Date: November 06, 2026

To,
National Stock Exchange of India Limited
BSE Limited
Symbol: NSE: GRANULES: BSE: 532482

Dear Sir,

Sub: Transcript of the Earnings Conference call for Q2 and the half-year of FY27.
Ref: Our letter dated 26.10.2026 for intimation of the schedule of the Earnings Conference call for Q2 and the half-year of FY27.

Pursuant to regulation 46 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the transcript of the earnings conference call of the Company for the Q2 and half year of FY27 is enclosed with this letter.

Kindly take the above information on record.

For GRANULES INDIA LIMITED

CHAITANYA TUMMALA
Digitally signed by CHAITANYA TUMMALA
Date: 2026.11.06 10:20:35 +05'30'

CHAITANYA TUMMALA
(COMPANY SECRETARY & COMPLIANCE OFFICER)
Enclosure: Transcript of the Earnings call

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“Granules India Limited

Q2 H1 FY27 Earnings Conference Call”

November 02, 2026

MANAGEMENT: **DR. KRISHNA PRASAD CHIGURUPATI – CHAIRMAN AND MANAGING DIRECTOR – GRANULES INDIA LIMITED**
MS. PRIYANKA CHIGURUPATI – EXECUTIVE DIRECTOR – GRANULES INDIA LIMITED
MR. MUKESH SURANA – CHIEF FINANCIAL OFFICER – GRANULES INDIA LIMITED
DR. P.V. SRINIVAS – CHIEF TECHNOLOGY OFFICER– GRANULES INDIA LIMITED
MR. SANJAY KUMAR – CHIEF EXECUTIVE OFFICER – SENN TIDES INDIA PRIVATE LIMITED

MODERATOR: **MS. PRACHI AMBRE – MUFG INVESTOR RELATIONS**

Moderator: Ladies and gentlemen, good day, and welcome to the Granules India Limited Q2 H1 FY27 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Ms. Prachi Ambre from MUFG Investor Relations. Thank you, and over to you, ma'am.

Prachi Ambre: Thank you, Swapnali. On behalf of Granules India Limited, I extend a very warm welcome to all the participants on the Q2 and H1 FY27 financial results discussion call. Today on the call, we have Dr. Krishna Prasad Chigurupati, Chairman and Managing Director; Ms. Priyanka Chigurupati, Executive Director; Mr. Mukesh Surana, Chief Financial Officer; Dr. P.V. Srinivas, Chief Technology Officer; and Mr. Sanjay Kumar, CEO of Senn Tides India Private Limited.

Before we begin the call, I would like to give a short disclaimer. This call contains some of the forward-looking statements, which are completely based on our expectations, beliefs and opinions as of today. The statements are not a guarantee of our future performance and involve unforeseen risks and uncertainties.

With this, I would like to hand over the call to Krishna Prasad Sir, for his opening remarks. Over to you, sir. Thank you.

K.P. Chigurupati: Thank you, Prachi, and a very good evening, ladies and gentlemen. Thank you for joining us today and for your continued interest in Granules. We have uploaded our detailed quarterly presentation, and I trust you have had a chance to go through it.

Let me first provide an update on our Gagillapur facility. The U.S. FDA conducted a cGMP inspection of the facility from October 19 to October 30. This was the first FDA inspection since the warning letter issued in February '25, following the 2024 inspection. The inspection concluded with a Form 483 containing eleven observations.

Based on our assessment, none of the observations relate to data integrity, cross-contamination or facility upkeep. They concern investigations, change control, process and recruitment qualification, visual inspection controls and documentation practices.

There is no impact on manufacturing or distribution of products from this site. We will submit a comprehensive response within the stipulated 15 business days detailing our corrective and preventive actions. We believe these observations are addressable and remain focused on demonstrating the effectiveness and sustainability of our quality systems. Coming to our performance. Q2 was another strong quarter for Granules.

Revenue grew 20% year-on-year to INR15,600 million, crossing INR15,000 million in quarterly revenue for the first time in our history. EBITDA grew 21%, while PAT increased 39% to INR1,818 million. This also marks our eighth consecutive quarter of sequential revenue growth. These results were delivered despite a challenging operating environment. Geopolitical developments continue to put pressure on input and logistics costs across the industry.

We expect some of these pressures to persist with customer price adjustments following with a lag. Against this backdrop, the consistency of our performance gives us confidence in the underlying strength and momentum of the business. In our September investor presentation, I spoke about our return to growth as the beginning and beginning to a new journey.

Our growth strategy has multiple pillars: controlled substances under our Make in America platform, complex generics and early market opportunities, geographical expansion, oncology and peptide CDMO. The progress across our business is beginning to validate this direction.

North America, our largest market, continued to grow, led by controlled substances. Europe sustained its growth momentum, while our efforts to develop the rest of the world markets are beginning to contribute. Our peptide CDMO business through Senn also grew year-on-year. This platform remains in its build-out phase with a near-term focus on strengthening execution, customer delivery and profitability. One of the most significant changes within Granules is the evolution of our R&D and product development strategy.

