Operator: Ladies and gentlemen, good day, and welcome to Laurus Labs Ltd. Q2 FY27 Earnings Conference Call hosted by DAM Capital Advisors Limited. As a reminder, all participant lines will be in listen-only mode, and there will be an opportunity to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal the operator by pressing star and then zero on your touchtone phone. Please note that this conference is now being recorded. I now hand the conference over to Mr. Nitin Agarwal from DAM Capital Advisors Limited. Please go ahead, sir.

Nitin Agarwal – DAM Capital: Thank you. Good afternoon, everyone, and a very warm welcome to Laurus Labs Ltd. Q2 FY27 earnings call hosted by DAM Capital Advisors Limited. On the call today, representing Laurus Labs management, we have Dr. Satyanarayana Chava, Founder and CEO; Mr. V.V. Ravi Kumar, Executive Director and CFO; Mr. Krishna Chaitanya Chava, ED, Head CDMO; Mrs. Soumya Chava, ED, Affordable Medicines and Commercial; and Mr. Vivek Kumar, AVP, Investor Relations.

Before we proceed, I would like to remind you that some of the statements made during the call today could be forward-looking in nature, and a safe harbor statement to this effect has been included in the press release that has been shared on the company's website. I hand over the call to Dr. Chava to make the opening comments, and then we will open the floor for questions. Please go ahead, sir.

Dr. Satyanarayana Chava – Founder & CEO: A very warm welcome and thanks, Nitin. Good afternoon to all our stakeholders. We are pleased with the substantive progress the company is making across various business segments. We continue to report strong growth in the CDMO business and steady momentum in the affordable medicines portfolio because of the major advancement in our partners' clinical and commercial progress.

The strong performance reflects sustainable, robust demand for our specialized capabilities, integrated offerings, depth of our customer relationships, and disciplined operational execution viability. In line with our accelerating transformation strategy, we are actively investing in building scientific capabilities and capacities across complex and new modalities.

The company's total reactor volume for small-molecule APIs in operation has now reached over 9,000 kiloliters and will continue to expand further. We are also pleased to highlight some of the important disclosures we have made in this quarter's investor presentation regarding the advancement we are making in our integrated peptide CDMO capability.

We commissioned a commercial-scale peptide manufacturing block. Our current reactor volume for solid-phase peptide synthesis is over 16,000 L, and we have undertaken fit-out for further expansion to meet diverse program requirements. We continue to strengthen the capacity of liquid-phase peptide synthesis and several new technologies.

We are also augmenting our capacities through disciplined business development. During the quarter, we announced investments in two new technology platform companies. One is an agreement to acquire a majority 60% stake in Canada-based Galenvs Sciences, specializing in oligonucleotides and precision magnetic nanoparticle-based purification.

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By leveraging Galenvs' expertise in early-stage oligo projects, process development, conjugation, precise purification, and fill-finish, along with Laurus' large-scale expertise in complex chemistry, we intend to support clients with a seamless journey from complex RNA- and DNA-based therapies as a one-stop solution. Together, this will expand Laurus' position to participate in the emerging high-growth oligo market.

The second is an acquisition of a majority stake in Phancti Resins, a peptide resin technology-focused company based out of Hyderabad. This will allow us to enhance long-term supply security by insourcing critical solid-support resin for peptide synthesis and also chromatography stationary phases for large-scale peptide purification.

This will bolster Laurus' manufacturing competitiveness and reliability for our current and future partners' programs. These acquisitions are aimed at advancing Laurus' integrated scientific capabilities under one roof. These acquisitions are strengthened by Laurus' quality infrastructure, which will cater to more complex, customized projects along with a significant increase in future therapeutic demand.

Moving on to our financial results, Laurus has maintained its growth trajectory and, once again, delivered record revenue and profits for Q2. Total revenues were 2,206 crores, reflecting the continued strength of our CDMO platform, growing contribution from commercial-phase supplies, and ongoing momentum in the affordable medicines portfolio.

Gross margins were also healthy and maintained at around 63%, and EBITDA margins further expanded over previous quarters by 2.7 percentage points to 34.5%. Product mix and operating leverage continue to perform well, supporting healthy margins overall.

I would request Mr. Krishna Chaitanya to share key updates on our CDMO business. Thank you.

Krishna Chaitanya Chava - ED, Head CDMO: Coming to the small-molecule CDMO, the business continued to deliver robust operational execution in Q2, reporting 86% growth with sales of 875 crores. For the first half of the current financial year, the division recorded Rs 1,710 crores, which equates to about 77% growth.

This performance was driven by the successful delivery of critical late-stage programs as well as commercial API supplies to multiple global partners. We also continue to see encouraging demand for the newly commissioned assets across both human health and animal health businesses, both in terms of volumes and opportunities with existing partners as well as new client engagements.

The company remained focused on enhancing our core capabilities and capacities to better meet customer demand driven by continuous expansion. As Dr. {? sir ?} highlighted in the opening remarks, we have commissioned our peptide manufacturing facility, and our investment in multiple other large-scale API opportunities continues to take place at our Vizag site.

Strategically, we are elevating client collaboration on complex, new modalities, and our focus remains on securing fully integrated projects, seamlessly supporting partners from preclinical development all the way to finished drug product services. Driven by this end-to-end capability, our clinical pipeline continues to expand. We are adding clinical programs across a highly

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diversified mix of manufacturing technologies as well as therapeutic indications.

With our capability expansion, deeper integration, and expanding pipeline, Laurus is well positioned to sustain healthy business growth in the coming years.

Now, moving on to Laurus Bio, the Laurus Bio division reported Q2 sales of Rs 29 crores, and for the first half of this financial year, sales were Rs 64 crores. The year-over-year variation is primarily due to campaign phasing, though our underlying pipeline momentum remains strong.

We are actively increasing longer-term strategic relationships with our major customers across both AOF and CDMO programs towards anchoring our future pipeline. On the capacity front, our commercial fermentation facility, Laurus Bio 4, is progressing as planned, and we expect this to be operational by the end of this year. We are already advancing customer capacity reservations for this facility.

