUBICON

ISIN - INE506V01022

Sub: Transcript of Earnings Call – Q1 FY 2026-27

Dear Sir/ Madam,

Please find enclosed the transcript of the Company's Q1 FY 2026-27 earnings conference call held on August 14, 2026. The transcript is also available on the Company's website at https://www.rubicon.co.in/investors.

We request you to kindly take the above information on record.

Thanking you,

Yours faithfully,
For Rubicon Research Limited
(Formerly known as Rubicon Research Private Limited)

DEEPASHREE OMKAR TANKSALE

Digitally signed by DEEPASHREE OMKAR TANKSALE
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Date: 2026.08.19 11:43:26 +05'30'

Deepashree Tanksale
Company Secretary
M. No. A28132

“Rubicon Research Limited
Q1 FY27 Results Conference Call”
August 14, 2026

MANAGEMENT: **MR. PARAG SANCHETI – CHIEF EXECUTIVE OFFICER – RUBICON RESEARCH LIMITED**
MR. NITIN JAJODIA – CHIEF FINANCIAL OFFICER -- RUBICON RESEARCH LIMITED
MR. SAGAR OAK – SENIOR VICE PRESIDENT, CORPORATE DEVELOPMENT AND STRATEGY -- RUBICON RESEARCH LIMITED

MODERATOR: **MR. TUSHAR MANUDHANE – MOTILAL OSWAL FINANCIAL SERVICES LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to Rubicon Research Q1 FY27 Earnings Conference Call hosted by Motilal Oswal Financial Services Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star' and then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Tushar Manudhane from Motilal Oswal Financial Services Limited. Thank you and over to you, sir.

Tushar Manudhane: Thanks, Sagar. On behalf of Motilal Oswal Financial Services, I welcome you all for Q1 FY27 Results Earnings Call of Rubicon Research Limited. From the management side, we have Mr. Parag Sancheti, Chief Executive Officer; Mr. Nitin Jajodia, Chief Financial Officer; and Mr. Sagar Oak, Senior VP Corporate Development and Strategy.

Over to you, sir, for opening comments.

Parag Sancheti: Hey, thanks, Tushar, for hosting us for this earnings call. And also thank you everyone for joining the quarter 1 FY27 earnings call. I'll, you know, take you through the highlights of the financials. So we've again had a very strong quarter. This is the first quarter we are reporting since Arinna acquisition. The Arinna acquisition got closed in the month of April and the revenue impact is roughly around INR12 crores. There's no material impact on EBITDA.

So if you look at our Q1 numbers, our revenue from operations came out to INR534 crores. EBITDA came out at INR131 crores. PAT came out at around INR85 crores. So if you just from a percentage growth, year-on-year revenue has grown by 51%, EBITDA has grown by 65%, and PAT has grown by more than 95%.

I'll request Nitin to take us through the detailed income statement and balance sheet.

Nitin Jajodia: Thanks, Parag, and good evening everyone for joining this call. I am on Slide number 6. So all the numbers are in INR. So our revenue from operation for the quarter was INR5,343 million, a growth of 52% versus the same quarter last year. Gross profit was INR3,543 million versus INR2,430 million in the Q1 previous year, again a strong growth of 46%.

Our pre-R&D EBITDA was at INR1,871 million, translating into 35% pre-R&D EBITDA margin versus 32.5% for the Q1 previous year. Our R&D expense for the quarter was INR580 million, translating into a 10.9% R&D as a percentage of revenue versus INR355 million in the quarter 1 previous year.

Our operating EBITDA for the quarter was INR1,291 million versus INR791 million in the quarter 1 previous year, again a strong growth of 63.2%. And operating EBITDA margin was at 24.2% for the quarter 1 this year versus 22.4% previous year.

During the quarter, we had a one-off item in other income that was in the form of insurance claim against our goods lost in transit. So after that one-time other income, the PAT was at INR848 million versus INR433 million in the previous year, a strong growth of 96%. So overall a strong performance and EPS was at INR5.08.

Moving on to the next slide, Slide number 7 on balance sheet. So as Parag mentioned, this balance sheet reflects Arinna's consolidation effect as on 30th June '26. As on that day, our capital employed was INR14,778 million, and it was after excluding cash and cash equivalent of INR2,408 million. The net working capital for the quarter or as on 30th June '26 was 114 days versus 126 days as on 31st March '26.

While there is an improvement in net working capital days, I think we should not read too much into it because it's also a function of quarterly fluctuation and we see working capital in the range of 125 to 130 days as we have guided earlier as well. Our ROCE for the quarter was strong 36%.

And I would like to highlight one point that this ROCE of 36% was despite close to one-fourth of our capital employed being there in investment which are either pre-revenue or which are yet to materially contribute to the revenue. So again, the point is a strong ROCE.

