Innovating for affordable healthcare

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Date: 10 August 2026

To,

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National Stock Exchange of India Limited
Exchange Plaza, 5" Floor,
Plot No.C/1, G Block
Bandra Kurla Complex, Bandra (E)
Mumbai-400 051

Scrip Code: BSE - 530549/ Stock Symbol: NSE – SHILPAMED

Dear Sir/ Ma'am,

Sub: Transcript of the Q1FY27 Conference call

In furtherance to our intimation dated 29 July 2026 with regard to the Q1FY27 Conference call held on Wednesday, 05 August 2026, at 16.00 hrs., please find enclosed transcript of the call.

This is for your information.

Thanking you.
For **Shilpa Medicare Limited**

Ritu Tiwary
Digitally signed by Ritu Tiwary
Date: 2026.08.10 15:47:43 +05'30'

Ritu Tiwary
Company Secretary & Compliance Officer

“Shilpa Medicare Limited

Q1 FY27 Results Conference Call”

August 05, 2026

MANAGEMENT: **MR. KESHAV BHUTADA – EXECUTIVE DIRECTOR AND CHIEF EXECUTIVE OFFICER – SHILPA PHARMA LIFE SCIENCES**
MR. ALPESH DALAL – CHIEF FINANCIAL OFFICER – SHILPA MEDICARE LIMITED
MR. MONISH SHAH – HEAD, STRATEGY AND INVESTOR RELATIONS – SHILPA MEDICARE LIMITED

Moderator: Ladies and gentlemen, good day, and welcome to Shilpa Medicare Limited Q1 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 touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Monish Shah from Shilpa Medicare. Thank you, and over to you, Mr. Monish.

Monish Shah: Yes. Thank you, Avirat, and a very warm welcome to everyone on our first quarter FY27 results call. Today from the management, we have with us Mr. Keshav Bhutada, Executive Director and CEO of Shilpa Pharma Life Sciences; and Mr. Alpesh Dalal, our CFO. The financial results and the presentations are uploaded on the stock exchange, and the transcript along with the audio will be available on our website and also on the stock exchanges.

Please note, today's discussion might include certain forward-looking statements based on current expectations and assumptions. These statements are subject to risks and uncertainties that could cause actual results to differ materially. The company undertakes no obligation to publicly update or revise any forward-looking statements.

With that, I would like to hand the call over to Mr. Keshav for his opening remarks. Thank you, and over to you.

Keshav Bhutada: Thank you, Monish. Good evening, everyone. I want to start not with this quarter's numbers. We will get to those, and they are the best in our history. But with simple question, what kind of company is Shilpa Medicare becoming? Three years ago, the honest answer was a solid hard-working API business, carrying a lot of debt. Our net debt-to-EBITDA was 6.7x and our ROCE was in single digit. Today, we have net debt to EBITDA of 1.3x, a ROCE of double digit, a credit rating just upgraded to AA- and portfolio that no longer makes ingredients. It develops first-in-class drugs, partners with global innovators and manufactures some of the most complex molecules.

As I have mentioned previously, I would like to reiterate on operational leverage. Still, our big bets in biologics, CDMO, novel drug delivery, NBE are under monetization. As those plants fill up, we are confident of incremental revenue and better margins. In simple terms, the reinvesting is largely behind us. The harvesting is ahead of us. Let me walk you through our quarter 1 performance division-wise. My overall commentary will be divided into 3 segments: API division, Formulation division and Biologics division.

In API division, we remain largely focused on CDMO, peptides and oncology as a portfolio, and we continue to invest our resources in it. On capex side, we are doing large capital investment in peptide manufacturing capacity in India, which will have capability of manufacturing from start to end in solid-phase synthesis and block will complete commissioning by end of FY27.

On the CDMO side, we have 3 NCE programs in advanced phases, which will get commercialized in FY28.

We remain on track to complete 15 new oncology product validations on the generic side in FY27. In total, we are working on 25-plus NCE programs in our API division, in which many of the programs are in early stage Phase I, Phase II and 3 programs in late stage. Overall, the API business is likely to have steady growth in FY27.

Now I'll start briefing about the Formulation division. Our first NCE molecule, Nor-Ursodeoxycholic acid, which was approved last year in India, is performing as expected, and we are seeing some very good early clinical outcomes in patients in the end market. And we have strong visibility of orders for FY27.

Nor-UDCA as a product, we are also taking it globally. And in global market, we have successfully completed European and U.S. scientific advisers, and we will be starting global Phase II clinical studies in FY27. Three commercial 505(b)(2)s, which were approved last year, are performing well as expected, and the sales are growing quarter-on-quarter.

Three important near-term filings, which are Abraxane, Enzalutamide and Abiraterone formulation, are on track to be launched in FY28. Rotigotine transdermal patch, which is one of the complex transdermal patches, has already received approval in Europe for the product. The same product has been successfully filed in the U.S., and we have already partnered with one of a very strong company in the U.S., and we remain on track for launch in FY28.

OLC opportunity with Unicycive Therapeutics, where we are their CDMO partner for API and Formulation. The innovator is working very closely with USFDA on the recent CRL received, and we are working closely with our partner for next steps. Apart from the above, we have a very strong, complex pipeline for which product-wise status is already given in the investor presentation, and I request all the investors to go through it. Overall, given existing and new pipeline launches, there is a strong likelihood of robust growth possibility in Formulation.