Now, I would request Ms. Soumya Chava to share key updates on our affordable medicines portfolio.

Soumya Chava – ED, Affordable Medicines & Commercial: Thank you. Revenues from affordable medicines stood at 1,302 crores in Q2, which represents strong 15% year-on-year growth. For the first half of this financial year, we achieved healthy growth of 13%.

Growth was driven by the continued expansion of the order book across various established portfolios, which was also supported by stable pricing in both our ARV portfolio and developed-market portfolios. Looking ahead, we remain committed to investing in the business in line with evolving market requirements.

The positive long-term outlook is underpinned by a robust pipeline of new product launches, integrated CMO engagements, and ongoing expansion of product registrations across high-growth emerging markets, which is creating new business opportunities for us.

I am also pleased to report that despite heightened global volatility, our supply chain has demonstrated exceptional agility, enabling us to maintain highly reliable delivery performance for all our global partners.

With respect to our strategic Karkapatla joint venture, progress at the formulations facility remains firmly on track. The Phase 1 production blocks are scheduled to commence operations in mid-2027, which will significantly enhance our commercial capabilities with a focus on high-potent and general OSD manufacturing.

On the filings front, we have cumulatively filed 92 DMFs to date. In the developed-market formulation business, we filed two dossiers and received two approvals during H1. Overall, we have cumulatively filed 96 products to date. Thank you.

Dr. Satyanarayana Chava – Founder & CEO: Thanks, Krishna and Soumya, for the overview of the CDMO and affordable medicines segments.

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On the R&D front, overall spending to sales for the first half of this financial year was 4.3%, an increase of over 34% year-on-year. This was operationalized primarily on account of capability development efforts for our gene therapy ADC technology platform. We maintain our commitment to investing in portfolios focused on product complexity, scale, and sustainable technology platforms.

I would also like to share a brief update on quality and ESG. In the first half, Laurus underwent 15 quality audits by multiple global regulatory agencies and a few partners, and successfully cleared audit inspections without any critical findings.

On the ESG front, we continue to drive sustainability initiatives, with continued recognition by leading global rating agencies. Meanwhile, we are also making operational progress against our SBTI-validated near-term GHG reduction targets. You can see more details in our IR slides.

To conclude, we are pleased with the way we are executing our transformation strategy and the way we are building a stronger foundation for the future. By broadening our integrated capabilities, diversifying our pipeline, and advancing key commercial opportunities, we are well positioned to accelerate our long-term growth trajectory.

Now, I request Mr. Ravi Kumar, our CFO, to share the overall financial highlights.

V.V. Ravi Kumar - Executive Director & CFO: Thank you, Doctor. A very warm welcome to everyone to our Q2 and H1 earnings call. Let me quickly take you through the highlights.

Total income from operations for H1 was 4,233 crores, registering growth of 31%. We continue to deliver strong growth, mainly due to the continued strength of CDMO execution and stable performance in affordable medicines.

For Q2, total income from operations was 2,206 crores, which is the highest since the beginning. Gross margin was maintained at a healthy level for H1 at 62.9% and for Q2 at 63%, mainly due to better product mix and division mix, as well as improved operational efficiencies.

EBITDA for H1 stands at 1,406 crores, with a margin of 33.2%. For Q2, EBITDA was reported at 762 crores, with a margin of 34.5%. This profitability is on account of improved operational leverage.

Profit after tax for H1 was 809 crores and for Q2 was 441 crores. Our ROCE

Dr. Satya: is moving upward to 22.5% for H1 versus 17.7% for FY24. On the capex front, we invested close to 470 crores for the quarter and 864 crores for H1.

We are making good progress in executing ongoing key capex across diversified growth projects. Our net debt stood at 2,466 crores, and net debt to EBITDA was around 1.02 versus 1.28 for the last quarter, on the back of strong internal cash flows.

On the capital allocation front, our strategy remains unchanged, and we will continue to prioritize investments in high-value business segments to drive near- and long-term growth for all our stakeholders. You can refer to our IR presentation for more details.

With this, I would request the moderator to open the lines for Q&A. Thank you.

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Operator: Thank you very much. We will now begin the question-and-answer session. Anyone who wishes to ask a question may press star and one on the touchtone telephone. If you wish to remove yourself from the question queue, you may press star and two. Participants are requested to use handsets while asking a question. Ladies and gentlemen, we will wait for a moment while the question queue assembles.

The first question comes from the line of Tushar from Motilal Oswal Financial Services. Please go ahead.

Tushar – Motilal Oswal Financial Services: Thank you for the opportunity. Sir, firstly, regarding the peptide large-scale manufacturing block which has started, how should we think about the trajectory of commercial-level revenue coming through, considering that the customer might require certain regulatory approvals to be in place, or that we might have inventory build-up quantities? If you could explain that from a business perspective.

Dr. Satya: Krishna, would you like to answer this question?

Krishna: Sure. Thanks for that question, Tushar. As you rightly said, for every program there is a certain runway towards commercialization, as you rightly identified, related to validation and regulatory approvals.

With that being said, we have several programs in the pipeline which I cannot really divulge too much about, but they are at various stages, including development and scale-up validations. We already have visibility into how we would leverage these facilities and thereby have visibility to invest more in furthering this capacity.

Tushar – Motilal Oswal Financial Services: Regarding the existing capacity, without getting into product-specific or company-specific details, in terms of the timeline, when do we see the commercial benefit starting to come through? What could be the quantum for the existing capacity, perhaps in terms of asset turnover over a period of time? How should we think about it?

Krishna: For the commercial revenues, we expect them sometime around the 2029 timeframe for some of these peptide capacities that we are talking about today. With that being said, in terms of utilization, even for some of these validation campaigns, it will be fairly high for the respective periods.

Dr. Satya: Tushar, as we mentioned in our investor presentation, we are also expanding our peptide capacity significantly. We will give you more details as and when the facilities are qualified.