Now moving on to the next slide on cash flow statement. Our operating cash flow before working capital change for the quarter was INR1,390 million. Our cash flow from net cash flow from operating activity was INR285 million. In this quarter, the cash flow was impacted because of some delay in GST refunds and these refunds are getting normalized and we should see the impact of this in Q2 in terms of healthy cash flow for the quarter.

In this quarter, the cash flow in investing activities was primarily driven by our acquisition of Arinna Lifesciences and some capex. So that's broadly on the cash flow statement.

And with this, I'll hand over to Parag and he'll take us through the business performance for the quarter.

Parag Sancheti: Thanks, Nitin. So just touching on some of the key highlights for the quarterly performance. So we'll start with revenue growth. As I mentioned, we had a strong again revenue growth and as we go ahead also, we do see a strong traction for revenue. If you look at the growth has been broad-based again as per our portfolio design is.

Top 5 products contributed 39% of the revenue in the Q1 and top 10 products contributed 55% of revenue in Q1. Again, this is broadly in line with our last four quarters in terms of concentration. For us, the pricing continues to remain stable because of our portfolio which is focused on specialty and differentiated products.

As mentioned again, we continue to see very strong visibility for revenue in coming quarters. Our USD revenues for Q1 was USD55 million, which was up 32% year-on-year from USD42 million. There is a slight sequential drop owing to the tactical measures we have taken which we had spoken in the earlier quarter with respect to gross margins and I'll explain that in detail when we go to gross margins.

But Q2 FY27 is tracking strong for sequential USD revenue growth. Coming to cash flow, the cash flow from operations was INR285 million. This just along with that if you just go through the footnote, this was impacted by certain GST refunds which were stuck, but in this quarter, that should normalize.

Coming to the approvals for the products, we received two approvals in this quarter. The commercialization rate remains strong at 88%. Some of these products need to be commercialized in the coming two quarters. And also would like to highlight specialty portfolio contribution to gross profit for the quarter is 36%.

Specialty focus underpinned by a very, very robust pipeline is expected to keep on growing as we have mentioned in the earlier analyst calls. Thank you. We can move to the next slide.

So coming to the next slide on gross margins and EBITDA.I wanted to highlight a few things. Again, this is in line with our commentary what we have given earlier. Our gross margin increased sequentially by around 140 bps to 67.7%. This is despite we have had sequential increase in key input cost, freight cost due to the geopolitical conditions.

In Q3 FY26 update, we had flagged off that stronger than anticipated revenue traction coupled with our own constraint in manufacturing was leading to a larger reliance on contract manufacturing which was pressurizing our GM and company was in looking to do certain tactical measures to ensure that we are able to meet the demand but at the same time, we are also focused on the gross margin piece of it.

So post that, I think the company over the last few quarters has taken those tactical measures and what we have done is we have given up relatively lower margin businesses which has led to a marginal sequential drop in US revenues but it has led to increase in the gross margin. This tactical measures allows us to prepare better with mix of our own versus outsourced manufacturing reliance in light of the strong demand generation or revenue traction expected over the next coming quarters.

Coming to EBITDA, the operating EBITDA rose to 24.2% compared to 23.1% in the sequential quarter, which is again despite sharp increase in our input and freight cost due to the prevailing geopolitical conditions plus employee appraisals which have been concluded in Q1.

For the remaining three quarters, I also want to point out in FY27, we would some specific costs which could impact EBITDA margins such as ESOP cost which is arising from the new ESOP scheme, Arinna costs which are related to kickstarting the growth for Arinna, and the pre-revenue cost for the new facility which we've acquired in New Jersey and Pithampura.

But despite all these cost impact, we are slightly up guiding for around now earlier our guidance was 22% to 23% on EBITDA but now we are comfortable to revise this upwards for the whole of FY27 to 23%. We can move to the next slide. Sagar, if you want to just take through the acquisitions we've done.

Sagar Oak: Thank you. Thank you, Parag. Good evening, everyone. So I'm on Slide 11 of our presentation and I will take you through the updates with respect to our manufacturing facilities. Starting off with Pithampur. So in early July, we had informed that the FDA conducted an unannounced inspection. A 483 was issued with two observations which we had said we were confident of concluding the evaluation in a timely way.

The observations were procedural. We are happy to report that we filed the appropriate response and also received FDA approval on a regulatory filing after the inspection was concluded. So we have pretty much delivered in line with what we had said in early July. So we are on track to ramp up commercial operations at this facility from first quarter of calendar year 2027 as we had previously guided.

The second update is relating to our recent announcement of the acquisition of a manufacturing site in New Jersey, USA. So we acquired this facility which is in East Brunswick via court-supervised bankruptcy process. The total purchase price was USD2.9 million. Now the site has in terms of size and in terms of footprint, it's similar to our manufacturing site at Satara in Maharashtra, but we believe it adds a completely different dimension to our supply chain with onsite or onshore manufacturing presence in the US.