We are pursuing differentiated opportunities, addressing greater technical complexity and building the potential for early market entry. Our first-to-file strategy is a visible outcome of this transformation. Over the last 3 quarters, we have announced filings for 3 potential sole first-to-file ANDAs, generic DYANAVEL XR or Amphetamine-based extended-release OTT, Sodium oxybate ER and Ruxolitinib ER. Several more such products are under development with filings targeted over the next 6 to 7 quarters. These opportunities have a different commercial profile from conventional generics.

Successful early entry, particularly into products with significant technical or regulatory barriers can create substantial value. The timing and extent of this contribution will depend on regulatory and litigation outcomes and the upside may be uneven across quarters. Alongside these opportunities, we have 26 ANDAs awaiting approval, providing a strong pipeline for the next wave of launches.

On sustainability, we continue to make steady progress through our SEDEX assessments and CRISIL scores. 4 of our facilities have also achieved zero waste to landfill certification. We remain focused on making these improvements an integral part of how we operate.

Granules today is fundamentally different from the company we were a few years ago. We have a broad portfolio, deeper development capabilities and multiple avenues for growth. Our focus remains on disciplined execution, strengthening quality, delivering reliability to customers and translating our investments into sustained growth and earnings.

With this, I hand over to Sanjay to provide a more detailed update on the progress of the peptide vertical. Over to you, Sanjay.

Sanjay Kumar: Thank you, sir. Coming to Senn Tides, we continue to make progress across regulatory compliance, commercial development and expansion of our capabilities in Switzerland and India. During the quarter, Senn Chemical site in Zurich successfully completed its Swiss medic GMP inspection with no critical findings and acceptable GMP compliance status. This reflects a meaningful progress in strengthening our quality system and regulatory capabilities compared with previous inspection 2 years ago. On the commercial front, we are seeing strong momentum.

A theranostics-reated pharmaceutical project has been revived after nearly 2 years, driven by progress in its clinical development. We have also renewed engagement on supply partnership with 2 major peptide CDMO players and initiated discussions for a second-year manufacturing campaign with another CDMO partner following successful delivery last year.

Importantly, our increased business development efforts, industry outreach and reengagement with long-standing customer relationships have resulted in a strong inflow of RFPs and RFQs during the recent months. Our focus now is on converting these expanding opportunity funnel, leveraging sales expertise and our extended development capabilities. In parallel, we are advancing our CRDMO platform.

Our oligonucleotide scientific leadership is now on board with additional team members expected to join over the next quarter. The R&D teams in Zurich and Hyderabad are already collaborating closely as we prepare to expand our footprint across both peptides and oligonucleotides. On the manufacturing side, our India project team is in place and progressing the planning and design of our proposed integrated peptide manufacturing facility at Vizag.

At Zurich, our immediate priority remains operational execution and delivery readiness as we prepare for a more active fourth quarter of this financial year. We are aligning our manufacturing plans and resources with scheduled customer offtakes, while accommodating customary December holidays and the planned maintenance break during December.

Overall, our priorities are focused towards strengthening customer engagement, converting our growing pipeline into the business and building an integrated CRDMO platform capable of supporting the next phase of growth for Senn Tides. With this, I hand it over to Mukesh, our CFO, for taking us through financials.

Mukesh Surana: Thank you, CMD and Sanjay. Good evening, everyone. I will now walk you through the financial performance for Q2 FY27. Revenue for the quarter was INR15,600 million, up 20% year-on-year and 6% quarter-on-quarter. Growth was broad-based across our businesses and key markets, supported by steady demand for our product portfolio and higher growth of complex generics.

Gross margins was INR10,039 million, up 18% year-on-year and 4% quarter-on-quarter as the business continued to scale. Goss margin stood at 64.4%, down 134 basis points year-on-year and 126 basis points quarter-on-quarter. The moderation primarily reflected higher input costs

arising from the ongoing conflicts in West Asia, partly offset by lower cost safety inventory carried into the quarter in U.S.A.

We continue to monitor input costs and freight costs closely and are engaging with the customers to pass on increases wherever possible, although with a time lag.

EBITDA and profitability, EBITDA was INR3,376 million, up 21% year-on-year and stable quarter-on-quarter.

EBITDA margin stood at 21.6%, up 19 basis points year-on-year and down 131 basis points quarter-on-quarter. The quarter-on-quarter movement in margin was driven by higher input costs and logistic costs due to the ongoing conflicts in West Asia.

R&D, R&D expenses were INR885 million about 5.7% of sales, up 26% year-on-year and 1% quarter-on-quarter.

R&D is the engine of our transformation from a volume led to a value-led innovation-driven company. We have intentionally focused our efforts on high barrier areas such as CII, ADHD, oncology, MUPS and complex formulations, where limited competition allow us to build a differentiated and lasting position.