Now I'll start briefing about Biologics division. Our second biosimilar product, Aflibercept, has had its clinical studies successfully completed, and we remain on track for launch in India market in FY27. For the said product, we have already partnered with 3 of the best Indian companies, who have decent market share in the ophthalmic industry in India.

Our first European partnering of Nivolumab with Orion Corporation gives us further assurance on commercialization of our biosimilar pipeline globally. For the Nivolumab product, the India clinical study has already started, and we remain confident for launching this product in FY28 in India. On the other biosimilar pipeline, we have more than 5 biosimilars for which details and status are already given in the investor presentation.

On the large molecules CDMO side of the business, Shilpa Biologics has very unique capabilities of manufacturing any product from clone development to Fill & Finish. And with this capability, we today have more than 6 active NCE programs, already working with various partners. One of these programs will be entering human clinical studies in FY27 through our

partner. Two NBE programs where we have done strategic investments, the programs with mAbTree and Alveolus Bio, are on track to enter human studies in FY27.

Our first ADC biosimilar is also on track for entering human studies in FY27. Today, Shilpa Biologics is one of the very few integrated ADC manufacturing companies in India. On new biological entity, which is recombinant human albumin, as mentioned previously, we are confident of starting human clinical studies in the current year, and we remain on track for filing in the next year in India. So let me come back to where I started.

The transformation is already on scorecard in the delivering, in rerating upgrade, in returns, in a record quarter driven by every part of business returns. We, as a company, have done the hard, patient work of building and are now positioned to convert it into higher growth and margins. We have built it to last. We have built it to compound. And we would like to thank all our investors for trusting us and staying alongside us always.

Thank you. And I now hand over the call to Alpesh Dalal for talking on financials.

Alpesh Dalal: Thanks, Keshav, and good evening, everyone. Welcome to our Q1 FY27 results call -- financial performance for the quarter. I'm really pleased to announce that we have delivered our highest-ever quarterly revenue and EBITDA for the fourth successive quarter, with our quarterly revenue at INR469 crores, reflecting a growth of 43% year-on-year, backed by healthy gross margin of 71% for the quarter. And EBITDA for the quarter was INR139 crores, growing at 42% with an EBITDA margin of 30%.

During the quarter, our operating PBT, which is before share of profit from JVs and associates and for exceptional items was INR92 crores against INR50 crores in the same quarter last year, whereas our reported PBT stood at INR98 crores, growing at 98% year-on-year. During the quarter, we had a negative tax rate on account of reversal of the deferred tax liability for Shilpa Medicare, as the company is planning to switch to the new regime on account of a lower tax incidence under the new regime. Reported PAT for the quarter was INR101 crores, growing at 115% year-on-year. Going forward, we expect the tax rate to normalize at around 25% for the coming quarters.

On the capex front, we have spent about INR114 crores in the first quarter, and the capex is primarily funded through our internal accruals and deployed across our different businesses. The improved performance and positive operating leverage that we have witnessed has helped us in improving our return ratios during the past 2 years with ROCE improving to 12.5% from 8.8% in FY25. And adjusted for the biologics and NBE businesses, the ROCE actually stood at 18.3% because these businesses are still at early stages and have a lot of revenue generation opportunities left.

With all the key verticals showing strong revenue momentum, coupled with a pipeline of finished launches, we remain confident of improving our operating leverage, driven by an improved business mix, resulting in higher ROCE in the coming years. And before moving to the segmental highlights, I would like to reiterate, that our company has received a credit rating category upgrade from A+ to AA-. This reflects a significant improvement in our operations and

financial performance over the past few years. Besides this, I'm also happy to announce that the company has been certified as a Great Place to Work, a recognition that reflects our culture, trust and commitment towards healthy work environment.

Now let me walk you through the segmental performance. Our API business clocked a revenue of INR260 crores for the quarter, growing at 15% year-on-year. And our non-captive third-party API sales also witnessed ~15% growth year-on-year. The growth was on account of improved offtake of our -- of key products from newly expanded capacities, coupled with strong captive demand coming from our FDF -- finished formulation vertical. Even the specialty CDMO within the API division witnessed a strong traction driven by new client acquisition in developed markets.

The Formulation revenue for the quarter was at INR198 crores, growing over 100% year-on-year. And ex licensing income, the base business reported robust revenue growth of approximately 112% during the quarter, largely driven by complex FDA portfolio in U.S. region, supported by EU and ROW regions. Moving to the Biologics segment. Our Biologics segment reported revenue of INR52 crores, growing at 42% year-on-year. This strong growth was driven by continued deal momentum towards licensing and partnership and CDMO businesses.

With that, I would like to request the moderator to open the line for Q&A.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Sajal Kapoor from Antifragile Thinking.

Sajal Kapoor: Amazing execution team. Congratulations for that. Just 2 questions. First is, as our existing investments start monetizing, and we can see that in the numbers, what would make you say we have enough capability for now and prioritize sweating existing assets over building the new one?

Keshav Bhutada: Yes, Sajal, thanks for your question. See, I think most important point here, if you see our historical capex run rate, we have invested heavily in Biologics. We have invested heavily in Formulations. And those investments for us could translate into sizable revenue because there the capacity utilization, is very less today. So we have room for decent capacity utilization there.