We have good visibility on the programs, the progress of the programs, and the volume requirements for those programs, so we have visibility. One point I would like to add here is that our peptide manufacturing capabilities are fully integrated.

In that sense, we are not making the fragments; we are doing the complete synthesis of the peptide, purification, and isolation. We are offering an API, not just fragments.

Tushar – Motilal Oswal Financial Services: Got it, sir. That is really helpful on the peptide segment. On the overall CDMO side, considering multiple projects at multiple stages, is there any possibility

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in the near term that inventory build-up has occurred at the customer end and, hence, there would be some buffer before revenue picks up on an overall basis in the CDMO segment? Or do we have certain projects which are yet to scale up, and hence will we continue to have growth in this segment over the next 12 months or 15-18 months?

Krishna: Based on what we know at the moment, we do not anticipate such a situation. With that being said, we have several programs that are commercialized in nature, so these volume changes generally tend to balance out. We are not anticipating any such surprises, at least from the perspective that we have today.

Tushar – Motilal Oswal Financial Services: Got it, sir. Thanks, and all the best to the team.

Krishna: Thank you.

Operator: Thank you. The next question comes from the line of Sajal Kapoor from Antifragile Thinking. Please go ahead.

Sajal Kapoor – Antifragile Thinking: Congratulations. Am I audible?

Krishna: Yes, you are.

Sajal Kapoor – Antifragile Thinking: Hello, am I audible?

Dr. Satya: Yes, you are audible, Sajal.

Sajal Kapoor – Antifragile Thinking: Congratulations, Dr. Satya, Mr. Ravi, and team.

Dr. Satya: Thank you.

Sajal Kapoor – Antifragile Thinking: The numbers are finally catching up with the work you have been doing for years. It is well deserved. I have three questions.

First, Dr. Satya, if you remember, in April 2023, during that NDTV Profit interaction with me, you agreed that a bigger surface area would mean better growth. Since then, CDMO has grown about four times. What can Laurus do for customers today that it could not do 3 years ago? Thank you.

Dr. Satya: As the years pass, we are not just adding reactor volume; we are also adding various technical capabilities. Our first commercial-scale biocatalysis took place in 2021. Flow chemistry happened later, flow hydrogenation happened later, and fermentation happened later. So, we are adding technical capabilities over a period of time.

Today, if any partner comes with a tech pack, we will not say no because we do not have the capabilities, except for monoclonal antibodies, cephalosporins, and penicillins. Those are the areas we do not have right now.

Other than that, we can offer any chemistry, any modality, any scale, and any potency as well. We have now commercialized an OEB 5 facility for a payload linker. So, we have been adding capacity and capabilities over a period of time. In 2023, we did not have this many capabilities. Now we have both capacity and capabilities.

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Operator: Sir, you are not audible.

Sajal Kapoor – Antifragile Thinking: Dr. Satya, thank you. My sense is that execution—

No, I think there is a slight delay, but I think I am audible. Thank you. My second question is that execution, to my mind, means earning customer trust, and trust brings more complex programs, something you alluded to at a private function at CPHI.

Over the next 5 years, what is most likely to break this winning loop? That is my second question, and I have one more. Thank you.

Dr. Satya: It is difficult to predict that, Sajal Kapoor. We are putting in our best efforts to keep our service levels constant, if not increase them. In terms of our ability to take projects, we are very cautious not to compromise on our service levels.

We are choosing projects where we will add value to our customer, not deplete value for our customers. That is where we would like to maintain our service levels. Business may not come today; it will come tomorrow. We do not want to spoil a partnership or relationship by taking on too much that we cannot handle.

Sajal Kapoor – Antifragile Thinking: That is helpful. Finally, Dr. Satya, alongside the large capex, you are making small bets across peptides and oligonucleotides. Which one could become a flywheel for Laurus in, say, 5 years, give or take? Thank you.

Dr. Satya: Our investment in peptide resins is not going to provide much financial benefit, but it will strengthen our position in the peptide business.

Our investment in the oligopeptide startup, {? DalinX ?}, in Canada—we do not have any customers right now in oligos. However, we believe that it will have significant value in the near- to medium-term future.

Sajal Kapoor – Antifragile Thinking: Dr. Satya, is that exactly the loop that we have been playing over and over again? We try to control the full value chain in an integrated manner.

In my view, what we did with ARV is that we are playing the same playbook of integrated, end-to-end value capture in the entire pharmaceutical space. The thinking for new modalities follows the same playbook that we have already executed over a period of time.

Is that how one should look at this transaction? You are not spending too much on this, but the capability that you are getting is meaningful perhaps 5 or 6 years out, if not immediately. Thank you.

Dr. Satya: I would say it is not the same, but perhaps similar. The scale is also not the same. The scale could be different. ARV is mammoth, but I do not expect oligos to reach the ARV level in the next 4-5 years.

We are investing because our customers are asking us to do so. It is not that we are investing because we like it. Our customers are asking us to get there, so we invested. That is the message I can give you right now.

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Sajal Kapoor – Antifragile Thinking: Thank you. That is all. I wish you all the very best. I am done.

Dr. Satya: Thank you.

Operator: Thank you. The next question comes from the line of Chirag Shah from White Pine. Please go ahead.

Chirag Shah – White Pine: Thank you for the opportunity, and congratulations on the set of numbers.

Sir, I have a very short-term question first. If I look at Q1 to Q2 on the CDMO side, can you provide some color on what has driven such a strong sequential ramp-up? Is it a large-sized molecule that you have supplied, or is it a project that moved from Phase 1 to Phase 2 or Phase 2 to Phase 3? Or is it the sheer number of molecules for which supply has happened that is driving it?

It would be helpful if you could provide whatever additional granular qualitative information you can share.

Krishna: I think there has been meaningful growth between Q1 of this year and this quarter. As we highlighted in the Q1 conference call, we expect this to be fairly consistent, which we also alluded to in the last call. To answer your question, there are no specific one-offs that we are looking at in this case.