PBT, PBT was INR2,434 million, up 38% year-on-year and 1% quarter-on-quarter. PBT margin improved to 15.6% from 13.6% in Q2 FY26, an improvement of around 200 basis points.

Net debt, we closed the quarter with a net cash position of INR8,280 million compared with net debt of INR1,012 million in Q1 FY27. Receipt of balance proceeds of warrants moved us into a net cash position, strengthening our balance sheet and supporting growth, capacity expansion and R&D.

Working capital: Net working capital to sales was 30% compared with 29% in Q1 FY27 and 29% in Q2 FY26 and remained stable in this range.

Cash conversion cycle was 231 days compared with 229 days in Q1 FY27. This movement was a result of a deliberate inventory buildup, mainly in the U.S. to ensure supply continuity in line with the demand.

Cash flow from operations: Cash flow from operation was INR650 million compared with INR3,874 million in Q1 FY27 and INR1,937 million in Q2 FY26. This was mainly due to a planned increase in working capital to support the business growth.

Capex: Capex was INR1,304 million compared with INR890 million in Q1 FY27 and INR2,112 million in Q2 FY26. We continue to strengthen our manufacturing and packaging capabilities.

ROCE: ROCE was 17.6%, up 138 basis points year-on-year and broadly stable quarter-on-quarter compared with 18%. This improvement was achieved even as we continue to invest in working capital and capex to support our next phase of growth.

With this, I open the floor for questions.

Moderator: Thank you, sir. We will now begin with the question-and-answer session. We have the first question from the line of Sajal Kapoor from Antifragile Thinking.

Sajal Kapoor: I've got two sets of questions, one for the Gagillapur and one set of question for CDMO. So maybe I can start with CDMO. So, Sanjay, on the operating performance, first half peptide revenue is coming out at INR109 crores with a cumulative EBITDA loss of about INR28 crores, right? To reach the target of INR240 crores, which was the minimum target, we need 21% bigger H2 and about -- or about INR131 crores. And you also kind of committed to PAT profitability for FY27 end. Are both targets still on track?

Sanjay Kumar: So thank you, Sajal, for the question. So typically, as you would have seen in the last year, our H2 is heavier than the H1. With the revenue that you projected will be somewhere between an EBITDA neutrality to the PAT neutrality, depending -- it largely depends on the kind of product/project mix that we do. We are hopeful to close near our stated ambition and all the key to that lies in our smooth Q4 executions, where the offtakes are the maximum from the customer. So we are absolutely hopeful of meeting our target that we have set ourselves at the beginning of the year.

Sajal Kapoor: That's helpful. And Sanjay, regarding the customer wins and capital allocation, so there was a target of 3 customer wins worth about $200 million plus annually. How many have been signed so far? And is the INR300 crores India capex investment contingent on securing these relationships or that's going to proceed regardless?

Sanjay Kumar: Sajal, I cannot comment on the first part where you spoke about a few customers and a few hundred million. We have never gave that number or we never projected that. So I'll let it pass. The second one is the investment in India facility being contingent upon any particular tie-up with the customers? No.

We are absolutely going ahead with our investment in India facility at Vizag operations. That's the minimum that we need to build because now the next set of growth has to come from the supporting capacity that we'll be building, both in India and expansion of our capacity in the Zurich as well. So they're not contingent, and we are going ahead with our Vizag plan. The planning is already underway with our project team on board with us.

Sajal Kapoor: So Sanjay, that 10 million thing is coming out of the Q1 call. So you said I count customer wins only if they get into a potential annual size of 10 million plus and I think -- something along those lines.

Sanjay Kumar: So Sajal, in your commentary, I heard a couple of hundred million references.

Sajal Kapoor: Okay. Okay. No, fair enough. Yes, yes. Okay.

But anything signed there or still under discussion?

Sanjay Kumar: So they are under discussions. We are absolutely seeing traction. As I announced in my opening remarks, the theragnostic project revival post the customer progressing its assets in the clinical pipeline, and that can be supported from Zurich itself. The couple of partnering with the other large CDMO players requires investment in capacity. We have seen a very positive uptick on multiple fronts so -- with those 2 large CDMO players. That requires support of capacity from India as well.

Sajal Kapoor: No, that's helpful. And on the Gagillapur, so the existing products can continue, but it kind of hampered our CMO -- CDMO relationship because new products, I believe, and a couple of them were on patent manufacturing assignments that cannot now start because the observation, the warning letter has not been lifted. So the question is what did the U.S. FDA inspection reveal about CAPA effectiveness that our internal reviews and 330 audits kind of missed?

Priyanka Chigurupati: I'll take that question, Sajal. The FDA -- the remediation plan was completed except for 2 CAPAs. And like CMD mentioned, I think even in the press release, we did not get any observations on the points that were stated in the warning letter.

