NGL Fine-Chem

Operator: Good day and welcome to the Q2 and H1 FY27 earnings conference call of NGL Fine-Chem Ltd. As a reminder, all participant lines will be in listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal the operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Abhishek Mehra from Telegape. Thank you, and over to you, Abhishek.

Abhishek Mehra – Telegape: Thank you, Danish. Good morning, everyone, and thank you for joining this Q2 and H1 FY27 earnings conference call of NGL Fine-Chem Ltd. The results and investor updates have been uploaded on the stock exchanges. To take us through the results of the quarter and answer your questions, we have with us today Mr. Rahul Nachane, Managing Director, and Mr. Rajesh Lawande, Whole-time Director and Chief Financial Officer. We will be starting the call with a brief overview of the financial performance, which will then be followed by the Q&A session.

I would like to remind you that everything said on this call reflecting any outlook for the future, which can be construed as a forward-looking statement, must be viewed in conjunction with the uncertainties and risks that the company faces. These uncertainties and risks include, but are not limited to, those mentioned in our annual report. With that said, I will now hand over the call to Mr. Rahul. Over to you, sir.

Rahul Nachane – MD: Good morning, everyone, and welcome to NGL Fine-Chem Ltd.'s Q2 and H1 FY27 earnings call. Thank you for joining us and for reviewing our financial results and investor presentation. Q2 was a strong quarter for NGL, with higher revenues, improved operating profitability, and continued volume growth. We also commenced production in Phase 2 of our Tarapur greenfield facility on September 24, 2026, completing the commissioning of the project. These developments give us greater confidence in the business. At the same time, commissioning marks the beginning of the next stage: building utilization, completing customer and regulatory requirements, and earning an appropriate return on the investment.

Let me first take you through the Q2 consolidated financial performance. Revenue from operations for Q2 FY27 was 158.71 crores, an increase of 22% over the corresponding quarter last year and 14% over Q1 FY27. Revenue also exceeded the 149.23 crores reported in Q4 FY26. Growth continued to be led primarily by volumes, supported by demand across our product portfolio and markets.

EBITDA increased by 64% year-on-year to 28.06 crore. The EBITDA margin was 17.68%, compared with 14.27% a year earlier and 16.73% in the preceding quarter. The improvement reflects the benefit of partial pass-through to customers in Q1 and better absorption of fixed costs at higher volumes. The quarter's margin was within the 15-18% range we had indicated earlier. We are encouraged by this performance while recognizing that the cost of bringing the new capacity into operation will influence margins over the coming quarters.

Profit before tax was 21.6 crore, an increase of 67% year-on-year. Profit after tax increased by 69% to 16.25 crore. On a sequential basis, profit after tax was lower than the 18.4 crore reported in Q1. This should be viewed alongside the change in other income, which declined from 7.43 crores to 1.2 crores, and the increase in depreciation from 5.25 crores to 6.55 crores. Q1 had also benefited from

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investment gains and favorable forex movements, as discussed in our previous update.

At the operating level, Q2 EBITDA increased by approximately 20% over Q1. The underlying improvement in the business is therefore stronger than the sequential movement in reported net profit alone would suggest.

In the first half, revenue from operations was 297.87 crores, an increase of approximately 33% over H1 FY26. Profit after tax was 34.64 crore, compared with 18.87 crore in the corresponding period last year.

Turning to cash flow and the balance sheet, net cash from operating activities was 35.8 crore in the first half. Net investing outflows were 44.05 crore as we continued expenditure towards completing the expansion. Inventories increased from 70.28 crore at the end of March to 118.38 crore at the end of September. This reflects higher business activity and the stock required to support the new facility and our sales growth. Nevertheless, the increase is significant, and working capital discipline will be an important priority as production and sales scale up.

Total borrowings were approximately 122 crore, compared with 108 crore at the end of FY26. Our focus now is on converting the investment in capacity and working capital into sales, operating cash flow, and improved results.

Coming to Tarapur, Phase 2 is operational and fully staffed. The facility provides flexibility to manufacture existing products and support products in our development pipeline. In the near term, we intend to use the capacity to serve demand in our existing markets while progressing the requirements for regulated market business.