Chirag Shah – White Pine: It is not about a one-off. It is about the quality and nature of what is driving it. Is it more molecules being added, or is it some large molecule or some Phase 2 or Phase 3 movement that is driving it? I was just trying to understand that part.

Dr. Satya: If you look at the increase from Q1 to Q2 of 200 crores, it is because of the overall revenue increase. The CDMO revenue increase contributed only 40 crores, while our affordable medicines revenue increased by 160 crores. It is an overall performance.

Chirag Shah – White Pine: Fair point, sir. Secondly, regarding the early peptide capacity, can you indicate the capacities we currently have and the infrastructure, including what kind of capacity addition can happen?

I presume you already have soft commitments or soft confirmations from customers, or is that also yet to happen because it is a new facility? That is why I am asking.

Krishna: Regarding peptide capacities, and quoting only the SPPS synthesizer capacities, as captured in our investor presentation, it is a little over 16 KL. Of course, I do not want to quote LPPS at this point in time, but as we have always maintained, we will provide a meaningful update whenever we reach that stage. [trails off]

Management: But yes, generally, we tend to shy away from quoting too much information that might not be meaningful or translate into actual numbers. Again, we will keep you updated on peptides as and when there are updates. At the moment, what I can share is that we continue to invest extensively in enhancing the capacity further.

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Chirag Shah – White Pine: Is it a fair assumption that the lead times are longer with peptides than with small molecules?

Management: It depends on which one; it is not a statement that is always true. It depends on the complexity of the small molecule and the number of steps involved, as well as the complexity of the peptide, whether you are doing the fragment or the API.

It is a question that probably has 3 or 4 follow-on questions, but at a high level, perhaps you could say that. However, it may not always be true.

Chirag Shah – White Pine: Thank you very much, and all the best, sir.

Management: Thank you.

Operator: Thank you. Ladies and gentlemen, in order to ensure that the management is able to address questions from all participants in the conference, please limit your questions to 2 per participant. The next question comes from the line of {? Shekhar Kariyala ?} from Family Office. Please go ahead.

Shekhar Kariyala – Family Office: Hello?

Operator: Sir, you are audible.

Shekhar Kariyala – Family Office: Thank you. Dr. Chava, congratulations on the numbers for this quarter. The numbers reflect the journey that many of us investors have been following quarter after quarter.

My question is primarily on peptides. Although many questions have already been asked, I wanted to get a broader perspective from you or from Mr. Krishna.

In the peptide world, what we have been hearing about is solid-state, liquid-state, and hybrid manufacturing. I also read somewhere that fermentation-based peptides are the cheapest in terms of manufacturing.

What I would like to understand from you is how you see this entire scenario emerging over the next 3 to 5 years. Will hybrid manufacturing probably drive most of the manufacturing, or could it be fermentation?

How is Laurus preparing as we build peptide capacities, particularly given that we also have fermentation capabilities? How are we preparing for this 3- to 5-year period? If you could provide some perspective, I do not need any numbers, but I would appreciate some insight into peptide manufacturing and how we are developing our capabilities. Thank you.

Management: The use of fermentation in peptide synthesis depends on how many amino acids, particularly natural amino acids, are present in the sequence. If the sequence is small, nobody will use fermentation-based manufacturing.

Currently, the programs we have are mostly SPPS, LPPS, or hybrid. That is where our capacity expansion is also taking place.

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Management: To add to that, every program in the peptide space is unique and comes with its own unique requirements. It is not very easy to say that, 5 years down the road, there will only be a certain type of program.

We believe there will continue to be a space for SPPS, LPPS, hybrid, and, as we have said, fermentation as well. Fermentation will continue to play a meaningful role because these approaches offer unique characteristics depending on the peptide requirements.

Shekhar Kariyala – Family Office: Thank you. My second and final question is regarding fermentation. In terms of our facilities, are they GMP-approved? Do they have any limitations, or can they meet any type of fermentation requirement that our customers may have?

Management: We have one GMP facility in Bangalore where we conduct fermentation of up to 500 L and 5,000 L. We also have a food-grade, industry-grade facility in Tumkur with 200,000 L of fermentation capacity.

We are building a 500,000 L facility which will be operational in this quarter. That facility is also food-grade and industry-grade, not GMP-grade. We are also building a GMP-grade fermentation facility for some products in animal health. That will be operational in the second half of next year.

Shekhar Kariyala – Family Office: Great. Thank you, and all the best.

Management: Thank you.

Operator: Thank you. The next question comes from the line of Forum Parekh from BoB Capital Markets. Please go ahead.

Forum Parekh – BoB Capital Markets: Thank you for the opportunity. My first question is on capex. We have announced 3,000 crores of capex over the period of 2027 to 2028, across various modalities. Could you provide some color on which modalities would have a higher contribution? Would the capex be equally distributed among oligos, peptides, and other areas?

Management: It is difficult to break it into several segments for commercial purposes. We are investing significantly in growth capex, with the majority going into APIs.

Forum Parekh – BoB Capital Markets: My second question is on the EBITDA margin. While on a sequential basis I see that the gross margin is almost flat, EBITDA and the EBITDA margin have increased, largely because of R&D cost rationalization.

I wanted to understand why R&D has declined steeply on a quarter-on-quarter basis and how sustainable that is.

Management: In Q1, we filed some ANDAs. That is the reason the cost went up in Q1. It is not that we are refocusing our R&D expenditure.

Management: There is also operating leverage. From Q1 FY25 to Q2, we achieved an additional 200 crores of revenue. Therefore, the improvement in our EBITDA margin is not only due to lower R&D costs, but also due to higher operating leverage.

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Forum Parekh – BoB Capital Markets: Sir, is there any guidance on the sustainable run rate of the EBITDA margin? 34% appears to be the highest ever, and the CDMO segment is also stabilizing at a 40% contribution. What stable EBITDA margin can we expect for the year?