Coming to API, where we have high capacity utilization, that is where we are already doing additional capital -- capex investment, where we feel that there is a lot of room for additional capital investment and additional growth. That is -- the mix of these 2 is something which makes us more confident to tell that we have enough capital already deployed for upcoming growth.

Sajal Kapoor: Yes. That's helpful. And the -- given that we have a diverse set of capabilities, including biologics, including peptides and including CDMO, what is becoming cheaper or faster to develop because all these capabilities now exist in the ecosystem and we can leverage them in combination. So what I'm trying to understand here is, are we getting a sense that 1 plus 1 is greater than 2 now?

Keshav Bhutada: I think to answer in simple words, Shilpa as a company, the way we are built is integration. If you see our API is integrated with Formulation or Biologics is integrated from clone to Fill & Finish. Same way our Albumin, we do from starting from clone development to Fill & Finish. I think today, what industry needs is the plant, the capabilities of one-stop solution, that is what we have.

Moderator: The next question is from the line of Gaurav Bhardwaj from Techsecfunda Investment Advisors.

Gaurav Bhardwaj: First, congratulations for your stellar results for consecutive quarters. Sir, I have 2 questions. First question is, how do you see the company down the line in 2, 3 years in terms of profitability and ROCE? And sir, my second question is, as there are many developments going on in our company, sir, what barriers can come in to slow down our growth path.

Alpesh Dalal: So as far as the growth momentum is concerned, as we have regularly been saying, we may not be able to provide guidance for the future. But as a general rule or the way we have been working at various aspects and the way we are developing our pipeline, we can visualize a very healthy and steady growth.

As Keshav had mentioned in his speech also that we are looking at monetizing more and more of our investments that we have done in Biologics and niche kind of Formulation business as well. So those are high-margin, better profit yielding businesses. So they obviously are expected to generate significantly better returns as well.

So whilst we may not be able to provide you a specific number, what we can see from here on is that the growth trajectory looks very robust, with a faster-growing trajectory on profitability, resulting in better ROCEs across the board.

Gaurav Bhardwaj: Okay. That's very helpful.

Alpesh Dalal: And to answer your second question, what could be the challenges that we could face or what could slow down our growth? Probably -- see, the thing is the regulatory pathway in pharmaceutical industry is a very critical aspect. Whilst we are working towards being very robust and compliant with our practices, once in a while, the way regulatory authorities look at us could be a bit different.

And if some of those unexpected challenges come up, that might slow down the growth trajectory that we have. But general trend towards moving further on the growth trajectory will continue. It might slow down if some such regulatory challenge comes up.

Moderator: The next question is from the line of Krisha Kansara from Molecule Ventures.

Krisha Kansara: Firstly, many congratulations to the entire team on a very good set of numbers. On Nor-UDCA, I have 3 questions. First, post our launch in Q3 of FY26, we have seen 2 quarters of commercial revenue. And our domestic Formulation segment has contributed INR59 crores in these 2 quarters. So how much of this INR59 crores came from Nor-UDCA?

Second, we have now completed the disease curability duration of 6 months, as you rightly mentioned in the previous con call. And you also highlighted in your opening remarks that the clinical data is positive. So could you please elaborate on this? And third, in the last month, Emcure Pharma, which is the marketing partner for Novo Nordisk's semaglutide, received CDSCO approval for an additional indication for the treatment of fatty liver. So what is the management's thought on this?

Keshav Bhutada: I think product level, we don't give sales numbers. But as I mentioned, we have very strong order trajectory. I think that should give confidence to everyone on the product. Coming to the third question, I think, which is very important, the products like semaglutide or other products which people are doing for indications like non-alcoholic fatty liver disease.

See, the mechanism of action of Nor-UDCA and that of any other product currently under study is completely different. Nor-UDCA directly targets the liver enzyme. That is the major advantage this product has against products like semaglutide, which has a different mechanism of action for liver fibrosis.

Krisha Kansara: Okay. And what about the data, the 6 months curability data that you mentioned?

Keshav Bhutada: Yes. See, on the clinical data, if you read online, all the data of our product is already published. And we are already doing the Phase IV clinical study. Once that data is available, that also we will be publishing. I think that should suffice the requirement.

Krisha Kansara: Yes. So this is on the Biologics team. So firstly, congratulations to Dr. Uday Harle on joining Shilpa Biologics. I would like the management to spend some time in highlighting the strategy of building a dedicated team in Biologics division. Last year, we were able to clock around INR150 crores in revenue. And now for us to scale this business from INR150 crores to, let's say, INR300 crores, INR400 crores, I assume we would need the right kind of talent to work with Dr. Uday and Mr. Madhav. So what is the team building strategy, specifically on the Biologics side?

Keshav Bhutada: So Krisha, I think it's more of an operational question, which we can connect on later. But to give you an idea, we have a very strong team of different experience and wide experience. And not only the internal team, we are also engaging some very good consultants who have a very good understanding of U.S. and EU regulations. So I think a mix of that is something which will surely help us in our overall strategy, planning, and execution.

Moderator: The next question is from the line of Yash Doshi from Unifi Capital.

Yash Doshi: Congratulations on a good set of numbers. Regarding Nor-UDCA, if you look quarter-on-quarter in Q1 FY27, your domestic revenue has dipped a bit. So -- what's the exact reason for it? Because I think we launched 6 months ago, ideally the product would scale up, but this is a small blip.