We currently expect utilization to reach approximately 30-40% over the next 2-3 quarters, subject to customer demand, product mix, and the pace of production ramp-up. As utilization builds, the facility's fixed operating costs will spread over a larger production base. Initially, however, these costs will be incurred ahead of the full revenue contribution. Depreciation and finance costs will also affect reported earnings as the project moves fully into operation. We therefore expect some pressure on margins during this transition. Higher volumes [trails off]

Management: ...support or links over time. But the pace of improvement will depend on utilization, realization, and operating efficiency. Our regulatory program continues in parallel. In Europe, we have begun transferring registrations to the new facility and currently target completion of this program by the end of calendar year 2027. Investors should distinguish completion of the overall transfer program from the timing of individual product approvals and customer orders.

For the US, we have filed drug master files for nine products. Our customer is expected to complete its filings by December 2026. This is an important step in progressing the regulatory process, but the timing of an FDA inspection and subsequent commercialization remains dependent on the regulator, customer requirements, and satisfactory completion of the applicable reviews.

We see regulated markets as a medium-term growth opportunity. Our immediate priorities are to execute the filings well, maintain inspection readiness, and develop customer relationships that can translate approvals into sustained business. Animal Health APIs remain the core of {? NGSL ?},

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accounting for approximately 95% of revenue this year. Our top 10 customers contributed approximately 26% of sales, and our top 10 products approximately 65%.

We will continue to build the business through our existing portfolio while developing additional products and customers. Looking ahead, we remain cautiously optimistic. Demand has held up, operating performance has improved, and the expanded manufacturing capacity gives us room to grow. The next few quarters will also require careful execution. Our priorities are to build utilization economically, manage working capital closely, and progress regulatory and customer approvals.

Pricing, input costs, currency movements, and approval timelines will continue to influence the pace of improvement. We believe {? NGSL ?} is better positioned to deliver profitable growth over the medium term. Our focus is on translating that opportunity into stronger cash generation and sustainable returns for shareholders. I thank you for your continued interest and support. I will now be happy to take your questions.

Operator: Thank you so much, sir. Ladies and gentlemen, we will now begin the question-and-answer session. Anyone who wishes to ask a question may press star and one on their 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.

Also, in order to ensure that management will be able to address all the questions from the participants, we request you to kindly limit your questions to two per participant. If you have a follow-up question, please rejoin the queue. Our first question comes from the line of Dhwanil Desai with Total Capital. Please go ahead.

Dhwanil Desai – Total Capital: Hi, good morning, sir, and congratulations on a very strong Q2 and a positive change in the overall strategy. My first question is this: if we look at the P&L, you talked about the incremental cost of employees, depreciation, finance, and other operating costs coming through in subsequent quarters. But even this quarter, employee and other expenses have grown in line with the revenue, which is around 30%. How should we look at what kind of incremental costs will come through or are yet to come through? If you can elaborate on that, because a large part is still to come through in the next 2 quarters. That is my first question.

My second question is that you talked about 30-40% utilization in the next 2-3 quarters, which should basically be close to 120-150 crore of incremental revenue. You also talked about this largely coming through from the unregulated market until the regulated market picks up. Once the regulated market picks up, how do we sustain this kind of unregulated market revenue? Do we have more capex planned for the unregulated market because eventually we will need capacity to serve that volume? These are my 2 questions.

Management: [pause] Thank you, Dhwanil. Our employee costs have increased, as you have noticed, in the current year also. That is because we started staffing part of our requirement in this quarter itself. These people were being trained in our other plants, and once they were fully trained, they were moved to the new project. We have therefore seen an increase in cost, and there is likely to be a further increase in employee costs as we go forward.

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With regard to volume, we are currently seeing good volume growth in the less regulated markets, which are our current markets. We would like to service this volume growth opportunity without losing any market share and while serving our customers. To that extent, we are moving part of our requirement for these products into the new facility. This will occupy only part of the facility and not the full facility, as outlined. We expect capacity utilization of about 30-40%.

Going forward, as and when regulated market business starts coming in, we will be able to accommodate both of these, at least for the next 3 years, in our opinion. Only if the requirement exceeds that will we review our situation within a year and then decide whether we need to undertake further capital expansion. I hope that answers your question.