Management: At the beginning of the year, we already indicated that we were comfortable maintaining gross margin above 50% and EBITDA above 30%. We still stand by that guidance. That is the number you should keep in mind.

Forum Parekh – BoB Capital Markets: My final question is again on the custom synthesis side. Could you provide some color on the dynamics, such as how many molecules have been commercialized and how many molecules are in Phase 3?

Management: Unfortunately, that is not something we are in a position to divulge because of various confidentiality reasons. As we alluded to in the last call as well, internally we believe that this number does not necessarily translate into the actual revenue numbers.

One program might generate, for example, $1 million, while another program could potentially generate $100 million. Therefore, we believe that number does not paint the full picture, and that is why we have always refrained from quoting it.

Forum Parekh – BoB Capital Markets: Lastly, can you provide the number on constant-currency growth and the percentage of exports in total sales?

Management: Regarding the percentage of exports, we will check. The majority is from exports. Domestic revenue must be less than 20%.

Regarding constant currency on a sequential basis, it is not a significant number sequentially. It is about 12 crores.

Forum Parekh – BoB Capital Markets: That is helpful.

Management: On a sequential basis.

Forum Parekh – BoB Capital Markets: Okay. Thank you. Those were my questions.

Operator: Thank you. The next question comes from the line of Rahul Bharadwaj, an individual investor. Please go ahead.

Operator: Sir, you are not audible.

Rahul Bharadwaj – Individual Investor: Can you hear me?

Operator: Yes, sir.

Rahul Bharadwaj – Individual Investor: Thank you for the opportunity.

My question is primarily to understand the CDMO space a little better. We probably have around 100-plus active programs. Can you provide some color on what percentage of commercial-stage supplies originates either from Phase 1 or Phase 2 development programs versus late-stage

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technology transfers?

Management: I think it is difficult to provide such a granular answer. As Krishna mentioned, the number of projects may not give you the right picture of where the revenue comes from.

We have projects ranging from $200,000 to several tens of millions of dollars. If we say that we have 200 or 300 projects, should you multiply that number by $200,000 or multiply it by $10 million? That may not give the right picture to our investors, so we refrain from providing that number.

Rahul Bharadwaj – Individual Investor: Thank you. I do not have any further questions, sir.

Management: Thank you.

Rahul Bharadwaj – Individual Investor: Thank you, and good luck ahead.

Operator: Thank you. The next question comes from the line of Dhaval from Jefferies. Please go ahead.

Dhaval – Jefferies: Thank you for taking my question. Continuing with the peptide topic, what is the gross block of the peptide facility that we have established? Also, is there any very broad, high-level estimate of what the peptide business can generate in terms of peak asset turnover whenever we achieve it?

Management: After a lot of internal deliberation, we agreed to provide the reactor volume. Beyond that, we are not going to provide how much capex we invested or what asset turnover ratio we are going to achieve. Unfortunately, we will not be able to provide further details on that.

Dhaval – Jefferies: Earlier on the call, it was mentioned that even the validation batches would require significant capacity and drive good utilization. Is there any broad timeline for when these validation batches could begin for the peptide facility?

Management: In modalities such as peptides, the complexity of synthesis is very high. Nobody would want to conduct validation at one scale and then scale up later, or move to another reactor, facility, or manufacturing block.

For these modalities, commercial-scale facilities are needed for the validation itself. Therefore, we have built the facility not only to conduct validation, but also to meet our customers' commercial demand from the same manufacturing block.

Dhaval – Jefferies: I understand the concept. Is there any broad timeline for when these validation batches could begin?

Management: Broadly speaking, 12 to 18 months is the period you can assume. However, in clinical programs, things can move around, but you can assume that number.

Dhaval – Jefferies: My last question is that it seems we are trying to undertake some backward integration in SPPS manufacturing by investing in resin facilities and resin capabilities.

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Approximately how large is resin cost when the peptide is manufactured using SPPS or hybrid methods? I understand that it can vary depending on how large the fragment is, how much is SPPS, and how much is LPPS. Broadly, given that you are making this investment, what is the typical resin cost compared with the total cost of manufacturing the peptide?

Management: I will be able to give a range. The smaller the fragment, the higher the cost of resin. The longer the peptide, the lower the resin contribution.

You can take the resin contribution to the raw material cost of peptide manufacturing as varying between 10% and 20%.

Management: Raw material cost.

Management: Raw material cost, not the sale price. The resin contribution to the raw material cost of the peptide varies between 10% and 20%, depending on the length of the peptide fragment.

Dhaval – Jefferies: Got it. Understood. That is very helpful. Is there any other major cost beyond resin, or is it mainly regular solvents and typical raw materials, with nothing specific beyond resin that one should keep an eye on?

Management: We will not provide that level of detail. [laughs]

Management: I hope you are not building a model here, a cost model. [laughs] It is [trails off]

Management: So, I think it will be difficult for us to go that far down.

Dhaval – Jefferies: Sure. Thank you.

Operator: Thank you. The next question comes from the line of Vivek Agarwal from Citigroup. Please go ahead.

Vivek Agarwal – Citigroup: Thanks for the opportunity. My first question is on capex. This year as well as next year, you have guided for 2,000 crores of capex. How confident are you about completing this amount, given that the run rate in the first half is slightly on the lower side?

As a related question, how do you see investments or overall capex beyond these 2 years, beyond 2028? If we want to look at another 3 years—2029, 2030, and 2031—what should we consider?

Management: Vivek, your voice is not clear. Can you remove your speaker?

Vivek Agarwal – Citigroup: Should I ask the question again?

Management: Yes, it is better now.

Vivek Agarwal – Citigroup: In terms of capex, we have guided for 2,000 crores of capex for this year as well as next year. Given that the current run rate is slightly on the lower side, how confident are you about completing this?

Beyond these 2 years, if we want to build a model for another 3 or 4 years, what kind of investment or overall capex are you envisaging? Thank you.

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Management: Although the first-half number is lower, most of the investments are progressing on track. As we guided, 2,000 crores of capex for 2027 and 2028 is the right number.