Keshav Bhutada: If you see, I have again mentioned to everyone that this is not a product-level detail. So you are just seeing the total domestic sales, right? Nor-UDCA as a product, if you look at it historically

and quarter-on-quarter, some quarters see more stocking. Sometimes we manufacture more, and some quarters we manufacture less, based on demand and the delivery schedule. I think that's not the right way of seeing the product. Overall, the product is doing good. That's what I can tell you.

Yash Doshi: Understood. And another question was regarding the API division, which grew at 16% and was led by your specialty CDMO. So I just wanted to check whether it was contributed more by the normal innovative CDMO portfolio or the polymer division?

Keshav Bhutada: Innovative CDMO.

Yash Doshi: And just last question. This quarter, we onboarded 2 Japanese customers, right? I think it was late-stage projects. So can you talk about the background of the clients, whether it's a big pharma or biotech? And what can be the opportunity size?

Keshav Bhutada: Yes. I think I'll tell you more details on this in the upcoming call because we have some confidentiality on the program.

Moderator: The next question is from the line of Nikhil Upadhyay from SiMPL.

Nikhil Upadhyay: Congrats on a good set of numbers. 2 questions. If I look at ours -- and one thing I should appreciate is the kind of detail you put in your presentation, it's phenomenal. It gives a very good understanding of where we are going. 1 question on Slide 12, if we look at the API side. If we track over the last 4 quarters, the number of programs in specialty CDMO has increased significantly.

Would it be right to say that the next leg of growth on the API side would be driven more by the CDMO part of the business scaling up from where we are today? Like should that be a right way to think about it? Or -- and how many projects do you think will start getting commercial sales in '27-'28?

Keshav Bhutada: Yes, your point is well taken. And yes, specialty CDMO will be a growth driver for us. Not only that, we also have other oncology pipeline and peptides. But yes, specialty CDMO will be one of the leading drivers for us in the API division. Number of programs and the details around that, we don't disclose. But to give you a fair idea, we have almost 3 late-stage programs, which will enter into commercialization next year.

Nikhil Upadhyay: Okay. And second question is a little longer. See, if you look at our company, from 2018 to 2023, '24, we were in an investment phase in different segments -- Biosimilars, Albumin, and APIs. And we are now seeing the fruits of which over the last 2 years, and this should continue. Now when you are thinking about investments today and looking at next 3 to 5 years, how are you thinking about the future investments and which would be the segments where you are putting most of your energies?

Keshav Bhutada: Yes, Nikhil, I think the investments we have already made, if you look at the last 5 years, we have still not even finished the utilization of those. And we still feel that for at least the next 3

years, we don't need any significant capex in new investments such as Biologics or Albumin, where we have already invested a lot. So I think that will take care of our growth in these divisions for the years to come.

And as I mentioned already, in the divisions where we feel capital is still required, like API and some new Formulation molecules, we are continuing that investment. But we don't foresee any significant capex today. That is what we want to inform all our investors.

Nikhil Upadhyay: Yes, that is one part of the capex. But on the R&D side, where are you putting most of your energy? Because on one side, we have our own specialty 505(b)(2) molecules and specialty molecules where we are doing clinical trials. And there is another part which is equally interesting, the Biologics CDMO and API CDMO, which is again a strong growth engine for the whole industry. So between these 2, how are you thinking about the R&D investment, as opposed to the capex investment?

Keshav Bhutada: In the R&D investment, each division has their own R&D budget, which we will continue to do every year. How much in each division etc, is a lot of detail which we don't disclose. But to give you a fair idea, our investments in R&D continue on the pipeline, and we will continue to add several new products and also advance existing ones.

Moderator: The next question is from the line of Rakesh Mehta from Elite Bridge Capital.

Rakesh Mehta: First of all, congratulations team for the fabulous set of numbers. I have 2 queries. One is that the Biologics business contributes just 11%, which is close to INR52 crores. What would be the growth trajectory going forward? This is one. Should I go for next question?

Alpesh Dalal: The Biologics business, from a growth trajectory perspective, should witness significantly higher growth, purely because it's on a smaller base and a lot of the future lies on the Biologics side. Again, I would reiterate that we would not be in a position to provide exact numbers, the kind of growth and all because we don't provide that kind of a guidance. But the growth potential of Biologics is significantly higher, especially because it's a new area and it's on a lower base. And also the industry is moving more towards Biologics. So it provides that additional growth opportunity.

Rakesh Mehta: Okay. And what would be the contribution from the India and outside-India businesses, in case you are thinking about Biologics?

Alpesh Dalal: See, in Biologics, a large portion of our CDMO and other work that we are getting is from outside India. In India, we do have our own pipeline, and that will also take shape. But a larger portion is expected to come from international markets.

Rakesh Mehta: Okay. Second query is the current EBITDA is around 29%. First of all, how sustainable is it? And what would be the trajectory going forward in case if you can throw some light?

Alpesh Dalal: So, this EBITDA margin -- in fact, only a couple of, 2, 3 quarters back, I had mentioned that this is obviously on a slightly better side, and we might see some change happening there. But we

have been consistently able to maintain that around 30% levels. So there is consistent performance showing that we are in that particular range. At this stage, I wouldn't want to raise expectations too high. We would like to be conservative and overdeliver. So we would expect margins to remain in a similar range.

Moderator: The next question is from the line of Deepak Sharma, an Individual Investor.