Dhwanil Desai - Total Capital: Just one follow-up on this, sir. Other expenses have almost moved in line with revenue growth. Typically, other expenses have fixed and variable components. Do we see the incremental increase going forward being lower than the revenue growth, and hence operating leverage continuing to flow through? Is that how we should look at it?

Management: In other expenses, our main increase has been in fuel costs because we use gas for fuel in a couple of our plants. There has also been an increase in distribution expenses because logistical costs have increased sharply in the last 6 months due to the {? Gulf war ?}. Transportation costs have almost doubled for us. These are hopefully not permanent in nature and should correct themselves over a period of time as the geopolitical situation improves.

Dhwanil Desai - Total Capital: Understood. I have more questions, but I will come back in the queue. Thank you.

Operator: Thank you. Our next question comes from the line of Ishaan Thakkar with Fort Capital. Please go ahead.

Ishaan Thakkar - Fort Capital: Congratulations on a good set of numbers. Last time, you mentioned a possible price increase, but I believe it has not been implemented yet. Is it fair to say that the entire growth reported in Q2 was driven by volume growth, with no contribution from a price increase? Is my understanding correct?

Management: A substantial part of it is from volume growth. Part of it is also because the rupee had weakened during that period against the dollar. But the substantial part is due to volume growth.

Ishaan Thakkar - Fort Capital: Has the price of Tulathromycin stabilized now? What is the prevailing realization per kg, and how much incremental business opportunity do you see at the current price levels, given that significant price erosion has already happened following generic competition? Do you believe the current pricing is sustainable over the next 2-3 years? What kind of volume growth and margin contribution can Tulathromycin generate for the company?

Management: Are you asking a specific question about a specific product?

Ishaan Thakkar - Fort Capital: Yes.

Management: Which product are you asking about?

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Ishaan Thakkar – Fort Capital: Tulathromycin.

Management: Tulathromycin. Prices have come down. It is very difficult to predict what will happen in the future, but typically, as a historical trend, we see prices decrease during the first 2 years after a product comes off patent, and then the price stabilizes. It has already been close to 1.5 years. We feel that any price erosion would probably take place over the next 6 months, after which the price should start stabilizing.

Ishaan Thakkar – Fort Capital: One more question on the US and European markets. Our end users have started trial rounds, and we currently have 9 DMFs and {? 4 CEPs ?} in place. How has the initial response been so far, and by when do you expect to see a meaningful contribution from these 2 markets to the overall business?

Management: Well, you see, the business is [trails off]

Management: Business flow normally, in Europe, our first filing, the CEP, was granted close to 2 years ago, and we are seeing some early signs of business coming through in the current year. The lead time is close to 2–3 years from the time the filing is completed. It does not happen very rapidly. We expect this to develop into a critical mass probably in the period from 2028 to 2030. Until then, we will continue to focus on our existing markets and continue to pursue the opportunities available there.

Ishaan Thakkar – Fort Capital: Thank you, sir.

Operator: Thank you. Our next question comes from the line of Rahul Jain with Credence. Please go ahead.

Rahul Jain – Credence: Thanks for the opportunity. Congratulations to you and the entire team for a wonderful set of numbers, and wishing you all a very happy new year. My first question is with regard to sales revenue and capacity utilization at the new plant. We had mentioned in our previous call, in the Q4 FY24 call, that somewhere around 150 crore plus we would stabilize in a quarter or 2, which we have done in the current quarter.

At the same time, you had mentioned utilizing about 30–40% of the new greenfield plant. To understand both these things, given that the new plant will also start contributing from the second half over and above that 155 crores of baseline sales, can we expect the current year's second half to be much better than the first half? Could we cross approximately 625–650 crores of top line for the full year? What kind of utilization for the new greenfield plant do we expect for FY26? That is my first question.

Management: [pause] I will answer that. As we have already set out earlier, we expect capacity utilization over the next 2–3 quarters to reach between 30% and 40% for the new plant, which has just recently been commissioned. Going forward, further capacity utilization will also depend on the volume growth we see in the current markets that we service. It is very difficult to give you an actual estimate for FY26.