Sajal Kapoor: Right. So Priyanka, so these are all fresh observations that were not part of the original.

Priyanka Chigurupati: Yes.

Sajal Kapoor: Okay. And so on that basis, are we getting a sense that because we had the warning letter is U.S. FDA making it kind of harder. I mean, "teach us a lesson because I've seen this pattern with every company, almost every company who gets a warning letter or an import alert never gets to clear the reinspection in the first attempt.

K.P. Chigurupati: Sajal, all I can tell you is I cannot comment on what you said, but this was a 2-week audit with three inspectors.

Sajal Kapoor: And stringent.

K.P. Chigurupati: It was stringent. That's all I can say.

Moderator: We will take next question from the line of Tushar Manudhane from Motilal Oswal Financial Services.

Tushar Manudhane: Sir, just -- sir two questions on Gagillapur What is the current capacity utilization given that we have the inspection going on or the remediation measures, which we are going to implement. So what is the current capacity utilization?

Mukesh Surana: Tushar, the current capacity utilization are similar what it was earlier, which we said around 75% is what we are using GGP.

Tushar Manudhane: While we would respond to US FDA within 15 working days, if you could share what kind of time line we will require to address the issues.

K.P. Chigurupati: Tushar, typically, it takes about -- it should be about 90 to 100 days for response, but it all depends how things go.

Tushar Manudhane: And lastly, on the complex products in terms of upcoming products, if you could share what are the interesting products that will come in the next 12 months? And subsequently, if you could also share what would be the FY27 guidance for revenue growth and EBITDA margin. That's it from me, please.

Priyanka Chigurupati: I'll take the first question. I'll speak about the next 6 months because when you consider regulatory landscape, 12 months is a little bit farther away. But overall, we have about 26 pending approvals with the FDA. In the next 6 months and to clear this out also, we have about 8 pending launches from GGP at this point. We've transferred a few of those products to various sites, and we will be launching them -- a few of the products in Q3 and Q4.

You asked us about the interesting products. We have 3 products being launched from GPI, 2 of which are controlled products. Those are very exciting, very limited competition and the markets are big. So we're very excited to launch those 2 products in Q3 and Q4, respectively. And on the revenue guidance, Mukesh will answer.

K.P. Chigurupati: Let me address that, on the revenue guidance, Tushar. As you know, we don't give guidance, but all I can tell you is our current rate of growth and the current progress we are making will continue. There will be no change in that.

Moderator: We have the next question from the line of Shashank Krishnakumar from Emkay Global.

Shashank Krishnakumar: Just the first one on other expenses this quarter, which went up Q-o-Q. I think R&D was broadly flat. So what is it that drove this increase in other expenses? Yes. Yes.

Also, I just wanted to check. So broadly, the assumption we are working with is probably certain onetime expenses like remediation, etc, might start moderating going forward. So in the current scenario, is that still a reasonable assumption to sort of work with.

Mukesh Surana: Yes, Shashank. I'll address both of your questions. In other expenses, the significant increase in the current quarter is freight cost, which has gone up because of the West Asia conflict. The freight rates of the shipments have gone up. Second question with respect to remediation expenses, Q4 onwards, it will moderate significantly. Q3 also will be similar to Q2.

Shashank Krishnakumar: And the second one on the share of complex generics. I think there was a marginal decline Q-o-Q. Now is this got to do with any quarter-to-quarter variation in complex generics? Or -- and given that Q3, Q4, we'll see some newer controlled substance launches, should we expect this to sort of again increase going forward?

Priyanka Chigurupati: Absolutely. This will be on an upward trajectory. Quarter-on-quarter, some -- there's a lot of compliance-related ups and downs that you can see like for any other products. And when I say compliance, sometimes the pickup is a little low, sometimes it goes much higher than historical numbers, etc. So, this is quarter-on-quarter. The short-term, medium-term, long-term projection for the U.S. products is just on an upward trajectory.

Moderator: We have the next question from the line of Rashmi Shetty from Dolat Capital.

Rashmi Shetty: Just on the API and PFI segment, the growth is pretty strong during the quarter and also in the first half. Earlier this API and PFI segment were used mainly for the captive consumption. But is it fair to assume that this time we are getting better pricing and therefore, the sales are higher.

Mukesh Surana: Yes. Rashmi, yes, predominantly it's still captive and some of the opportunities in terms of geographic expansion we're looking at, particularly in LATAM region, we are growing better in PFI.

Rashmi Shetty: Okay. And are we seeing a higher volume growth or the entire growth is mainly coming from the better pricing.

Mukesh Surana: It is primarily volume and pricing is also better. With the cost increase, the prices also have been recovered.

Rashmi Shetty: Okay. So should we assume that similar kind of growth momentum to continue even in second half in terms of API and PFI segment?

Mukesh Surana: Yes, similar trajectory, but we are not giving guidance.