Deepak Sharma: Congratulations to the management for the excellent performance. My question is, CDMO has been one of the major growth factors for the company. So how do the management see CDMO journey in the next 3 years? And second question is from Unicycive drug. What is the next step? And what are the timelines for this drug?

Keshav Bhutada: Yes, Deepak, as you rightly mentioned, CDMO remains a very focused business for us as a company. And if you look even in India today, there are not many companies that have the capability of doing small molecules, large molecules, API, payloads, linkers, conjugation, ADCs, and Mabs, right?

So the way our company is built, we have very strong integrated capabilities. So usually, we get customers who want one-stop solutions. So we remain very confident and positive that CDMO as a business will continue to grow.

And already, many of the programs we are working on are still in an early stage; some are in Phase I, right? As and when the programs advance -- suppose, of more than 25 programs, even 10 go commercial -- we can see a sizable CDMO business.

And the second question was on the Unicycive part. See, on the Unicycive part, because it's a partner program, it's already there in the public domain. They have mentioned that they will be -- they have received the CRL letter from USFDA, and they plan to refile in Q3. I think that's the update which we also have in the public domain.

Moderator: The next question is from the line of Tushar Bohra from MK Ventures.

Tushar Bohra: Congratulations to the management for a good set of numbers. There have already been a lot of questions on CDMO, but maybe just a couple more on the same theme. Just looking at your presentation, the slide highlighting CDMO capabilities vis-a-vis peers, right? When we talk of Indian CDMOs, most of these are materially larger than Shilpa's CDMO business today, and also have several years of both capacity and capability investments, right?

So I just want to understand, while we are benchmarking favourably against these companies today, do you think we have similar ambitions and the wherewithal to get to, let's say -- typically, most of these companies comfortably have revenue upwards of INR800 crores to INR1,000 crores. So do we feel that is the kind of scale-up that is possible for Shilpa, or will we need specific investments into either capacity or capability building to really achieve the full potential?

And second, when we talk of CDMO, we are still talking API CDMO, but we have a separate Biologics CDMO division as well. And we have CMO activity in Formulations and specific niches like ADCs and peptides. So how are you approaching the entire business development part of CDMO? Are you approaching it as one single division across a range of capabilities, or does each division have its own funnel for building the business?

Keshav Bhutada: Tushar, I think we have never said as a company that we are only API -- we are also promoting, and I mentioned in my opening speech as well that we already have several CDMO programs in Biologics as well. Coming to the size, yes, we feel it is a sizable business. How much the value will be in future, we don't want to disclose.

But to give you a fair idea, today, across the overall Shilpa Group, we have only one product that is commercial on the CDMO side. We have more than 25 such NCE programs in various stages of development. I think as and when these molecules advance, you will see the growth trajectory accordingly.

And coming to the business development side, we have, in each respective division, respective people who promote and secure projects for us. I think that will continue, and we have a decent budget allocated for each division.

Tushar Bohra: And on the initiatives that you mentioned on the NCE programs, what are the ramp-up possibilities you're expecting over the next 3 years? How many of these -- you mentioned 3 late-stage programs, I think -- will potentially mature over the next 3 years?

Keshav Bhutada: It depends on our partner, because these programs are not run by us, right? But I think today, as on today, what visibility we have for next year, we have 3 NCE programs, which will enter commercial phase.

Tushar Bohra: And just one last on the same theme. In a lot of these CDMO contracts, we've struck very interesting arrangements, right, where we've invested in these smaller biotechs and smaller companies. So possibly, there's an angle of a profit share, or a component that is over and above the supply contract. So is it fair to assume that the outcome for Shilpa, in this case, would be materially higher than what a normal CDMO would realize from these programs, if some of them do work?

Keshav Bhutada: Yes, you are right.

Moderator: The next question is from the line of Sumit Gupta from Antique Stock Broking. Sorry to interrupt Mr. Gupta, we are not able to hear you.

Sumit Gupta: Congrats on a great set of results. Sir, regarding the gross margin -- first, what is driving the gross margin? And second, with respect to 1Q last year, the gross margin was around 75%. However, I think it was largely due to higher licensing income from particular partner. So excluding that, what would the gross margin have been last year?

Keshav Bhutada: So Sumit, I think we don't disclose product-level margins. But to give you a fair idea on the gross margin, the kind of product sales we will have this year, and the upcoming launches which I mentioned in my speech, are all complex products. Rotigotine transdermal patch, for example, is a very complex product with very few generic players in the market. Abraxane is again a very complex product.

We have such complex products, which will be launched every year, and also our existing pipeline, like Nor-UDCA, which is an NCE product. We have 505(b)(2)s, which are again very different products with no generics. I think all of this is driving our gross margins. And for the percentage and all the details, I think you can connect with Monish later for more detail.

Alpesh Dalal: And just to give you some idea about the slight dip that we have seen in the gross profit margin, that also has to do with the recent political situation globally -- raw material prices have gone up, which ends up impacting margins, at least for the time being. So that has been one of the reasons for the slight dip you have seen on the gross margin front.

Sumit Gupta: Understood, sir. So excluding that, when things normalize, what would the gross margin be?

Alpesh Dalal: It's difficult to quantify, because there are times when only a part of it can be passed on to the customer, not the full amount. So it changes the entire equation, depending on where we stand at a point in time.

Sumit Gupta: But you are able to pass on partially?

Alpesh Dalal: Partially, yes.

Moderator: The next question is from the line of Nishant from Grodun.

