Operator: Ladies and gentlemen, good day and welcome to eClerx Services Ltd. Q2 and H1 FY27 earnings conference call hosted by PhillipCapital PCG. 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 and then zero on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Om Sanghavi from PhillipCapital PCG. Thank you, and over to you, Om.

Operator: Thank you. A very good afternoon, everyone. On behalf of PhillipCapital PCG, I welcome you to the Q2 and H1 FY27 earnings conference call for eClerx Services Ltd. Joining us today from management are Mr. Rashesh Gogri, Managing Director; Mr. Piyush Lakhani, Chief Financial Officer; and Mrs. Hetal Gogri, Executive Director. I would like to hand over the call to Mr. Rashesh for the opening remarks. Over to you, sir.

Rashesh Gogri – Managing Director: Good evening, and thank you for joining us today to discuss eClerx Services Ltd.'s second-quarter and half-year results for financial year 2027.

The investor presentation relating to today's results has been filed with the exchanges and is available on our website for your reference.

We continue to make healthy progress in all our business segments and are executing well on our growth strategy.

With a clear focus on near-term opportunities, we aim to further solidify our standing as a preferred partner in the global pharmaceutical supply chain.

Moving on to our standalone financials for Q2 FY27, eClerx Services Ltd. maintained strong momentum, delivering its highest-ever quarterly revenue of Rs. 613 crores, as compared to Rs. 417 crores, which represents a 47% increase year-on-year.

EBITDA was Rs. 136 crores, as compared to Rs. 74 crores in the corresponding period of the previous year, representing an 84% increase year-on-year.

Profit after tax for Q2 FY27 was Rs. 66 crores, as compared to Rs. 24 crores a year ago, representing a 2.75-times increase over last year's low base.

EBITDA margins remained healthy at 22.2%, as compared to 17.7% in the same quarter last year.

Now I would like to tell you about the specifics of the businesses in Q2 FY27.

The xanthine derivatives and allied products segment contributed 50% of turnover. The volume split between beverages and other products was 62% and 38%, respectively. In terms of the geographical split, export sales contributed 59%, and the remaining 41% came from local sales. Due to geopolitical turmoil, raw material costs have remained elevated, and we are passing on the raw material increase to our customers.

Report is AI-generated and may contain inaccuracies.

The API and intermediate business accounted for 30% of turnover. The segment-wise breakdown is 57% for the regulated market, 33% for the rest-of-the-world market, and 10% for the non-regulated market. Benefiting from the recent capacity expansion undertaken in steroid API, we have recorded healthy sales in this quarter.

The third segment, CDMO/CMO, contributed 13% of revenue in this quarter, and we are presently working with 23 customers. The number of active projects is now 59, out of which 39 projects are in commercial stages and 20 are under different stages of development, both at the customers' end. We remain on track to achieve our target of 40%-50% revenue growth over last year in this business segment.

The balance 6% of turnover was from other sales, which includes trading sales, export incentives, and solvent and other scrap sales.

Let me share a brief update about our ongoing projects. The groundbreaking of the Atali dedicated block, that is, Block 2, has been completed, and we target commercializing this block in H2 FY28. The ramp-up of the expanded xanthine capacity is progressing, and we plan to achieve full capacity by the end of FY27. We will achieve utilization sequentially in the following year. The capacity expansion of the steroid block of the API plant was completed, and it has started contributing to production and revenue.

I would like to share a few words about the strategic outlook.

Building on over 25 years of technical expertise and heavy investments over the last 3-4 years, eClerx Services Ltd. has established a solid foundation to transition into a robust, multi-pillar global pharmaceutical partner. The mature xanthine derivatives segment, where we hold a dominant market position, continues to serve as a cash cow. The company is also geared up to accelerate growth led by its high-growth CDMO/CMO pillar, followed by the API and intermediate segment. We are working on all fronts to grow these segments. Ultimately, with capacity additions still underway in the medium term, eClerx Services Ltd. is well-positioned to deepen its global partnerships and drive substantial long-term value creation.

I now request the moderator to open the forum for Q&A. Thank you.

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. Ladies and gentlemen, we will wait for a moment while the question queue assembles.