Rashmi Shetty: Okay. Understood. And on the U.S. front, Priyanka, you mentioned that 8 launches are expected, right, in Q3 and Q4 total.

Priyanka Chigurupati: No. I said 8 products pending from GGP. And those approvals, once they are approved, we'll launch. Out of this, we filed 2 to 3 products from GPI. Those will be launched in Q3, Q4, Q5 depending on when we receive the approvals.

But in total, we have about 5 launches within the next 2 quarters. 3 launches are -- well, all of them are in the U.S. market. 2 products are controlled and the other products are uncontrolled, but we have non-controlled. We have 5 products coming up.

Rashmi Shetty: Understood. So out of 5 launches are planned in U.S. and out of the 3 launches, 2 are controlled systems?

Priyanka Chigurupati: All of them are planned in the U.S., not -- see all of them are planned in the U.S.

Rashmi Shetty: Okay. And in the first half, how many launches have we done?

Priyanka Chigurupati: First half, we haven't done any launches.

Rashmi Shetty: No launches.

Priyanka Chigurupati: But one thing I do want to just state is that even through the warning letter, even now, there is no disruption to the existing -- the growth in the existing products, existing business. So even H1, etcetera, we have seen an increase in demand for the Gagillapur site. That is still on the ramp-up, which means we have received certain awards this past H1, which we are going to start servicing, say, December, January. So there will be an increase in GGP as planned. And of course, growth from the U.S. will be ongoing for the GPI site.

Rashmi Shetty: And on the gross margin front for this quarter, obviously quarter-on-quarter, it is down because of higher cost increases, the inflationary pressure. Is it fair to assume that in the subsequent quarters also, the gross margin would be similar in range or you feel the pressure could increase and probably we might see a decline in gross margins compared to quarter 2?

Mukesh Surana: See currently, the cost pressures are continuing and we are continuously working with customers to pass on the prices. But even if I pass on 100 out of 100, the percentage arithmetically will come down. But what we are working on is making sure that we are able to grow the profit as expected whatever internal plans are.

K.P. Chigurupati: And Rashmi, let me add some of these pressures are being made up as of today and in future too by the ratio of complex products to the legacy products. And that's also going to help us. And like Mukesh said, nothing changes in our growth trajectory.

Rashmi Shetty: Understood. So you mean that the better business mix can offset some of the cost pressure. So at least this kind of gross margin is expected to sustain?

K.P. Chigurupati: It vary a little bit here and there. But yes, overall, the profits will be as expected.

Moderator: We have the next question from the line of Siddhesh Parekh from Unifi Mutual Fund.

Siddhesh Parekh: My question is from controlled-substance business. Your ADHD portfolio is mostly extended release product and you have gained a good market share there. I want to understand your plan for immediate release. Are you planning upcoming filing for immediate release or what?

Priyanka Chigurupati: We primarily have extended release products. And by nature of what you said, it falls within a complex category. We do have a few immediate release products also, but we'll launch them as needed. It all depends on the quota allocation. We just want to maximize the utilization of the quota and maximize the earnings per kg of quota received.

Siddhesh Parekh: Okay. The upcoming two launches are immediate release or extended release?

Priyanka Chigurupati: Extended release.

Moderator: We have the next question from the line of Yash Mehta from Grit Securities.

Yash Mehta: I have a few set of questions. So firstly, so with complex generics now contributing around 47% of the formulations revenue and also the 3 potential sole first-to-file ANDAs already filed. So

how should we assess the earning potential of this pipeline over the next 2 to 3 years? And more importantly, like do you see this opportunity structurally resetting the company's margin profile? Or will profitability remain dependent on episodic high-value launches?

Priyanka Chigurupati: This is just the beginning. That's all I'll say. Our margins are going to be on an upward trajectory going forward. I think we'll start seeing our first to file within the next 2.5 years to 3 years max. And after that, it will be on an upward trajectory.

You see a big change going forward even on the quality of the R&D filing. We already have a few complex filings that we have done that we're expected to launch. So yes, it will all keep going upwards going forward.

Yash Mehta: Understood. Understood. And also, while the underlying business is generating like nearly around 25% of ROCE, so the consolidated ROCE remains at around 17.6% with Genome Valley operating at just 25% utilization. And also like the peptide CDMO business is still loss-making. So given the planned INR2,000 crores organic capex, what gives you guys confidence that incremental investments will generate superior returns? And when should investors expect the gap between core and consolidated ROCE to meaningfully narrow?

Mukesh Surana: See our hurdle rate for investment is not to drag down the ROCE. So as the investment matures, we'll get better ROCE and ROCE will keep inching up. Currently, GLS is only 25% utilization. And once it goes to optimal utilization, that will generate additional double-digit ROCE, similarly to all other assets as well. And we will expect the same trend for the next INR2,000 crores also that all will give a strong double-digit ROCE.

Moderator: We have the next question from the line of Shreya Chatterjee from Ageless Capital.