Nishant: My question is related to the new tax regime which we have adopted under Section 200A. In the erstwhile Income Tax Act, there was a provision that allowed us to claim a deduction with respect to research and development -- a scientific research and development deduction, to the extent of 100%, even on capital goods.

So why have we forgone that and adopted the new regime, given that we are also in the research and development segment? Is there perhaps a separate new unit, or have we incorporated an entity in research and development and are following that 15% tax rate?

And the second point is the U.S. notification regarding generic drug. Since -- I have seen that INR45 crores worth of goods is being exported from Shilpa to the U.S. So there is a notification that they will be charging a tariff at the rate of 100%. So are we planning to acquire any unit in the U.S. so that we can counter the tariff rate?

Alpesh Dalal: Yes. So on the first question, around the new regime -- as you rightly pointed out, this 100% benefit, the tax benefit, is available for R&D capex. We already have our fully functional R&D units across our divisions. So we are not expecting any significant R&D-related capex coming up. Whatever our capex is around revenue, our R&D spend anyway gets fully charged to the P&L, so we get the tax benefit there. What we lose out on, by not moving into the new regime,

is the accumulated MAT credit we have in Shilpa Medicare, which we would have to forgo if we don't move into the new regime.

Nishant: I think further additional depreciation will also be forgone in plant and machinery.

Alpesh Dalal: No, there is no additional depreciation, but it is something that only becomes a timing difference, and nothing more than that. So even the capex-related R&D depreciation that you get is a timing difference. But the difference in the tax rate is significant. It changes by roughly 9.75% or so, so that swing is big. Also, we are able to utilize the MAT credit to the extent of 25% of the tax. So the effective tax rate comes down by another 6% to 6.5%.

Nishant: So, as you stated, 25.17% is being reduced by the MAT credit to the extent of 25%, which comes out to around 19%, and further, from what you have stated, there is no further capex. So all the development will be met with existing capacity through additional production, right?

Alpesh Dalal: Yes. So, as I said, there are certain investments that happen, but they are not significant enough for us to forgo the tax benefit that we get here.

Nishant: The second question was related to the U.S. tariff threat. So how will we counter that? Because INR45 crores is the turnover we are getting from the U.S., right?

Keshav Bhutada: No, you see, historically too, on the product side, what we sell in the U.S., right? We are not selling any me-too generics. All our products are complex products, which have some kind of differentiation, okay? So for us, materially, it doesn't have a very big impact. That said, in evaluating U.S. manufacturing facilities and next steps, I think the entire industry in India is still monitoring how the Trump administration will behave on that, and what the terms and conditions will be. I think once we have more clarity on that, it will be the right time to move on the next steps. And to give you a very clear picture, Shilpa, as a company, is not selling any me-too generics in the U.S. All are complex.

Nishant: No, it's not about the generic. It's about the strategy -- because in one situation, they impose a tariff threat on one export category from India under generics, and then, in the future, they may impose a tariff on all medicines. So it's about how we can strategize around that, and what your company's point of view is. Congratulations for the number.

Moderator: The next question is from the line of Anubhav Goel from Cosma Ventures.

Anubhav Goel: Congratulations on a good set of numbers, very broad-based. Sir, just one question. Sir, on the strategy of taking stakes in companies to provide CDMO services, could you elaborate on our thought process? What is driving this? Can we expect many more like this in the future? Is this something we have to do at this stage to grow this business? And just where can this figure go to in terms of overall spend?

Keshav Bhutada: So Anubhav, that's a completely different, confidential strategy on our side. I think we are not inclined to disclose any more details on this. But I can tell you this is a very unique strategy

which we have. And we would share more details, if needed, if the size of such deals increases in the future.

Anubhav Goel: But sir, fair enough. Sir, is it fair to say we can expect more deals like this?

Keshav Bhutada: Yes, it depends on the kind of programs we get, right? So we don't invest in just any -- we get many programs where investment opportunities arise. But we, as a company, are very selective. It should fall within our therapy area, and it should fall within our corporate strategy -- only then do we take interest.

Moderator: The next question is from the line of Akhilesh Pathak from Smart Sync Services.

Akhilesh Pathak: Congratulations on great set of numbers that you have. I see an 11x improvement in the U.S., but there is a considerable downturn in Europe numbers, from around INR77 crores to INR57 crores. What would be the reason, and how do we plan to recapture that trajectory in Europe?

Keshav Bhutada: No, I think if you look at Shilpa as a company, the way we sell products in the end market -- these are mainly tendered products. So in the Europe business, we don't see any dip. It's just that there is a variation in quarter-on-quarter supplies. Some quarters we have more supplies, some quarters we have less. So that's the only reason. There is no other reason. The performance of the Europe business -- the product, the end market -- is really doing well for us.

Akhilesh Pathak: Okay. Great. I have another question on the capacity utilization of the various plants we have in Bangalore, Jadcherla, and Dharwad. What kind of capacity utilization do we have currently? Because there was a comment that they are underutilized relative to the gross block we have incurred.

Keshav Bhutada: Yes. I think for that, you can connect with Monish, our IR Head. I think he will be able to give you segmental utilization details.

Moderator: The next question is from the line of Amish Kanani from Knowise Investment Managers.

Amish Kanani: Sir, congrats on a really good set of numbers, in a quarter where gross margins were dipping but we still maintained our operating margins. So operating leverage is really kicking in. And also congrats on our credit rating upgrade, sir. Sir, part of my question was about the capitalization that was asked by the previous participant -- maybe I'll take it offline with Monish.