However, as you can see, the market has been moving well, demand has returned very substantially, and we have been able to meet and service this demand. Just to remind you, Phase 1 was already

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commissioned last year, and we have been servicing part of the demand from Phase 1 already. That has contributed quite significantly to our ability to ramp up sales in the current year.

Going forward, we are quite optimistic about how the market is moving. We stand by the guidance we had given earlier, so we are more or less on track for that.

Rahul Jain – Credence: With regard to the expense part, just to clarify, you did mention increasing costs due to fuel, transport, and, of course, the situation that has been ongoing for the last 6 months. We understand that. Assuming those costs are normal, we had indicated an incremental operational cost of about 15–18 crores per annum and depreciation increasing by around 6–8 crores per year. Of this operational cost and depreciation, what costs have already been seen in Q2? What incremental costs do we expect, both for depreciation and operating costs, from the new plant? Also, could you discuss the finance cost for the same?

Management: [pause] We do not anticipate the finance cost increasing by more than 20% from the current level. Depreciation will increase as you had outlined, but we have been capitalizing costs as and when things have been put to use. Over the current half year, we anticipate a further increase of not more than approximately 3 crores in depreciation cost.

As far as operating costs are concerned, close to 50% of our staffing for the plant is already done, and we anticipate an additional 50% to come through for this project. We therefore do not anticipate a huge increase in manpower costs going forward. However, operating expenditure will definitely increase, and we will see how the margins shape up in the future.

Rahul Jain – Credence: One last question, sir, with regard to the inventory—

Management: [cut off] We anticipate only for about, the larger amount of pressure should not exceed beyond 2–3 quarters.

Rahul Jain – Credence: On the inventory side, inventory has increased in the current first half. There is a sizeable increase in inventory, and the number of days has also increased. Is this inventory increase due to sales picking up ahead of the new plant, or is it related to validation batch inventory? Could you share some insights on this?

Management: [pause] About a year ago, we moved from manufacture-to-order to manufacture-to-stock. Due to that strategic change, our inventory has been increasing over the last 5 quarters.

Having said that, there was also a spurt in inventory because we anticipated some disruptions that might arise due to the unrest in the Gulf areas. We increased our stocking of key raw materials, especially those with long delivery times. These are the 2 primary reasons why inventory levels increased.

Going forward, as I said, inventory has increased somewhat further than one would have anticipated. We will work towards better inventory controls to ensure that this is streamlined going forward.

Rahul Jain – Credence: Thank you so much, and I wish you all the best.

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Management: Thank you.

Operator: Thank you. Ladies and gentlemen, anyone who wishes to ask a question may press star and one. Our next question comes from the line of Dhaval Desai with Total Capital. Please go ahead.

Dhaval Desai – Total Capital: Thanks for the opportunity again, sir. In terms of the new filings, I think we had 4 approvals on the CEP side, right? There were also 5 or 6 DMF approvals. Is there any update on that? We were targeting approximately 50-60 crores from Europe in the current year. Are we on track for that? From there, to reach approximately 100 crores, is the path 2 years long, or do we have sufficient visibility to reach that number next year?

Management: [pause] Customer acquisition has not been as fast as we anticipated. It is taking between 2 and 3 years to get customers on board after receiving regulatory approval. That has been a little slower than usual for us. We might miss the target we had set for ourselves for the current year, hopefully not by a very large margin.

Going forward, as I said, we anticipate critical mass developing only between 2028 and 2030. That is when we expect most of our efforts to begin showing success.

Dhaval Desai – Total Capital: On the US side, you talked about a couple of filings. Is it correct for me to expect a customer filing to happen by December 2026? Typically, I believe that in earlier interactions, 6 months was the timeline within which a US inspection generally happened after filing. However, it looks slightly longer than our expectation on the Europe side. I assume that there were no specific customer-related approvals available there. So, in the US... [inaudible]

Management {? Gaurav ?}: Customer filing on our DMF means that the ramp-up would be faster compared with Europe.

Right now, we have one sponsored customer. As you know, in Europe we can register the product ourselves directly. We do not need a customer to be involved or come in between for that. In the US, it works a little differently. After it is filed, until a customer submits a request and completes its filing, it does not trigger the requirement for an audit. Until the plant is audited, it is not possible to sell into the US.