Shreya Chatterjee: I have a couple of questions. Of that the first one is just wanted to confirm out of the 5 launches that's happening in the next 2 quarters, are those of generic Lumryz and sodium oxybate, those include those 2? Or are they going to be launched in 2028? And when Ruxolitinib is going to be launched?

Priyanka Chigurupati: What was the last product? I'm sorry, what was the last product.

Shreya Chatterjee: Ruxolitinib. Ruxolitinib.

Priyanka Chigurupati: See all these are litigation-based products. I cannot guide on any of them. So to answer your question, no, but that's all I can say.

Shreya Chatterjee: So among these products that are going to be launched or the products that you're filing, are these majorly FTF products? Like how many FTF products are there and how many complex generics, if I may ask in that way?

Priyanka Chigurupati: They're all complex generics. These are not first-to-file.

Shreya Chatterjee: Okay. And what is your current market share right now in the U.S. in CNS?

Priyanka Chigurupati: Market share depends product to product, but we are #3 in the U.S. with respect to controlled-substances.

Shreya Chatterjee: Got it. Got it. And with the launch of -- steady state of launch of these complex generics and integrated generics, how do you see your margins evolving like the EBITDA margins evolving? And with the remediation cost also hopefully going away with the Gagillapur like remediation going away. So how do you see the EBITDA margins evolving in the mid like in the shorter term this year and also in the medium term?

Mukesh Surana: Yes. So the EBITDA margin currently we are at 21.6% which was much higher in Q1. So we dipped by 130-plus basis points. That is primarily because of West Asia conflict. Once this situation settles down, the margin percentage will continue to improve. More importantly, this year, we will try to work hard to ensure that our profit trajectory moves on. So absolute profit will grow.

Shreya Chatterjee: Got it. Any sort of quantification you want to give like for the medium term, how much basis points should we expect for the year?

Mukesh Surana: It's very dynamic. So what price of crude today may not be the same crude price 1 week down the line. So it's very dynamic. It is difficult for me to give some number. Second is we are having a continuous efforts to discuss with customers to get a price pass on. That is also very dynamic.

Shreya Chatterjee: But in the longer term, how much should it improve or like over the course of 3 years?

K.P. Chigurupati: Yes. Shreya, let me summarize. Our growth will continue to be there. Whatever we have been growing it and whatever we have planned will happen, and there's not going to be any big impact in spite of whatever happen.

Shreya Chatterjee: Got it. And you are not -- like you don't want to comment right now on the longer-term growth of EBITDA margin.

K.P. Chigurupati: No.

Shreya Chatterjee: Okay. And lastly, how should we look at the capacity utilization ramp-up for your Gagillapur plant going from here and your like Genome Valley plant going from here?

Mukesh Surana: So Genome Valley is under 25% or roughly 25% as of now, which we are expecting by Q4, it will cross 50%. And with respect to Gagillapur, currently, it is around 75%, but there is a good room for maximizing the product mix as well as utilization. So that also will have additional potential revenue from both sites.

Moderator: We have the next question from the line of Suhani Singh from ROS Capital.

Suhani Singh: So I had a few questions. So following the recent U.S. FDA inspection at Gagillapur, how could investors assess the potential implications of the observations on upcoming product approvals and commercial operations?

K.P. Chigurupati: Suhani, we are very glad that there are no observations regarding data integrity, cross-contamination or facilities. So all the observations, we believe are addressable, and we have -- we are going to have a good dialogue with the FDA, and we are quite positive about the outcome.

Suhani Singh: So are there any dependencies that could affect the near-term launch pipeline?

K.P. Chigurupati: No, the business in Gagillapur will continue as it is and growing with existing products. And -- but the overall growth will not change. There are a lot of sites. Gagillapur is just one site. The growth is driven -- mostly the future growth is driven by the U.S., onco in India and also GLS. So there will be no impact. It will actually be positive.

Suhani Singh: While the revenue and EBITDA have grown strongly, the operating cash flow declined sharply to INR65 crores this quarter from INR387 crores in Q1. So how much of this working capital absorption is temporary versus structural? And when could we expect the operating cash conversion to realign with earnings growth?

Mukesh Surana: We have to see Q1 and Q2 together, at H1 level because some of the expenditure or cash outflow which we have incurred in Q2 have to be seen as H1 outflow. Secondly, the investment in working capital, we have consciously increased from 29% to 30%, but it is in this range currently plus/minus 100 basis points here and there. We have built some inventory in U.S.A for safety stock, both for controlled substances as well as other complex generics.

Moderator: We have the next question from the line of Giovganne, an Individual Investor.

Giovganne: I have a question regarding the recent FDA inspection of Gagillapur. Do you expect a NAI or VAI classification following their CAPA response? Or will any observation require another on-site inspection? And could you provide an estimate time line for resolving the warning letter unblocking the 9 pending applications?