Second, we expect investments to continue in that range in the years to come. It may be around 1,500 crores per year of capex based on our current understanding. It may go up if an opportunity arises, but otherwise it will remain in that range.

Vivek Agarwal – Citigroup: Understood. If I look at asset turns, they have been consistently moving up. What is the fair level of asset turns that you expect to reach in the next couple of years? At what level do you think overall asset turns can stabilize?

Management: The average asset turn even over 6 years is 1.1. From the current level, we can definitely move up to 1.1. Our peak asset turn was 1.4. We also hope to reach that level, but we will move somewhere in between.

It depends on the period and the maturity of the projects.

Vivek Agarwal – Citigroup: Understood. I have one question on peptides. When do you expect the commercial revenues to begin from this 15,000-liter capacity? How much has already been committed, or what percentage of the capacity has already been committed by customers?

Management: Unfortunately, Vivek, we will not be able to answer either of those questions, primarily because of confidentiality reasons and also for strategic reasons. I am sorry about that.

Vivek Agarwal – Citigroup: No problem. You also mentioned that you are looking to expand peptide capacities. Is that an aspirational statement, or do you already have some visibility from customers that is leading you to expand capacity?

Alternatively, does it depend on the execution of the existing capacity project, with the expectation that more products will come in and trigger the expansion? I am trying to understand the thought process behind the statement that you are looking to expand peptide capacity.

Management: We foresee that the current capacities may not be sufficient to cater to requirements in the near to medium term. We are significantly increasing capacities because we see some programs in the early clinical phases. When they move to the validation phase, we want to move those programs to a commercial manufacturing block. That is the intention behind building new capacities.

Vivek Agarwal – Citigroup: Are you also involved, or do you see any opportunity to be involved, in some existing approved GLP-1 products?

Management: We do not want to comment on that at this stage. [laughs] We reserve our orders.

Vivek Agarwal – Citigroup: No problem at all. To explore this a little further, how important is backward integration?

You are building reagents and so on, but in terms of building blocks and amino acids, how backward integrated are you in these areas? Are you also looking to add capacities in building blocks, amino acids, and so on?

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Management: These programs will have multiple sources of amino acid supplies, including us. These partners' programs are so large that they do not want to depend on one vendor for any of the key amino acid derivatives either.

We have made progress there, and our derivatives will go into the validation block. We also buy some amino acid derivatives from other vendors.

Vivek Agarwal – Citigroup: Understood. I have one question on the affordable medicines side. This quarter you recorded a decent number, with around 3,200 crores in the first half. What drove the sharp uptick this time, and how sustainable is it?

How do you see finished-dose formulation revenues developing over the next 1 to 2 years, once your {? Karkhapatla ?} facility becomes operational?

Management: Regarding formulation revenues, as mentioned earlier, we are undertaking product registrations in multiple countries. We expect our formulation revenues to continue growing in the upcoming quarters as well.

Regarding API pricing, prices have stabilized. Although there are significant geopolitical pressures, our supply chain resilience has helped us stabilize those prices.

Vivek Agarwal – Citigroup: Thank you. That is all from my side.

Management: Thank you.

Operator: Thank you. The next question comes from the line of Nayan Patchala, an individual investor. Please go ahead.

Nayan Patchala – Individual Investor: Hello? Am I audible?

Management: Yes, you are audible, Nayan.

Nayan Patchala – Individual Investor: Good evening, sir. Regarding the K&H joint venture, how is the business progressing, and when can we expect it to make a meaningful contribution to overall flex revenue and profit?

Management: The {? Curca ?} formulation facility is getting ready, and we will start validations for products in mid-2027. We are already working towards validations. Once the validations are completed, we will do the filings. They should generate meaningful revenues in 2028 and 2029.

Nayan Patchala – Individual Investor: Thank you, ma'am. Secondly, you mentioned around 125 active CMS projects. What is the current number?

Management: That number is very dated, but we do not want to provide a further number. You could assume 125 even today, but we do not want to expand further on that.

Nayan Patchala – Individual Investor: Okay, sir. No problem. Thank you.

Management: Thank you.

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Operator: Thank you. Ladies and gentlemen, in order to ensure that the management is able to address questions from all participants in the conference, please limit your questions to 2 per participant. The next question comes from the line of Shrikant Akolkar from Nuvama. Please go ahead.

Shrikant Akolkar – Nuvama: Thanks for taking my questions, and congratulations to the management on the good set of numbers.

My first question is on peptides. Is it possible for the management to quantify, in ballpark terms, what has been invested in solid phase, liquid phase, isolation, purification, and amino acids—in other words, the total investment in this area?

Management: Unfortunately, we would not like to divulge that information for strategic reasons.

Shrikant Akolkar – Nuvama: Understood. Is there any ballpark number or quantification, such as a percentage of total investment incurred so far, without providing the exact numbers?

Management: I am sorry, but we are not able to provide that information. As Dr. Satya mentioned, this peptide capacity was shared after a great deal of deliberation and feedback from a large part of the investor community.

Beyond that, we are not in a position to share further information at this point in time.

Management: We can reiterate to all investors that we do not want to be selective. Please bear with us.

Shrikant Akolkar – Nuvama: No problem. Again on peptides, I know that you do not want to discuss any GLP-1 opportunity in the near term, but do you think that in the next 5 years there could be an opportunity for us to secure a peptide GLP-1-related contract?

Management: Given the capabilities and capacities that the company is investing in, we certainly expect to play a very useful role in that entire area [inaudible].

Shrikant Akolkar – Nuvama: Understood. My last question is a broader, industry-level question. China recently banned the export of amino acid technologies outside China, and the US also banned or stopped investments in Chinese biotechnology.

What kind of opportunities or industry trends could emerge because of this?

Management: From a geopolitical standpoint, I would not want to comment on this call at the moment.