This facility has over a decade-long track record with USFDA and in a way, I think the timing was quite good that FDA carried out an inspection in May of 2026, roughly a month before we closed our acquisition. So it gives us a good and I guess an authentic and official assessment or a due diligence almost if you will.

I can also tell you that as of today, the updated status on the FDA's website for the May 2026 inspection is a VAI or Voluntary Action Classification. So this is again in line with our commentary when we announced the acquisition. You may recall that at that point in time, the FDA had issued a 483 with six observations which we believed were largely procedural.

We also announced that they had been responded to within the prescribed time and I think now the current outcome sort of bears testimony to the fact that the inspection has been successfully concluded. This facility offers us a number of benefits. It is located adjacent to our distribution operations that sit within our subsidiary AIMRX 3PL.

If you actually see at a slide later on in the deck shows that they actually share a wall. It's also not very far away from our US headquarters which is also in New Jersey. So we believe the facility from an operational efficiency standpoint brings in a fair amount of synergy for us. Our intent is to focus on specialty and high-value products from this site as well as demand from certain customers such as US government departments where having an onsite or onshore manufacturing presence is an enabler.

We expect commercialization to start in calendar year 2027 once we have done once we are done with implementing our quality management systems at this site.

Parag Sancheti: Yes, and Sagar, I would just like to add also since we're talking about facilities, quality culture, inspections we just I just want to emphasize the way we have built business over the last few years with inorganic acquisitions of capabilities, let it be the facility of Satara from Cipla or this facility which we bought from Alkem in Pithampur.

I think I'm very happy the way team has executed to build a right culture before these sites have been offered to FDA in record time and within the first inspection, we've been able to resolve the issues or the points which the auditors have highlighted. So, we continue as we build even the facility in the US, I think the important part we really focus on is building the right culture and the right systems which allow us to -- once we commercialize these sites, we know that we are going in the right direction from a quality and compliance perspective.

Sagar Oak: Absolutely, Parag. Fully agree. I'll move now to the next slide, which is slide number 12 relating to R&D spends and their impact on revenue growth. For the quarter, our R&D expenses were 10.9% of our consolidated operating revenue. As we have said in our previous calls, R&D spend is sort of the lifeline or the lifeblood of our business.

It's a lead indicator of future revenue and we measure R&D productivity by comparing the incremental revenue to lagging total R&D spend, which you can see on that slide. Now just to quickly recap what is there on the slide. If you consider a typical development timeline and FDA approval timeline, a product that you begin working on today will come to market about two years hence.

When you consider that along with our measured approach of building market share, a product that we began development in fiscal year '20 would typically register meaningfully in revenue by fiscal year '24. So we look at incremental revenue over a three-year time frame and we compare it to the nine quarters total R&D spend on a lag basis.

So in this case, comparing '21 with '24, we are taking two full years of R&D spend which is fiscal '20 and '21 and adding in Q1 of fiscal '22 to account for cases where development may have been largely completed but filing would have been done in the first quarter of the next year. So by comparing that INR165 crores of R&D spend with roughly INR540 crores of incremental revenue is the 3.3x multiple or R&D productivity that we've pointed out.

We've shown this analysis on a rolling three years basis, '22 versus '25 versus '22, '26 versus '23, and '27 versus '24. Just want to call out here that the '24 and '27 analysis is based on an arithmetic annualization of the Q1 revenue. Simplistically, we've for the purposes of this analysis, we've multiplied Q1 revenue by four.

And as you can see, our current R&D productivity based on this Q1 FY27 is about 5.5x. Now this is on revenue that that does not include Arinna Lifesciences and we expect that the multiple will expand during the course of the year as the revenue ramps up. And we already spoke about how Q1 revenue compares year-on-year with Q1 of last year.

Coming then to our guidance, we had guided for INR5 billion or INR500 crores of R&D spend over nine quarters of fiscal '26, '27 and Q1 of fiscal year '28. We have completed spend of about INR251 crores out of INR500 crores in five quarters. The current rate of spending is about INR60 crores, INR600 million per quarter.

So we believe we are on track to comfortably meet the INR500 crores spend guidance by Q1 of next year. And also just want to call out in our unlisted phase, we invested significantly in R&D. So fiscal year '22 relative to revenue was just under 40%, was 39.5% R&D spend. Since that has normalized to what is still an industry-leading 10% to 11%, which as we have previously stated, we will continue to hold.

FY27 is the last year of what you see on the screen as on a cumulative three years nine quarter basis reducing R&D spend and from FY28, you should see the impact of the increasing absolute spend as well and I'll just clarify what I mean by that. So if you look at nine quarters R&D spend fiscal year '24 plus '25 and Q1 of '26, these are all of course actual numbers, that is a total of INR278 crores.

Moving forward one year, '25 plus '26 and Q1 of '27, again actuals, INR380 crores. And then there is the period for which we have guided INR500 crores, which is fiscal year '26, '27 and Q1 of fiscal year '28, which is our current guidance. I think at this point, it's also useful to highlight our track record of market execution because along with R&D, the second part to this slide is revenue.