We have been fortunate to have one such sponsored customer that has supported us over the last year. We have been working very closely with them. We are quite hopeful that once we file, it will trigger the requirement for an audit. Of course, it is up to the regulatory agency to schedule and decide when to come and inspect. That period can be anything from 3 months to a year, so we have to be patient during that period.

This customer is very eager, and we are very hopeful that once the regulatory approvals are in place, sales will start quickly for that customer. Having an approval will also provide significant impetus because there are several customers that service both the US and European markets. Quite a few of them are waiting to see how the US audit proceeds. We are fairly confident that we will be able to acquire those customers.

Dhaval Desai – Total Capital: On the Europe side, could you tell us how many filings and how many approvals there are as of today?

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Management {? Gaurav ?}: Give me a minute; I will let you know. [long pause] We have 4 approvals for CEP, and 4 more products for which CEPs have been filed. We have 5 ASMF approvals as of now, and 4 more have been filed. That makes a total of 9 plus 8, or 17, in the bucket that have been filed, of which 9 are currently approved.

Dhaval Desai – Total Capital: In terms of the timeline, do we expect to receive approval by next year for all 17 that we have filed for?

Management {? Gaurav ?}: By the end of calendar year next year, definitely.

Dhaval Desai – Total Capital: My last question is on the US side. If I understand correctly, this is typically our first inspection, and it will be by the US FDA. It is not very easy to pass the inspection the first time. Many times, there is a possibility of observations and, consequently, a follow-up inspection perhaps 6 months later. What are we doing from our side to ensure that we are able to clear the US FDA the first time? What steps are we taking?

Management {? Gaurav ?}: We have an experienced team in place that has already faced US inspections and other regulatory inspections. We also have consultants on board who audit the facility every 2 months. Our objective is to always be audit-ready, so that as and when this is triggered, we should be ready for an audit at any point in time.

Dhaval Desai – Total Capital: Thank you, and best of luck.

Operator: Thank you. Our next question comes from the line of Rohit with Alpha PMS. Please go ahead.

Rohit – Alpha PMS: Hello. Am I audible?

Operator: Yes, you are.

Rohit – Alpha PMS: Good morning, sir, and congratulations again on a very strong quarter. Following up on a few questions asked earlier, you mentioned that the new plant will reach 30-40% utilization in the next 2-3 quarters, largely driven by the less regulated markets. Are these new products, or are they the same products that we have filed in Europe? Or are they other new products that we have been adding to our portfolio over the last 2-3 years? Could you talk a little about that?

Also, are the customers the same? In the sense that these customers are operating in the less regulated market but are also present in the regulated markets? Could you talk a little about that as well?

The purpose of this question is to understand the ramp-up when the regulated markets begin to develop. Will supplying some of these products trigger the ramp-up in the EU specifically, if the products and customers are the same? That was the first question.

Management {? Gaurav ?}: Most of the substantial part of what we are now moving to the greenfield facility consists of products for which we have completed filings in Europe and one for which we plan to complete filings for the US. As I just mentioned earlier, there are close to 17 products that

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are either registered or in the process of having their filings completed.

We are concentrating on these 17 products, which are also our top products by volume. Those are the products being moved to this facility, but not completely. We will continue to manufacture at our existing facility as well, and the incremental requirement is now being moved to the new facility.

Rohit – Alpha PMS: From a ramp-up point of view, especially for the EU and US, will it happen in the next financial year, or is calendar year 2028 when you see the significant ramp-up? As you said, the US is largely dependent on the audit being triggered and the subsequent audit. But for the EU, which has been slow so far, do you see FY28 having some kind of revenue contribution, such as the approximately {? 50 to 100 crores ?} from the EU that you had mentioned earlier? Do you think that will happen in FY28?

Management {? Gaurav ?}: It is still proceeding a little more slowly than we had anticipated in terms of obtaining approvals and onboarding customers. As I said, we anticipate the business developing critical mass between 2028 and 2030.

Rohit – Alpha PMS: I am assuming that your customers already have some suppliers and that we would be taking share away from them. Typically, what is the basis for switching? I would assume it would be quality and reliable supply. Would it also be cost, and if so, how much cheaper would we be compared with their existing suppliers? Who these existing suppliers are, or their geography, could you share some insight on that?