Also, in order to ensure that management is able to address all the questions from the participants, we request you to kindly limit your questions to only two per participant. If you have a follow-up question, please rejoin the queue.

The first question comes from the line of Hemant Mandavia with Unifi Capital. Please go ahead.

Hemant Mandavia - Unifi Capital: Thank you for the opportunity. Sir, can you give us the status of both projects, the xanthine project as well as Atali Phase 1? How has the utilization been, because

Report is AI-generated and may contain inaccuracies.

we still see capital work-in-progress on the balance sheet of more than 300 crores? How should one read it, the capitalization of the assets and how both the assets are operational?

Rashesh Gogri – Managing Director: As explained to you on the earlier calls, the xanthine expansion was in two phases. The first was to get the finished product out, and that has been fully completed. As I mentioned in the call speech also, we plan to ramp up production to full production capacity by the end of this year. I think the same will continue with intermediate production also. That will also become fully operational by the end of this year. By the end of this year, you will see full capitalization of the xanthine project.

Atali Phase 1 is complete, and I think in Q3 we will do the capitalization of the [cut off] So, we have taken trial batches of Atali Phase 1B. Trials are actually underway this week, and we will have full capitalization of that block as well.

Hemant Mandavia – Unifi Capital: Okay. In terms of CDMO visibility, with both the first Phase A and Phase B commercializing, and the number of projects increasing as per your disclosures, what sort of visibility do we currently have to utilize Atali at full capacity in the second half?

Rashesh Gogri – Managing Director: Basically, Atali Phase 1A and 1B serve different purposes. 1B is a smaller line that can take care of early work for newer projects, whereas 1A, which was commercialized, is a commercial line. It was more of a scale-up line, which has now been commissioned and is in the process of commissioning. Therefore, doing Phase 1B will not have too much difference or too much bearing on the overall capacity addition that we will have at Atali. Overall, we see that we will be able to completely utilize this Atali asset in the second half of this financial year.

Hemant Mandavia – Unifi Capital: Sure. On the xanthine front, compared to Q1, the Q2 top line is broadly the same. How should one look at it? Have the volumes been broadly the same and the pricing remained the same, or has there been a volume increase and price decrease? There has also been some change in the mix, with the proportion of domestic sales being much higher compared to the proportion of export sales. How should one read it in terms of overall volumes and pricing for xanthine in Q2 compared to Q1? In terms of Q3 and Q4, should we assume that there will be a significant jump in volumes?

Rashesh Gogri – Managing Director: I think we have xanthine plus the allied chemistry that we conduct. We had slightly lower xanthine sales due to shipments being held up because of shipment issues, but we had higher sales of allied products. Otherwise, we ideally would have had higher sales in this quarter, but sales were restricted due to these dispatch constraints. I think that will be resolved in the current quarter, hopefully, and with that, as you said, the overall sales numbers should increase.

Hemant Mandavia – Unifi Capital: Sure. In terms of the API business, we have had some consolidation over the last few quarters. There were some price erosion issues and some capacity constraints as well. We have had a decent improvement compared to last quarter. How should one read it in terms of the API business? Has the number of API products improved, or is there intermediate capacity available because Atali is operational and there is some space available in Vapi, which you are utilizing to improve intermediate production? How should one distinguish

Report is AI-generated and may contain inaccuracies.

between API and intermediate, and can this run rate sustain or improve going into the second half?

Rashesh Gogri – Managing Director: I think the API and intermediate sales segment is largely driven by API only, because we continue to occupy the intermediate space with CDMO to a large extent. Therefore, we are not pursuing overly aggressive sales of intermediates. In API, with the debottlenecking of the steroid block, we have been able to bring regular sales back into the fold, which were constrained in Q1. From Q2 onwards, we anticipate greater sales of steroid products as the expanded capacity continues.

Hemant Mandavia – Unifi Capital: Sure. With capitalization happening for all the assets in the second half, should we assume a meaningful jump in operating expenses? Obviously, depreciation and finance costs will go up, but on the operating expense side, something will have been capitalized, so should the entire cost structure go up in the second half? Is that a fair assumption?

Management: The finance cost would basically remain at almost similar levels because we have arranged financing for most of the capex. Depreciation is likely to go up as we capitalize the assets, so depreciation cost will increase.