And if you look at how we have executed in the past on revenue generation, I'll ask you to see slide number 22 later on in this deck. And this actually shows for the six products that we had showcased as part of the IPO process, we've updated data and added on fiscal year '26. And I think what you can see here is we are ranked number one in all of these products despite the competitive scenario not having changed much.

So in fact, there is one product where market share is a tad down but our ranking has gone up. Another where market share is marginally down but the ranking has been maintained. And the remaining four products where ranking as well as market share have both gone up. So market execution for us is a moat and I think should be seen hand in hand along with product selection as well as R&D execution.

With that, I'll hand it back to Parag and we would go to slide number 13. Parag?

Moderator: Parag sir, this is the operator, can you hear me?

Nitin Jajodia: Just a minute, I think Parag is joining this call from US, so there may be some lag or issue. Just a minute.

Moderator: Ladies and gentlemen, please stay connected while we reconnect the line for Parag sir. Ladies and gentlemen, thank you for patiently holding, we have the line for Parag sir reconnected. Yes sir, please go ahead.

Parag Sancheti: Hey hi, so sorry for this. I think there was some technical glitch. So coming to the slide number 13 and I think this is an very important slide and a very important organizational update. As Rubicon vision to grow and become a global pharmaceutical company, we've been -- as you've seen that we've been working in various areas and with that also with the growing organization, it was important also to create management bandwidth, succession planning and everything what is required to ensure that for the next phase of growth, we are completely ready in terms of people.

And I'm very, very happy to state that Nitin who's currently the CFO is moving on to a Chief Commercial Officer role. And Rohit who will be joining us right now as a CFO designate but as Nitin transitions his CFO responsibilities to Rohit, Rohit would move into the CFO role. And this why I wanted to highlight this is a important update is because as the company is getting into newer areas, it's important that management bandwidth also keeps up in the same we are focusing on building that management bandwidth within our company also growing our own folks via leadership, also looking at the right talent from outside to ensure that we have the complete we have the right people as we look at expanding our business.

Nitin joined us in 2021. He's beyond the CFO role, he's immensely contributed in building the business, let it be supply chain, IT, business transformation, organizational development. Nitin has played an extremely critical role in building all these functions from the scale we have grown at least we were at when Nitin joined, we were roughly around at INR400 crores revenue, today last year we closed at INR1700 crores revenue.

So he's been integral part of the journey and a pillar of the management team. So this after five years, I think it was opportune time that we use Nitin's focus on business functions where we are seeing tremendous amount of opportunities to grow our business. So completely appreciate Nitin's efforts as a CFO but also welcome Rohit to the Rubicon family.

Management: Thank you.

Moderator: So we can move the open the floor for questions.

Parag Sancheti: Yes.

Moderator: Thank you very much. We will now begin with the question-and-answer session. The first question comes from the line of Akshay with AK Investment. Please go ahead.

Akshay: Hello. Hi sir, am I audible?

Management: I think your voice is not very clear to me at least.

Akshay: Can you hear me clearly now?

Management: Yes, this is better.

Akshay: Okay, okay. Thank you for the opportunity and congratulations on the great set of number. So my first question is about the product contribution. So currently top 10 products contribute around 55% of the revenue. So, if you can give some color in terms of therapeutic area from which therapies these products contribute and also in the which stage are these products like there are like are they maturing or still growing and also going ahead, how many products we can expect such products to commercialize with relatively large total addressable market? Thank you.

Management: Nitin, you want to take that?

Management: Yes, so I think if I have to talk about the growth maturity, just to tell you, we continue to see growth across. There are products which we launched a couple of years back continues to grow. If you look at the slide 22 which Sagar talked about, these are the product which we had launched 8-10 years back, even in those products we continue to see strong growth, strong demand.

So as we mentioned earlier that our portfolio is pretty broad-based. If you look at the concentration of top 5, top 10 products over the years have continued to come down even if you look at last few quarters, it's range-bound. Okay. So that's the point, it's a fairly broad-based portfolio, continues to grow.

Akshay: Okay, sir. And sir, my second question is about the artificial intelligence use. So due to artificial intelligence, does our efficiency increase in terms of product development cycle and R&D? And in Rubicon's perspective, are we currently leveraging AI and how AI does improve our efficiency and all business processes especially in terms of CDMO and pharmaceutical companies?

Management: Yes, so I would put AI, automation, other process as technology, I would say. And we adopt technology wherever and we are very actively adopting technology wherever we see that technology can value add in the work we are doing in terms of increasing efficiency, increasing compliance, reducing errors.

So that's one of our guiding principles which are there and we continue to invest and find use cases of doing it in the appropriate way. I do not want to specifically just comment on AI because AI is a very evolving area. We are definitely looking at it but in pharmaceutical setting, we have to regulatory is a very important aspect.