Management {? Gaurav ?}: The value proposition is not standard; it changes with every customer. For some customers, it is an opportunity to onboard a supplier with a presence in both the EU and the US. The second factor is providing a fully integrated manufacturing chain, which not many companies do. Third, for a few customers, the value proposition also has to be provided in terms of pricing. It is a mix of different factors that we offer; it does not work on pricing alone.

Rohit – Alpha PMS: Understood. My final question is on the margins. Over the last 2 quarters, we have been at approximately 17–18% operating margin. You stated in your opening remarks and in the presentation that costs are going to increase. Do you see these margins remaining in a similar range, around 16–17%...

Rohit – Alpha PMS: ...15–18%, or could there be greater pressure because the ramp-up is also going to be steep, even if we operate at only 30–40% utilization, since that is almost close to 130–150 crores of revenue?

Management: We have always said that the long-term margin in this industry is closer to 15–18%, which is what we aim to achieve. We are currently within that range. We feel that there might be a slight decrease as incremental costs come in. There might be 2 or 3 quarters in which we see a slight dip in those margins. But our long-term view is that 15–18% is what we can expect from this business.

Rohit – Alpha PMS: Understood. Thank you very much. I will join back for a couple more questions. Thank you.

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Operator: Thank you. Our next question comes from the line of Raghuram Kuchchi with Bestpals Research and Advisory LLP. Please go ahead.

Raghuram Kuchchi – Bestpals Research and Advisory LLP: Thanks for the opportunity, sir, and congratulations on a good set of numbers. I wanted to understand 2 things. First, what could be the margins in the regulated market compared with our historical market? How much higher could they be? I am not asking for exact guidance, but an indication would be helpful.

Management: Margins are a little higher in regulated markets. If, in the non-regulated markets, we can aim for between 15% and 18%, I would estimate that in regulated markets we would be able to aim for between 18% and 22%.

Raghuram Kuchchi – Bestpals Research and Advisory LLP: In the existing non-regulated markets, we have been able to grow quite well over the last few quarters. What is driving this growth? If we look at the last 2 years, there was a cyclical nature. When do you see this growth sustaining? Do you see it sustaining for the next 1, 2, or 3 years, or is it not possible to predict this over a 2-3-year period?

Management: Over the last 3 years, primarily between 23 and 25, we saw a decline in the market. That was due to different reasons, as you may recall. During COVID, sales increased significantly, and customers ended up stocking substantial quantities. Then, between 23 and 25, there was a reduction in inventory in our customers' books, and therefore demand had fallen for the entire industry.

Right now, we believe that this particular situation is complete, and going forward we see very strong growth coming in this segment.

Raghuram Kuchchi – Bestpals Research and Advisory LLP: Do you foresee this growth continuing for the next 1-3 years as well, sir? [overlap]

Management: [overlap] Yes, because the growth is quite substantial. The market is currently growing at a good 10-12% internationally.

Raghuram Kuchchi – Bestpals Research and Advisory LLP: On the regulated market business going forward, what has changed structurally that enables us to become part of new customers' businesses? That is one question. The other question is regarding the US FDA. Once we receive US FDA approval, can we continue adding additional DMFs there, or will every DMF trigger a new US FDA approval request?

Management: No, the US FDA does not approve specific products; it approves the plant. Once the plant is approved, you can continue filing DMFs. They will review and approve the DMFs. This does not trigger any additional audits.

Raghuram Kuchchi – Bestpals Research and Advisory LLP: That helps, sir. Thank you very much. That was helpful. All the best.

Operator: Thank you. Our next question comes from the line of Rahul Jain with Credence Wealth. Please go ahead.

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Rahul Jain – Credence Wealth: Thanks for the opportunity again, sir. With regard to the demand, you alluded over the last 3 quarters to demand being robust, continuously increasing, and remaining consistent for more than 3 quarters. You also mentioned to the previous participant that after the difficult years from 23 to 25, we are seeing very strong growth going forward. You expect this growth momentum to continue for the next year, or at least for a year or so.