Shrikant Akolkar – Nuvama: Understood. Thank you so much and—

Operator: Thank you. The next question comes from the line of Krish Mehta from Enam Holdings. Please go ahead.

Krish Mehta – Enam Holdings: Thank you for taking my questions. I have 2 questions.

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The first is about understanding the sustainability of this quarter's revenue and EBITDA margin run rate. If I look out to FY28, would it be fair to assume that what we have achieved this quarter is repeatable, in terms of something like broad revenue of 10,000 crores at a 35% EBITDA margin? Or should we normalize the current quarter's run rate? That is my first question.

Management: We always answer this without providing guidance. There are 2 things we are committing to: first, we will be able to maintain gross margin above 60%; second, we will maintain EBITDA above 30%. We are comfortable giving that guidance to all our investors. Beyond that, it is very difficult to provide guidance at this point in time.

Krish Mehta – Enam Holdings: Thank you. My second question is whether you could provide the breakup of ARV API and ARV FDF for this quarter.

Management: ARV API for this quarter is 625 crores, and FDF is 677 crores.

Krish Mehta – Enam Holdings: Thank you very much.

Operator: Thank you. The next question comes from the line of Alankar Garude from Kotak Institutional Equities. Please go ahead.

Alankar Garude – Kotak Institutional Equities: Good evening, everyone. My first question is on peptides. Within peptides, how important do you think purification will be as your programs move from clinical to commercial over the next few years, particularly for longer peptides?

Management: Purification is similar in importance to synthesis and the downstream process, which includes isolation. Purification and isolation are equally important and complex.

Management: To explain the complexity, synthesis, purification, and isolation will all be equally important—perhaps one-third, one-third, one-third.

Management: From a complexity standpoint.

Alankar Garude – Kotak Institutional Equities: Understood. Where are we in that journey in terms of scaling up downstream purification or isolation capacity in parallel with the creation of overall reactor capacity?

Management: As we mentioned in our investor presentation, when we say that we have created peptide capacity, that includes the entire value chain of synthesis, purification, and isolation.

Alankar Garude – Kotak Institutional Equities: I have one follow-up. From the current 2,000-liter capacity, are there plans to move to 3,000-liter synthesizers? If so, is it possible to provide any timeline?

Management: I would not like to answer this question at this point in time.

Alankar Garude – Kotak Institutional Equities: Fair enough, sir.

Management: Yes, fair enough.

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Alankar Garude – Kotak Institutional Equities: I have one final question. Given that you have been working on various modalities, as Dr. Satya mentioned, you have almost all capabilities except perhaps {? MAPs ?}, cephalosporins, and penicillins.

In terms of talent availability, how would you assess the current situation? Multiple companies are working on multiple modalities and adding capacities. From an industry standpoint and your own talent-hiring standpoint, do you face any challenges? Where are we in that journey?

Management: As you have seen in this quarter's earnings presentation, we signed a definitive agreement to invest in an oligonucleotide company because we believe the required talent is there.

We can manufacture because oligonucleotide manufacturing, purification, and isolation are similar to peptide manufacturing, so we have that expertise. However, in terms of synthesis and R&D, we do not have the expertise, so we

Management: [mid-sentence] invested there. Similarly, we invested in a solid-support resins company because we do not have the talent right now.

We are trying to bridge the gaps in our technology development by investing in these companies. We invested in Laurus Bio to obtain expertise in enzymes and fermentation. Our investments are intended to build capabilities where we do not have them right now.

Otherwise, as you may have seen from our track record over the last couple of years, we are not investing only in capacities. We build capacities and bridge the gaps by acquiring technology-based companies.

Alankar Garude – Kotak Institutional Equities: Understood, sir. That is very helpful. That is all from my side. Thank you, and all the best.

Management: Thank you.

Operator: Thank you. The next question comes from the line of Yaseer Lakhdawala from Emkay. Please go ahead.

Yaseer Lakhdawala – Emkay: Good evening, team. Before that, I wish you all a Happy Diwali in advance.

My question is on the CDMO side. Could you provide some color on the H1 mix between animal health, crop science, and human pharmaceuticals?

Management: First, Happy Diwali in advance to Yaseer as well.

Regarding the breakup, although we have not provided a split between our human health and animal health businesses, what I can say is that we continue to discuss crop science with several partners and hope to have a meaningful contribution from it. However, it is still minuscule compared with our human health and animal health initiatives.

Yaseer Lakhdawala – Emkay: As you said, we have more than 100 or 120-odd customers. Could you provide some color on customer concentration? Are there 5 or 10 customers responsible for a

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larger portion of CDMO revenue?

The reason I ask is that, in case there is a destocking event or a competing program replaces a dominant customer, would that have a material impact on our revenues going forward? I would like to understand the concentration of the CDMO business.

Management: Currently, we do not have significant concentration among customers or programs. We are managing—actually, we are not managing it; we were fortunate that the projects came to us in this manner. I will put it that way.

Second, we do not foresee shipment supplies for a launch followed by destocking events. We do not have that problem because we have visibility for the next 18-24 months.

Management: In addition, we are fortunate that, in the space in which we operate, we are not necessarily facing a patent cliff for any of the programs we support. Therefore, there is a fair amount of visibility for some of these programs that we have successfully commercialized.

Yaseer Lakhdawala – Emkay: That is very helpful. Lastly, as we look at newer modalities such as peptides and ADCs, when we announce capacity additions, how do we weigh the decision? Many of these new modalities do not tend to be very high-volume products. If that understanding is correct, how are we balancing capability additions on one side and capacity additions on the other?

Management: From an ADC perspective, as you rightly said, this might not be a large-volume business and may not be at the multimetric-ton scale. However, from a value point of view, it will be quite significant when we commercialize it.

Also, from an investment point of view, it can be sizable, given the type of modality and how complex it can become.

Yaseer Lakhdawala – Emkay: Fair enough, sir. Thank you very much. I appreciate it.

Management: Thank you.

Operator: Thank you. The next question comes from the line of Arindam Mukherjee, an individual investor. Please go ahead.