So whenever we adopt technology, the important aspect we also need to think through is we have to give regulator the confidence that whatever we are using has enough checks and balances which allow that technology is giving consistent, predictable, and robust results. So we are definitely adopting it in the right processes but again, it's a very, very large field and we don't want to specifically comment on just AI part of it.

Akshay: Okay, sir. And lastly on the product pipeline, how many are in the phase 1, phase 2 and phase 3 in the development cycle and how many molecules are commercial as of now?

Management: So I think we do not comment specifically on phase 1, phase 2, phase 3 but in terms of I think there is a slide which is there, I think Sagar you can point it with number of products which are approved and then we've also mentioned our commercialization rate is strong at around 88%. And if you looked at the DRHP at that point of time -- when we had filed the DRHP, we had mentioned 60 plus products were at the advanced stages of development which were qualified by the appropriate consultants after looking at the data.

Management: So Parag, that number was 63 at the time of filing RHP. Yes. So just to add to that Akshay, we usually do not comment on product-level developments and pipeline is something that that we prefer not to go into too much detail on because it's commercially sensitive. But if you look at Slide 28 of the current quarter's earnings presentation, it provides an overview of how the portfolio has evolved with time and in terms of how we expect portfolio to impact business and that's what we spoke about as we went through slide number 12 on R&D productivity, but at this point, we would not be commenting further on that.

Akshay: Okay, sir. Fair enough. Thank you so much and all the best.

Management: Thank you.

Moderator: Thank you. The next question comes from the line of Sidharth Negandhi with CWC. Please go ahead.

Sidharth Negandhi: Hi Parag, Sagar, Nitin and the team, congratulations again on a great set of numbers and on the consistency of delivery. Few questions from my end. One, the rate of approvals seems to be marginally slowing down while revenue growth obviously continues at a very healthy pace. Is this a pure bigger strategy now or how should one think your pipeline in terms of the molecules you will pursue and the molecules that will get approved? That was question one.

Question two is in light of the acquisition in New Jersey, how should one look at the manufacturing footprint playing out between US and India? And in that context, how should one think of gross margins and the third one was on the churn in your specialty portfolio where you classify products only being specialty if they have zero or one competitors.

So what's the churn there and if you could give us some idea on how many products do you have currently in the that you would classify as specialty products? And just one other clarification on the capacity slide, you mentioned that there is headroom for expansion. So if you could clarify on what the capacity utilization is and what do you mean by headroom for expansion? Is there more land available? How should one think of your expansion on the existing facility? Yes, those were my questions.

Management: So I think the first question let me take that Sagar on the portfolio approvals or approvals slowing down. Siddharth, it's more again, this is as per the plan we have or what we were expecting in our --

as we were expecting approval and more importantly, we are very, very conservative Siddharth when we look at building revenue forecast from that further.

So I think right now I wouldn't comment that the approvals have slowed down. Also I think you alluded that we're going to take fewer approvals but I think you were referring to that less approvals and bigger numbers. I don't think that's a right way of putting it. I think we still follow a very clear portfolio strategy.

So I think numbers of how many are coming, what are coming, I think it's just indicative but I think I can assure you that we are on track to the approvals which we have which on which our forecast and the plan is built on. Nitin, you want to take the question on gross margin and...

Management: So Siddharth, if I understood correct, your question around gross margin – can you please repeat once?

Sidharth Negandhi: Sure. In context of the US acquisition of the manufacturing facility, how do you see the manufacturing footprint playing out between US and India and how should one think of gross margins in context of the manufacturing split between India and US?

Management: Okay. So if you look at the acquisition of US facility, okay, that is a fairly strategic move for us because it gives us lots of avenues, it gives us ability to enter into government/VA business, it gives us ability to be closer to our customer, it gives us flexibility to manufacture certain strategic product in United States.

So -- and also, we mentioned that it also gives us advantage in terms of being a next-door facility to our warehouse or the -- warehouse in United States. So from that perspective, this is a valued addition and we don't see margin I would say getting diluted because of this, okay. We definitely see that it will be in the overall scheme of thing should be margin accretive only.

Management: And Siddharth, just to add to Nitin, I would just say, so Siddharth, I think what Nitin is was just summarizing in a simple way is it's a very strategic move than I think and when we look at financials obviously from a strategic perspective an extremely important move we've done. We obviously don't see impact on gross margins or again our forecasting we build some of these things into it.

And what we have said also that we are going to focus on value-added differentiated products which will create and business for the government. Also with this will create risk diversification for us in terms of our customers getting some of these very important products from two sites, one in India, one from the US, and mitigating any risks in terms of supply chain.

So I think though no financial impact but it has very high strategic impact which customers can view very positively and could give us some I would say some premium in the market when you do something like that.

Management: And Siddharth, I think the other question you had was around composition of specialty pipeline. So I think it's obviously sensitive from a competitive standpoint. So we've tried to strike a balance of providing thoughtful disclosures to help investors track in the long run without jeopardizing sort of the business itself.