Priyanka Chigurupati: I'll answer your question in 2 bits. Like CMD said multiple times earlier in this -- on this call, we think the inspection progressed constructively. And we believe that we can the observations can be fully addressed through our responses and the CAPA that we put in place. With response -- with respect to the launches, assuming the observations -- sorry, the observations can be addressed through the responses, we should start receiving them immediately.

Moderator: We have the next follow-up question from the line of Sajal Kapoor from Antifragile Thinking.

Sajal Kapoor: Just two quick questions, team. One is on the net cash and one is on the gross margin. So I've been looking at the historic trend that Granules has reported on the gross margins. So March of 2016, we were around 46%, 47% gross margin, gross as an end product minus the raw material cost, so material gross margin. Today, we are 65% plus.

So broadly, we have gained 1,900 bps, give or take, on the gross margin side. When we were at 46%, 47%, because our capacities were fully utilized and our cost base perhaps was leaner, we were reporting 20%, 21% EBITDA today at a significantly higher gross, we are still reporting very close to that 21%, 22% number on the EBITDA side. So what I'm trying to understand is

how significantly our cost base has gone up. That's one. And there is definitely significant deleverage in the system.

So both points, if Mukesh, you can clarify. One is on the cost base, how different is our cost base today relative to where we were in 2016, '17? And how significant is the deleverage in the system?

Mukesh Surana: Thank you for this question. And some of the answer you have given yourself, the cost base has changed, business model has changed. So our gross margin has expanded significantly. And that also would mean I have started investing in R&D to continuously have the sustainable gross margin for future pipeline. And also my business model has changed from API to formulation and now I'm focusing more on complex generics.

And also, if you see, we never had U.S. operations manufacturing site run what the current size levels are. The employee cost in U.S.A. geography, employee cost in the newly acquired entity Senn Tides, all are significantly higher, the cost of employees, right? And you have already answered, there is a significant room for deleverage.

Once we start increasing our capacity utilization, some of the opportunities and cost leverage will move into EBITDA margin improvements.

Sajal Kapoor: That's helpful, Mukesh. And then given that we are sitting on INR800 crores plus of net cash on the balance sheet, and of course, we are operating cash flow positive. So every year, we will be adding to that minus the capex that we do. I think net-net, is it fair to say that if a customer comes to you for CDMO or otherwise, cash will not be a constraint on the system in terms of deploying growth capex because as far as I remember, Granules balance sheet has never been so healthy on the net cash.

Even if we go back 20 years, 30 years since the IPO, we have always carried debt, sometimes excess debt on the books, but this where we are today on the net cash, that should give us a lot of flexibility to undertake growth capex without diluting equity or taking leverage?

Mukesh Surana: You are absolutely right. That is also the intent when we have raised this money. So currently, we have a good amount of cash, which will be used for both organic growth as well as inorganic growth. Organic growth, you can see the way we are adding the pipeline would mean additional revenue and also additional working capital for the additional revenue and also the continuous growth capex. And in addition to that, we are open and continuously exploring inorganic opportunities.

Moderator: We have the next question from the line of Sameer Baisiwala from Sakman Capital.

Sameer Baisiwala: Priyanka, I just wanted to make sure that I heard it correctly that the first FTF launch is 2.5 years or so away. Is that correct?

Priyanka Chigurupati: Roughly around 2.5 years away, 2.5 to 3 years away, subject to litigation. But there's also another product that we're going to be filing shortly, which has been an open FTF for a while. That is the product that I'm saying it will be roughly 2.5, 3 years away.

Sameer Baisiwala: Okay. And in that case, Priyanka just wondering how do you -- how do we think about fiscal '28 and '29, the gap years, if I can say that? What's going to drive growth in those 2 years because FTF is quite back-ended in that sense?

Priyanka Chigurupati: So as soon as we get approvals for the launches that are still pending, we will start launching them in the U.S. In the prior calls, we've mentioned that we are focusing on global expansion of all our products. We've started filing a few products around the world. We've done about 6 filings in the last -- no, about 8 filings in the last 6 months.

These are the products that will give us midterm revenues -- short to midterm revenues. There's a lot of potential there. And going forward, that will contribute to a large percentage of the overall sales as well.

K.P. Chigurupati: And again, Sameer, just like Priyanka mentioned a little while ago, we have 5 new launches coming in the second half, out of which 2 are controlled substances and all complex products, and there's a lot of potential in these products.

Priyanka Chigurupati: Sorry, just to add to what CMD said, outside of the first-to-file that we have done, we are also doing other products that are still in the works. And those products -- and we're licensing a few products as well. So all these products put together will give us short to medium-term revenues.

Sameer Baisiwala: Priyanka, I think there are some disturbance. So when you first said 6 to 8 products will drive growth, you're saying non-U.S. filings that you have done. Is that -- was that correct?