But sir, if you can give us some sense, we do disclose ROCE ex the new businesses. So you can approximate the amount of gross block or capital employed that we are allocating to these 2 new divisions, which are also not being fully utilized. So if you can give us some flavour there of what the asset turnover should be, say, and maybe an EBITDA margin or gross margin level? Is it in line with company blended margins? If you can give us some sense? And whether it should be in FY28 or FY29 -- some flavour would be helpful for us to model, sir.

Keshav Bhutada: Yes, I think there's one thing I want to convey to all our investors -- to answer this question, I'll answer it a bit differently. As a company, if you see, we have a pipeline in Formulation, in Biologics, in the new biological entity Albumin, and in the API business, which everyone is

obviously aware of. But if you see, in Biosimilars itself, you can see in our investor presentation that we have several biosimilars as well as ADC programs.

If you see, today we have only partnered for 1 Biosimilar in Europe to date. We have 8 such molecules for which we still have to do the partnering. We have to take the product to market, and then the commercial revenues will come. So you can imagine the delta in ROCE that this asset can generate. Similarly, on the Albumin front, where we have already invested over the last several years, we have finished the preclinical studies.

We have finished Phase I studies. We are starting Phase III study globally. And for this already, we have partnered in end market like Europe, which is one of the largest market for Albumin. So you can imagine the kind of commercial ROCE that this asset can generate. I think with this, I will leave the point open, because for segment-wise ROCE details, as I mentioned previously, you can connect with Monish, and he can explain further.

Alpesh Dalal: Yes, I can just add that, from being ROCE-negative about 1 to 1.5 years back, these divisions have become ROCE-positive, albeit at a lower level, because of the higher asset base they have. But as Keshav was mentioning, the potential to improve the ROCE over there is significant. And I had, of course, mentioned the blended ROCE in my opening speech, as well as the adjusted ROCE. So that can also give you some flavour as to what kind of delta could be there.

Moderator: The next question is from the line of Ajay from Niveshaay.

Ajay: Sir, I wanted to understand the economics of the licensing and service income line. So, over the last couple of years, we have been witnessing a good chunk of our revenue from that side. So I wanted to understand what sort of margin it carries. And does it flow straight through to the PBT, or are other development costs already expensed against it? And if you can split this licensing or service income between the Formulation and API CDMO parts, that would be helpful.

Alpesh Dalal: Yes, so we probably would not be in a position to provide segregated numbers for those. But this licensing income that we generate -- it's not that there are no spends or expenditure behind it. We have obviously developed the products, and spends have been made at a particular point in time. Revenue may not necessarily come in during the same period the spends were made, because we develop the products and initially incur the spends -- R&D spends -- up to a particular level. And only then do we end up getting some licensing revenue out of it.

But these are continuous developments, so at any point in time, we have various programs that are under development. And some of them would end up generating licensing income in the future, the way current licensing-income-related spends were made in the past. –Its not the case that every program we work on is successful.

There are also some failures that we have to budget for, and that goes straight to our P&L as a hit. So, for some of these reasons, it's difficult to quantify and segregate the margin profile. But obviously, what we receive as licensing fees is significantly higher than the spend we incur.

Ajay: And sir, how should one look at this -- would the majority of it be recurring revenue, or would it be a one-time income, for example, when a product like Unicycive, for which we are doing a CDMO product, goes commercial? So I wanted to understand how one should look at this part of the revenue. Is it more of a recurring revenue, or a one-time...

Alpesh Dalal: The point here is that our business is a B2B. So we are in the business of developing these products and the portfolio, and we license them out. We don't really have an in-market presence of our own. So, in that light, the more portfolio development we keep doing, the more licensing opportunity we will keep getting, because that's our fundamental business model, right? CDMO is a separate kind of business altogether, and it should not be mixed up with licensing revenue at all.

Moderator: The next question is from the line of Surendra Khemka from AVS Equity LLP.

Surendra Khemka: Any adverse effect of the U.S. Biosecurity Act, vis-a-vis India and China, on our production or selling of formulations?

Keshav Bhutada: No, because the Biosecurity Act is mainly aimed at China, and that too, I think, is all there in the public domain. But I think these are matters that are more policy-related decisions, which happen at a regulatory level. I think we will not be able to comment further on that. But as of date, we don't see any major impact of this act on us.

Moderator: The next question is from the line of Nidhi Kumari from Narnolia Financial Services.

Nidhi Kumari: I have 2 questions. First, on NBE -- is there a revenue opportunity for Shilpa, if you could broadly answer? Also, as a product case, what percentage of the innovator's product revenue does Shilpa technically earn through API supply? Second, on Nor-UDCA, could you share the revenue mix this quarter between product revenue and licensing income? Within product revenue, what was the contribution from Shilpa's own channel versus partner supply?

Alpesh Dalal: Okay, on the second question, I think Keshav has already specified that we will not be able to provide product-level detail. And on the overall potential of the API business, I think the API business has been with us for a few decades now. It is a business that we have been growing, and I don't think there is any specific cap on how far the API business can grow. It is just a function of creating capacity, making our supplies, and growing our portfolio.

Nidhi Kumari: Actually, that was the API revenue opportunity -- I was asking about the NBE program.