So we share on an ongoing basis what is the share of gross profit of the specialty portfolio. Once a year, we also talk about number of specialty products that we have. And but I think we want to be consistent with our disclosures in that sense. So I think at this time, we wouldn't be expanding set of disclosures around specialty.

Sidharth Negandhi: Sure. And the last one was on the clarification on the headroom for expansion on the slide for the manufacturing facilities, if you could share that.

Management: So headroom for expansion you are referring to at Pithampur, Sidharth?

Sidharth Negandhi: Give me a second, I will tell you the slide number I'm referring to. This is the slide where all your manufacturing facilities -- all the four manufacturing facilities. It is slide number 30.

Management: Yes, absolutely. So if you look at the site in Pithampur, which is a pretty large nearly 30-acre area site of which today we are using barely 5-6 acres. So we have significant room that we can expand at that site. And just for sort of order of magnitude, I mean that amount of space is, Nitin correct me if I'm wrong, greater than the footprint of all of our sites put together.

Management: Yes.

Management: And in addition, I think Nitin in the slide has mentioned we have a facility in CSN which is for niche dosage forms which is kind of modularly ready which is there. So again, headwind to grow this business from a manufacturing standpoint, we have different areas we are having ability to grow the facilities.

Sidharth Negandhi: Very clear and very helpful. Thank you so much. I'll join the line queue again for more questions. And Nitin, congratulations on your new role.

Management: Thanks, thanks Siddharth.

Moderator: Thank you. The next question comes from the line of Nishant Maheshwari with Grodel. Please go ahead.

Nishant Maheshwari: Thank you for the opportunity and congratulations to the management for the fantastic set of numbers. My question to the management is related with the year-on-year additional cost of material consumed as I see that it is roughly INR19.83 crores and additional purchases is roughly INR19 crores.

So while our additional sale is INR181.9 crores, so does it reflects the substantial value addition on account of transfer pricing mechanism that is transferred to the US entity and from there we are selling because what I can see is that on standalone basis, there is the decrease in the closing stock of roughly INR10 crores while on consolidated basis, we have a incremental closing stock of INR7 crores.

And further, how we will manage if in the worst case scenario US tariffs get imposed and how we will because we are certainly 97% exporting to US.

Management: Okay. So I think the math which you explained, I've not been able to follow that number. Your underlying question seems two things. One is you mentioned that how are we prepared to take care of or face if there is any tariff in future, okay, and the other point you alluded on with respect to the transfer price. Is that correct?

Nishant Maheshwari: Yes, sir, because what I can see is that with the additional expenditure of INR38 crores in terms of purchases and cost of material consumed on standalone basis, our incremental sale is roughly INR181 crores. And that seems to be very I mean in terms of volume number, I don't see that there is a substantial growth unless and until we have increased the prices of the product substantially. So that's what I was seeing but clarity from the part of management which I feel that you must address.

Management: So I think if I look at so from a gross margin perspective, I think as we have mentioned earlier if you are comparing let's say on a year-on-year basis, we explained in the last few quarter that how our reliance on the outsourced manufacturing has gone up in the last three-four quarter and that has had some impact on the on the gross margin of the business if you compare versus the last year quarter one, okay.

And the other thing as far as gross margin is concerned, as an organization we are very conscious of our margin profile of the business as Parag alluded that we have sort of taken tactical measures to let go of relatively lower margin business. Okay. So that's what I can say in terms of our focus on gross margin. In terms of your math, I think maybe we can connect offline and understand what you are trying to convey.

Nishant Maheshwari: No, I'm just trying to convey that with the additional increase of INR38 crores, our revenue has jumped up by INR181 crores Y-on-Y sale I mean. So if I see as a layman, there must be a substantial increase in the price of the product through transfer pricing and the stock has decreased in standalone basis it has decreased by INR10 crores while on consolidated basis, I'm seeing that there is a increase in the stock by INR6 crores if you see the changes in the inventory. So I'm unable to understand how this has been in terms of volume jump or a price jump. I don't know.

Management: So again, it's a combination of various things but let me first tell you that as far as the transfer pricing is concerned, in line with our very high standard of governance, okay, with respect to the transfer pricing etcetera. we are fully compliant and no sharp movement in transfer pricing mechanism. And the other thing, it's all of these number is also a function of various things in terms of own manufacturing, outsourced manufacturing, sale of traded goods, own manufactured, okay. So and again as I suggest, I think we can take this offline to understand your math and then clarify.

Nishant Maheshwari: Sure, sir, sure. So sir, further one more question, last question, that if we start the facility that is which we have acquired from Alkem in calendar year January to March, so what can be the incremental margin as against the outsourcing, I mean how much we will save more in terms of percentage?

Management: So we'll refrain from quoting any specific margin percentage but what I can assure you that our own manufacturing is both from a gross margin as well as overall margin profile perspective is far more efficient.