Arindam Mukherjee – Individual Investor: Good evening. Am I audible?

Management: Yes.

Arindam Mukherjee – Individual Investor: Good evening, team. Firstly, congratulations on the excellent set of numbers.

My first question is that H1 operating cash flow fell 26% due to strategic inventory, and free cash flow after 864 crores of capex was slightly negative, while net debt rose somewhat. What are those inventories? When do they convert to cash? Will FY27 free cash flow be positive after capex and the investments you have announced?

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Management: The inventory is regular inventory. We are not referring to extra inventory, although there is some additional absolute inventory as of September 30. That will be utilized in the current quarter and the coming quarter.

Regarding free cash flow, we had free cash flow last year. When you make that kind of capex investment, you have to make a choice between free cash flow and growth capital, and we are investing in growth capex.

Therefore, I do not think we need to be worried about free cash flow, because our net debt to EBITDA is still at a very healthy level of around 1. We will manage it, and we will see how it progresses.

Arindam Mukherjee – Individual Investor: Thank you for the clarification. I have one more question. Laurus Bio recorded 64 crores in H1, down 16% against the roughly 200-crore base you cited in July.

With LB4 commissioning this quarter and customers reserving capacity, what are the reservation terms—take-or-pay or advances? What does H2 look like, if you could provide some color?

Management: We expect Laurus Bio to be on a good track from Q1 of the next financial year. Although the facility will be qualified this quarter, we will only conduct trials in Q4 of this financial year. Actual commercial supplies may start in Q1 FY26.

Although there has been a reduction in revenues, that is part of some customer allocations or projects scaling up from the customer side, from outside. The prospects look good.

Management: Hello, are you there?

Arindam Mukherjee – Individual Investor: Yes. Sorry, I think there was a connection issue. I have one more follow-up. The minority losses suggest that Laurus Bio's net loss is around 50 crores for H1. Is that about right? What is the EBITDA break-even?

Management: We will provide that offline. [cut off]

Management: Please write to Vivek, our Investor Relations representative, and we will get back to you on that.

Arindam Mukherjee – Individual Investor: Okay. Thank you very much.

Management: Thank you.

Operator: Thank you. The next question comes from the line of Tushar Manudhane from Motilal Oswal Financial Services Limited. Please go ahead.

Tushar Manudhane – Motilal Oswal Financial Services Limited: Thanks for the opportunity again. Sir, to understand how asset turns would improve from 1.1 to 1.4, what are the key factors that would drive this scale-up?

Management: We achieved 1.4 in one year. That was actually based on a large purchase order.

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In the future, there are many unlocked assets where we are not generating to the fullest extent. Once every asset is generating fully, I think there is a possibility of moving higher. I am not saying that we will reach 1.4, but we will move towards it.

Tushar Manudhane – Motilal Oswal Financial Services Limited: Given the ongoing capex, we will continue to have certain assets or investments in the gross block, which will suppress asset turns. That is why I was trying to understand how, or over what period, we think that even with incremental investments, we will still be able to achieve asset turns of 1.4.

Management: You are right, but we also have Greenfield and Brownfield capex. For example, we are currently making significant investments in Unit 4, which is Brownfield capex, and our Unit 2 investments are also Brownfield capex. These are expected to perform better.

We will see how it progresses. However, as I said, our first target is 1.1, which is our average for the last 6 years.

Tushar Manudhane – Motilal Oswal Financial Services Limited: Got it, sir. Lastly, although many questions have touched on this, I have one final question. Unlike other products, is the validation batch similar to a commercial-size batch in what we are manufacturing in the peptide block?

Management: That is generally the case, Tushar. However, generally, you could say yes.

Tushar Manudhane – Motilal Oswal Financial Services Limited: That is helpful. Thank you.

Operator: Thank you. The next question comes from the line of {? Dhaval Gokhale ?} from Jefferies. Please go ahead.

{? Dhaval Gokhale ?} – Jefferies: Thank you for the opportunity. Last quarter, you mentioned that a small-molecule project was about to become commercial. What is the status of that project?

Do you think it will be a meaningful growth driver, given that generally there is significant supply in the first year? Is it a growth driver in the CDMO business, considering that we now have a really large base, or is it more like the typical smaller projects that you work on?

Management: There are several programs at the NDA filing stage, including programs where the NDA has already been filed. We feel comfortable with the projects at various scales that we have right now. We are not able to provide more granular information on this.

{? Dhaval Gokhale ?} – Jefferies: My second question is somewhat technical. I want to understand the concept behind it.

You have emphasized that you are doing APIs, not just fragments, and that you have full API capability. Suppose there is an API with a chain length of 10. How does the realization vary between the API and a fragment that is half the size, such as a 5-amino-acid fragment versus a full 10-length API?

I am looking for a ballpark range to understand the significance of having full API capability.

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Management: It can be small or it can be quite drastic, but while I know the answer, I do not want to go into too much detail regarding our cost model and all that, but [cut off]

Management: The other reason is that if 5 fragments use all unnatural amino acids, the cost will be very significant. However, if all 15 amino acids are natural, then the cost will be very significantly lower.

It gives the wrong signal to provide an answer for a project-specific question. As you mentioned, your question was very technical, and we do not want to give you a very generalized answer to such a complex question.

{? Dhaval Gokhale ?} - Jefferies: Okay. Thank you.

Management: Thank you.

Operator: Thank you. Ladies and gentlemen, we will take that as the last question for today. I now hand over to the management for closing comments. Over to you, sir.

Management: Thank you to all the stakeholders for your active participation in the call. Thanks for asking very interesting and detailed questions. In advance, we wish all the stakeholders a Happy Diwali. Thank you.

Management: Thank you.

Operator: Thank you. On behalf of Laurus Labs Ltd., that concludes this conference. Thank you for joining us. You may now disconnect your lines.

Note: {? ... ?} indicates a figure or name where audio clarity was insufficient for confident transcription. Verify against the source audio or the company's published filings.

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