Alpesh Dalal: Okay, no -- product-specific or project-specific details, we will not be able to provide, Nidhi. You'll have to pardon us for that.

Moderator: The next question is from the line Tirumala Reddy, an Individual Investor.

Tirumala Reddy: On the CDMO business, is it possible for you to say how many customers we are handling now? Just to understand how diversified our customer base is.

Keshav Bhutada: Yes, overall across the Shilpa Group, we have more than 20 customers on the CDMO side alone.

Tirumala Reddy: Okay, and the second part is on Adalimumab. We have received USFDA approval, so what is the commercial outlook for this product?

Keshav Bhutada: Yes, Adalimumab as a product is doing well. Today, we have a decent market share in India because the partner selling our product has very good reach in the arthritis space. So the product, as a case, is doing well, but it's not a very big opportunity. That was our first product.

So the way we partnered here was just to give the market a fair idea that Shilpa has the capability of developing and getting approval for Biosimilars, of which Adalimumab was one such product. You will then see, going forward, how our pipeline has been designed toward more complex products like Aflibercept and Nivolumab, which are more complex than Adalimumab.

Moderator: The next question is from the line of Yash Doshi from Unifi Capital.

Yash Doshi: Just one question. Regarding our 505(b)(2) ramp-up for the 2 products, I just wanted to understand -- in the coming quarters, will the ramp-up be more for those products? And what is the penetration level in the U.S. market?

Keshav Bhutada: Yes, I think we don't give product-level details. But what I can tell you is that, given the kind of product Shilpa has and its complexity, it isn't the case that simply developing a 505(b)(2) guarantees you market share. It's also about the kind of product advantages it has over generic products, and so on. That's what we understand very well in the market, and our product is developed accordingly. So yes, it has a very good and sustainable opportunity. That's what I can tell you.

Yash Doshi: And just last question. Regarding our complex FDA products, which we expect to launch around '28, '29, like Xtandi and 2 other products, will these be a first-wave launch or a second-wave launch?

Keshav Bhutada: Every product is different. If you look at Rotigotine, for example, as a transdermal patch product, what we are doing is more of a first-wave generic launch. But if you look at products like Abraxane, there are already generic players, but very few, and the product is very complex and features in almost every tender. So it's a mix of both.

But more important is that we select only products which, from the day we are in the market, will give us sustainable growth in the upcoming years. We will never do a product that sells for 1 or 6 months and then suddenly sees sales drop by 90%, 95% on pricing. Such products Shilpa will never do.

Moderator: The last question for today is from the line of Ajay from Niveshaay.

Ajay: So I wanted to understand, on the oncology API segment, we have 15 new oncology API products which we are targeting. And also, there is new capex that we are undertaking. So I wanted to understand the growth trajectory on the API front. And on the Formulation part, what portion of our Formulation requirement is sourced internally? How much of our Formulation business is captively run through our API business?

Keshav Bhutada: Yes, for your first question, on the oncology API and the kind of growth trajectory we will have -- that will all depend on how the molecules translate at our end-customer line. But we have very strong, promising opportunities in many of these products. It's just that the timeline, and the way it will commoditize, is something we will have to monitor.

But for each of these products, given the kind of investments we have made, there is already an end customer interested in buying -- only then do we invest in the product. So we already have that kind of visibility. Coming to the second question, on Formulations -- how much is captive, yes. So in Formulation, the overall captive percentage, if I tell you, is more than 50%.

Ajay: Got it. And sir, given how, currently in the U.S. market or globally, biotechnology and biosimilars have again started to pick up, and our Biologics revenue is also now scaling up, at around INR50 crores this quarter, having done INR150 crores last year. So I just wanted to know your thoughts, given we also have a good number of products in the pipeline.

So, going forward, would the strategy be more about doing a CDMO kind of business here, or out-licensing the product and getting milestone income from it? So I wanted to understand the strategy on this front, and also your thoughts on how we are looking at this business going forward.

Keshav Bhutada: In the Biosimilar side, or our Biologics division, we have a mixed strategy. We have a short-term, mid-term, and long-term strategy. In the short-to-mid term, we depend more on biosimilars as well as CDMO programs. Long term is more about strategic partnerships, such as those with Alveolus Bio and mAbTree Biologics, which are longer-term bets -- but once one product clicks, you have very good potential for many years. I think that's how our overall strategy is for Biologics.

Ajay: Got it, and sir, one last question, if I can chip in. Sir, on the Orion deal, which we have for the European market -- I have been following the presentation lately, and on some of the products we have mentioned, there is a slight delay, which we have attributed to some issues, perhaps with the USFDA, and so on. But on this Orion deal particularly, I want to ask, internally, what launch year are we expecting for this? And on scale, or anything, would you like to comment on the peak revenue or the timing you foresee?

Keshav Bhutada: We don't give any client- or product-specific detail. Further, if you have any query, you can connect with Monish; whatever is possible, he will be happy to answer.

Moderator: Ladies and gentlemen, due to time constraints, that was the last question for the day. And now I hand over the conference to Mr. Alpesh Dalal for closing comments.

Alpesh Dalal: Yes, thanks a lot. Thank you for your time and your thoughtful questions. Each year, we remain committed to growing and scaling the company to new heights, and your continued interest and support mean a great deal to us. As has been repeated in our call as well, if you have any follow-on questions, please reach out to our Investor Relations team. Thank you very much.

Moderator: Thank you. On behalf of Shilpa Medicare, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.