Nishant Maheshwari: Okay. Thank you. Thank you so much.

Moderator: Thank you. The next question comes from the line of Harsh Kundnani with Aionios Alpha. Please go ahead.

Harsh Kundnani: Yes, hi Parag and team, congrats on good set of numbers. Couple of very small questions from my end. One is that I think in the opening remarks you mentioned that Arinna's contribution to top line and EBITDA for the quarter, so the top line contribution was INR12 crores and I think EBITDA you said was flattish. Just wanted to clarify, did I hear that correctly?

Management: Yes, so you're right, the revenue contribution was close to INR12 crores and the EBITDA contribution on that INR12 crores revenue was not material.

Harsh Kundnani: Understood. So does that mean that our base business margins were in fact higher than the reported margins because of if I just adjust it for this acquisition?

Management: Yes, if you if you do that math, you're right, slightly on that INR12 crores there'll be some slight impact on the overall margin profile. But I think overall considering order of magnitude, Harsh, it's probably not going to have too much of an impact.

Harsh Kundnani: Understood, understood. And how do you look at Arinna's margins going forward in the next few quarters?

Management: Yes, so as we had mentioned earlier and I'll just reiterate that we are looking at this Arinna business in various phases. And as we had mentioned that in the first phase, our focus is to put the growth identify and fix the growth levers. Okay. That will be the focus for this financial year. And in the next phase, we'll be focusing on beating IPM growth, how do we drive growth in that business. And after that, we will look at profitability. So that's how we look at various phases in Arinna journey.

Management: And Harsh, if you look at the EBITDA guidance that we have given, that is obviously at a consolidated level taking into account what Nitin just mentioned in terms of growth investments in Arinna. So I think what we are guiding towards is after taking into account sort of the growth and the build-out that we've mentioned previously.

Harsh Kundnani: Understood, sir. Thanks Parag, Sagar and Nitin. That's it from my end. Congrats and all the best.

Management: Thanks, thanks Harsh.

Moderator: Thank you. The next question comes from the line of Tushar Manudhane. Please go ahead.

Tushar Manudhane: Yes, first of all, congratulations on multiple fronts, may it be financial performance, may it be getting successful compliance at Pithampur site and starting or let's say establishing the US manufacturing footprint. In fact, connecting to US manufacturing footprint, would like to sort of understand that how you sort of got this facility in a way at just couple of million dollars if you can just sort of explain that part.

Management: Sure, Tushar, thank you. So if you look at our approach to M&A and M&A strategy, I think we have focused on sort of looking at deals where we can create long-term value. We are prepared to be patient because we believe M&A by design is not relating to next few quarters but more sort of long-term in nature.

And whether you look at our past acquisitions, whether it was the center in Canada which was Impopharma, whether it was the manufacturing site in Satara which was five years ago and by all accounts has been reasonably successful. In this case, I think this acquisition process was ran fairly long, I think well over a year and a half.

It was a court-supervised bankruptcy and I think we were able to stay the distance. The fact that we were -- we already have an adjacent site over there, I would say gave us a little bit of an advantage in the process because we are well connected in that in that ecosystem. But Yes, I think this is it also boils down to I guess culture, right? I think our approach in terms of how we scout deals, how we pursue deals and get them over the finish line.

Management: And also Tushar, just to add to it, I would say is also the ability to assess, right, what -- how we can build on these acquisitions, right? So these come at a certain value but I think more important work we do is how do we see that value and build on that to create a significant revenue and profit multipliers on all our acquisitions we've done till now. So from the start to now, if you take any acquisition, we've been able to build multiple revenues and profitability on those capabilities.

Tushar Manudhane: Got it, got it. Got it. Secondly, while the quantum of R&D sort of increases and as guided like INR500 crores and subsequently it remains as 10% to 11% of sales, just would like to understand is this going to be while not sort of getting into product specifics and rightly so, but is this going to be certain product-specific R&D or is this going to be spread across the portfolio?

Management: So Tushar, I think it will be again a portfolio approach and when I say portfolio, we look at various parameters including risk, probability, execution ease, maturity of the organization in doing those products. So all put together, I think will always have a portfolio approach. It will I can it's never going to be that -- we're going to concentrate only on few big bets which are there but it's going to be a combination of various threshold where we are looking at long-term high innovation products, then we're looking at some other products which are in -- could be in the range where we are able to execute and have a competitive advantage. So it will always be a portfolio-based approach.

Tushar Manudhane: Got it. And lastly, while there was discussion as far as manufacturing facilities is concerned, but just if you can sort of elaborate like why so many facilities across so many sites?

Management: Yes, so Tushar, if you've seen we've grown facilities over period of time and always when you've grown the facility, the underlying theory has been or underlying basis has been our portfolio. So we've not done acquisition because this site was available or that site was available or it was available at a certain cost.