In your assessment, prices have still not increased after declining substantially over the last 2-3 years. Going forward, as demand continues to remain strong, do you feel we can expect prices to increase in the next 1 or 2 quarters? Is that a possibility?

Management: I do not see that possibility in the near future. At least for the next 3-5 quarters, I do not see prices really increasing.

Rahul Jain – Credence Wealth: With regard to gross margins, after almost 5-6 quarters during which our gross margins were around 50%, we have been recording approximately 56% gross margins for the last 2 quarters. Are these 55-56% gross margins sustainable going forward? I am referring to gross margins.

Management: [pause] It is very difficult to say because the long-term margin has always been in the range of 50-55%. We are probably at the higher end of the spectrum currently. Going forward, it should remain within that range. It can therefore move by a couple of percentage points up or down.

Rahul Jain – Credence Wealth: There is no one-off factor in the last 2 quarters, right? Is that understanding correct?

Management: No, there is no one-off factor; it is regular at present.

Rahul Jain – Credence Wealth: My last question is about debt. We have done reasonably well in controlling our long-term debt despite the plant capex of 220 crores. Overall, considering both long-term and short-term debt, do you feel that debt has now peaked, or do you expect it to increase further given the increase in sales?

Management: I expect short-term debt to increase somewhat because incremental turnover will require more infusion for working capital funds. But there will definitely be no increase in long-term debt.

Rahul Jain – Credence Wealth: Thank you so much again for the opportunity. Thank you very much.

Operator: Thank you. Ladies and gentlemen, anyone who wishes to ask a question may press star and one. Our next question comes from the line of Raghuram Kuchchi with Bestpals Research and Advisory LLP as a follow-up question. Please go ahead.

Raghuram Kuchchi – Bestpals Research and Advisory LLP: Thank you again for the opportunity, sir. I have one more question. In the regulated market, what filings have you completed? You mentioned to the earlier participant that there are approximately 17 filings in total that we would be completing in Europe, along with additional filings in the US. Could you give us a sense of the market size and the market share we would be targeting going forward? I am not asking about the

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short term, but perhaps from a 3- or 5-year perspective. What is the realistic achievable market share and the addressable market in the EU and US?

Management: We are building our regulatory portfolio and obtaining regulatory approvals right now, so it is too early to discuss what market share we will obtain in these markets. However, our objective right now is to register as many products as we can from the basket that we offer.

Going forward, this gives us 2 distinct opportunities. Number one, once a customer that requires multiple products can buy those multiple products from the same source, it becomes beneficial because customers are often unwilling to move for just one single product. Their compliance requirements are quite substantial, and they are not too willing to move.

Secondly, we are targeting not only the top 5 or top 10 companies, but are also approaching smaller firms that do not have a very wide basket or very large quantities. We are aiming to obtain business from these segments as well.

Rahul: The idea is that our philosophy is that no customer is too small, and we would like to serve each and every point in this market.

Raghuram Kuchchi – Bestpals Research and Advisory LLP: Are there any white spaces opening up because of changes in the market structure that are allowing us to target these opportunities? Is there anything you see?

Rahul: There is never any {? easy space ?}; there is no open space available that we can simply step into and start operating in. It is quite a mature market, and most of the products we manufacture have been off patent for a substantial amount of time. There are already existing supply lines. We have to work our way towards proving ourselves and offering a better value proposition.

Raghuram Kuchchi – Bestpals Research and Advisory LLP: Understood. Thank you, sir. Thank you. Thanks a lot.

Operator: Thank you. Ladies and gentlemen, if you wish to ask a question, you may press star and one. A reminder to all participants: if you wish to ask a question, you may press star and one. As there are no further questions from the participants, I hand the conference over to Rahul for the closing remarks. Thank you, and over to you, sir.

As there are no further questions from the participants, I hand the conference over to management for the closing remarks. Thank you, and over to you, team.

Rahul: Thank you for joining us today and for your questions. We look forward to keeping you updated on our progress in the quarters ahead. Thank you, happy new year, and good day to all of you.

Operator: Thank you so much, sir. Ladies and gentlemen, on behalf of Nuvama Wealth Management Limited, that concludes today's call. Thank you for joining us, and you may now disconnect your line.

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