Priyanka Chigurupati: These are a few products that we've done only in H1. But depending on the country that we are expanding to strategically and the regulations in those countries, there are some products that are subject to approvals within 6 months, within 12 months, etcetera. So we're very carefully filing key products across geographies, and those are the products that will start yielding revenues in the short to midterm as well.

And that will also go on. While the U.S. continues to be the biggest market for the foreseeable future, these markets will contribute quite significantly as well. These are pure global expansions of existing products. So there's a huge market out there that is still untapped, and that's what we're looking at doing strategically.

Sameer Baisiwala: Okay. Excellent. Very clear. And just finally, can you provide some color on this INR2,000 crores upcoming capex?

Mukesh Surana: Yes. This INR2,000 crores growth capex over the next 3 - 4 years will be largely into one, expansion of infrastructure and capacity for peptide CDMO both in Zurich as well as India. And other capex will be going towards U.S. platform, enhancing the manufacturing capability and overall distribution. Third is on oncology side, where we have certain plans of launches. So

accordingly, we need some capacity expansions. And we are also working on multiple API expansions based on the capacity utilization levels. So there are multiple broad-based capex programs are there for the next 3- 4 years.

Sameer Baisiwala: I mean, it looks like most of them are brownfield expansions. Is that the way we should think about it?

Mukesh Surana: Not necessarily. So complex and oncology are more of our new formulations. And there will be also, as you rightly said, downstream in terms of API or it can be downstream in terms of improving the warehouse and distribution. And there will also be a good amount of investment in IT digitalization to improve our quality management system, improve our manufacturing capability.

Moderator: We have the next question from the line of Pehal Sharma from DD Capital.

Pehal Sharma: I have some set of questions with me. So my first question is that on the peptide CDMO opportunity. Could management provide an update on customer engagements development programs and expected time line for commercial scale revenues?

Sanjay Kumar: I'll take that question. See, we are bound by confidentially agreement with most of our customers, and we cannot disclose that, and I hope you would understand that. In terms of commercial, I think what -- the journey from an RFP and RFQs to commercial translation takes a while. We have already waited for some time. And we are -- I mean, the last 4 months has been one of the -- is a period of our highest inquiry that we have seen, and that has been on a result of certain measures that we took on a BD outreach.

We are seeing a validation of that. And it all comes to execution over the next few quarters that we translate them to a material movement on our revenue side. I'm afraid I cannot provide any additional details on this, and we'll take one at a time when it does start to translate.

Pehal Sharma: And my next question is like while complex generics revenue grew by 38% Y-o-Y in Q2 FY27 and its share in the overall portfolio declined to 47% from 50%, right, in Q1 FY27. So like with integrated generics increasing to 48% from 46%, so like could management elaborate on the factors driving this shift in the portfolio mix?

And also is this largely attributable to the growth trajectory of the like integrated generics? Or were there any specific factors impacting complex generics during the quarter? And how should we expect the portfolio mix to evolve going forward?

Mukesh Surana: Yes. So our medium path we guided is 50% of our formulation portfolio will be around complex generics. So quarter-on-quarter, a few basis points here and there is expected, but we will have to see year-on-year basis. And I would say we are ahead of what we have stated. And probably we will be doing more than 50% in the medium term.

Moderator: Do you have any further questions. We have the next question from the line of Giovganne an Individual Investor.

Giovganne: I have a follow-up question. I probably asked about the Gagillapur FDA inspection and the 9 pending applications. You mentioned that they would be progressively unblocked. Did you mean that CAPA responses are submitted or only once FDA assess the corrective actions? And would another on-site inspection be required? Sorry, it's very confused for me.

Priyanka Chigurupati: Sorry, I didn't quite understand the second half of your question. Can you please repeat that?

Giovganne: Yes. If another on-site inspection would be required for Gagillapur?

Priyanka Chigurupati: At this point, I don't believe that's required, but it's the FDA. We leave it to the FDA to decide.

Giovganne: And the first part of my question, where do you guys expect to get those 9 application unblocked? Do you have any time line approximately?

Priyanka Chigurupati: The general process is that after you receive an EIR with a VAI or an NAI, the FDA takes a few weeks, a few months to provide approval. It's usually between 30 and 90 days after receiving the EIR.

K.P. Chigurupati: And Giovganne, let me also add here, it's 9 that are filed from there. But out of that, 2 are already transferred to our U.S. facility out of 8. So actually, we don't need to get those approvals here. They will be -- continue to made in U.S.

Moderator: Ladies and gentlemen, that was the last question. And with that, we conclude the question-and-answer session. I now hand the conference back to the management for their closing remarks. Thank you, and over to you, sir.

K.P. Chigurupati: Thank you once again, ladies and gentlemen, for patiently listening to us. And let me conclude by saying we are on a continued growth path, and you will keep hearing better and better things from us in the future. Thank you, once again.

Moderator: Thank you, members of the management. On behalf of MUFG Investor Relations, we conclude this conference. Thank you, everyone, for joining with us today, and you may now disconnect your lines.