We've always had a underlying thesis of our pipeline and that has guided us towards the next acquisition or what we have been looking at. So when we look at -- right now when we have facilities, Ambernath has been the core where we started with where we're doing oral solids and nasal sprays.

Now when we acquired Satara, we had a liquid portfolio which we were doing with CMO, then we got those products in-house and then we have built we are building nasal capabilities there. So which could be a backup to our Ambernath facility. So again, risk diversification also is extremely important for protecting revenues and also creating capacity.

Then we had Indore, Indore as we have said we've been seeing strong traction from a revenue perspective for our existing products and also we wanted to add additional capabilities like hormones, steroids, high potent products, so and plus one single site which gave us room to build so that it's very important that we build a big capacity from a perspective of at one facility we can have very, very large batch sizes or we can build in some modern technology to deal with continuous process manufacturing.

So that's where came Alkem. And the CSN piece or what Nitin mentioned in his balance sheet has been is looking at or we are looking at some niche dosage forms in our pipeline and hence that facility has been prepared modularly to ensure that when we are looking at these niche dosage forms, we have a separate facility from a compliance and management perspective.

So that's I think the way we have looked at in building a footprint and also the US one we've already discussed so I'm not again going back to the US one. But this is the way we've looked at each of these facilities. Also we have to look at manufacturing outsourcing came into the whole play along with that was because our manufacturing is again driven by portfolio and capex will always lag sales.

So we are doing capex based on these revenue visibility we have and we will keep that mix of where we are doing we have risk diversification also is important and also keeping for every important product having a couple of sites which ensure that we are offering our customers a business continuity.

Tushar Manudhane: Yes, thanks, thanks a lot for that elaborate explanation. That's it from my side.

Moderator: Thank you. The next question comes from the line of Prateek Shrivastava with Nivesh Wisdom. Please go ahead.

Prateek Shrivastava: Thank you, sir, for giving me this opportunity. First of all, congratulations on great set of numbers and the progress you're making on all the multiple sites. Sir, my first question is on the US revenue. We saw dip in -- like the Indian revenue grew 9.7% but US grew only 4% and you mentioned you sort of there you -- because of some you walked away from some lower margin US businesses in that was in Q1. Now what is the latest status here, sir? Have we got some new higher margin business now for our US subsidiary?

Management: Yes, so if I understood your question correctly, you said that when we have given away technically some lower margin business, then have we got the higher margin business in place of that?

Prateek Shrivastava: Yes, what is the latest status? Because in Q1 we've walked away from lower margin.

Management: Yes. So if you look at if you look at couple of things, if you look at our share of specialty in the overall gross profit, okay, that has gone up with increase in revenue. And we have technically given away relatively lower margin business. So in a way, Yes, that's correct. And again, also look at also look at that if we are letting go of a relatively lower margin business, okay, in that choice making, we will do that only if we are securing a higher margin business. So you're right.

Prateek Shrivastava: Fair enough, fair enough, sir. My second question is now on the Pithampur side. So I see there are around like INR1,500 million capital sitting there pre-revenue. And the EIR is still awaited. Now what is our capacity utilization curve in sir like in near term like around six-nine months to a year versus let's say a long term two-three year out?

Management: Yes, so I think first I think we don't want to jump the gun, we first -- we have mentioned that we'll we are looking at quarter one for commercialization or ramp up from there. And for that, we have enough capacity which is there. Plus as we mentioned, the site is roughly around 30 acres, we have only utilized 6 acres.

Even with the current building incrementally if we build the site, I think there is enough headroom for capacity expansion fairly quickly. So I think there the next two-three years, I think the capacity the facility is extremely there is a lot of land or footprint available to grow that business from Pithampur.

So I think there is just in one line, I think there is enough capacity available at Pithampur in the long run and in the short run, we'll be scaling up the facility gradually in the next 9 to 12 months. So for that also, we have enough capacity.

Prateek Shrivastava: Got it, got it, sir. And sir, my final question again is on Q4 con-call you gave the number that there were 24 products under FDA review but this time around, the number is not there in in terms of ANDAs, NDAs. So any specific reason what is the current status from some color on that?

Management: Yes, so last time last time if you recollect, we had specifically mentioned that this number we will give once in a year. Okay. So we shared that in the last quarter and then we'll be sharing that number once in a year.

Prateek Shrivastava: Okay, got it, sir. Okay. Thank you, thank you very much and all the very best.

Management: Thank you, Pratik.

Moderator: Thank you. Ladies and gentlemen, we take that as our last question for today. I now hand the conference back to the management for closing comments.

Management: Hey, thank you Motilal Oswal, Tushar and Sagar for hosting this call. We thank all the participants who joined us in this call and we look forward to speaking you in the next earnings call for quarter two. Thank you.

Moderator: Thank you, members of the management. On behalf of Motilal Oswal Financial Services Limited, that concludes this conference. Thank you everyone for joining us and you may now disconnect your lines.