Hemant Mandavia – Unifi Capital: And other operating expenses—

Operator: Thank you. I am sorry to interrupt you, Mr. Hemant, but please rejoin the queue for more questions. Thank you.

Hemant Mandavia – Unifi Capital: Thank you.

Operator: Ladies and gentlemen, in order to ensure that management is able to address all the questions from the participants, we kindly request you to limit your questions to only two per participant. If you have a follow-up question, please rejoin the queue.

Our next question comes from the line of Sudarshan Padmanabhan with Ashika Investment Managers. Please go ahead.

Sudarshan Padmanabhan – Ashika Investment Managers: Thank you for taking my question, and congratulations on a great set of numbers. I have two questions. One is, if I look at the mix in this quarter, the mix has primarily been more favorable toward the contract manufacturing business. Gross margins have taken a hit. Would it primarily be because of raw materials, and how much of the price increase has basically been passed through? How do we see the third and fourth quarters as we pass on the raw material cost further?

Management: Over Q1 and Q2, CDMO sales were almost double Q1. In terms of the pass-through, in xanthine and allied chemistry, we have normally been passing on the increase, and we have also received some price increases in API. With raw material costs increasing and the cost being passed on, I think that is why you see a slight erosion in the EBITDA number by a couple of percentage points. That is what has happened.

Sudarshan Padmanabhan – Ashika Investment Managers: More or less by the third and fourth quarters, we should catch up in terms of passing on the price increases. Would that be right?

Report is AI-generated and may contain inaccuracies.

Management: We are already passing it on. The third and fourth quarters will have higher CDMO sales, so the overall EBITDA percentage can improve in the third and fourth quarters.

Sudarshan Padmanabhan – Ashika Investment Managers: Sure. My second question is on the balance sheet. If I look at the commentary, we have added two commercial molecules compared to the last quarter on the CDMO side. When I look at the balance sheet, I see that inventories and working capital have increased. Would it be right to assume that, given the fact that CDMO is scaling up, we have primarily prepared the inventory, and this working capital is primarily to fuel the growth that we expect to see in the second half?

Management: Overall, the working capital cycle remains close to 165–167 days for us. What has happened is that since sales turnover has increased, the need for working capital will also increase. The CDMO business is also an area where sales are normally more lopsided toward H2. In H1, we see inventory build-up. All these three factors combined have resulted in higher working capital. As we see the growth that we are targeting—40%–50% growth in the CDMO business this year, with further growth next year—we will unfortunately have to live with higher inventory overall within our system.

Sudarshan Padmanabhan – Ashika Investment Managers: One final question before I rejoin the queue. Given that capacity is coming in, and you mentioned depreciation and financial costs, below the gross margins, would we have absorbed a fair amount of cost for the expanded capacity, or should we see higher costs both for employees and operating expenses with respect to the expanded capacity?

Management: I think it will increase in H2. The overall apportionment will increase because the 1B block of Atali will also be capitalized. The fully [cut off] caffeine and the early intermediates will also be capitalized. As all that gets capitalized, the expenses will also start recurring on the P&L.

Sudarshan Padmanabhan – Ashika Investment Managers: Operating leverage will basically absorb some amount of the cost, so the margins might not be very different. It could probably be better at the EBITDA level.

Management: I think we should be at 1 percentage point here or there.

Sudarshan Padmanabhan – Ashika Investment Managers: Sure. Thanks a lot, sir. I will rejoin the queue.

Operator: Thank you. Our next question comes from the line of Ankit Gupta from Bamboo Capital. Please go ahead.

Ankit Gupta – Bamboo Capital: Sir, congratulations on a good set of numbers. On the xanthine side, if you look at the past two quarters, we have already had an annual run rate of more than 1,200 crores without fully utilizing the capacity, or even coming close to full capacity. Given the current prices, at full capacity would we expect revenue of around 1,500–1,600 crores from xanthine?

Management: If prices remain high, we expect this to go up to 1,400–1,500 crores.

Report is AI-generated and may contain inaccuracies.

Ankit Gupta – Bamboo Capital: Okay. And on the Atali expansion, we are almost going to capitalize the CWIP that we have, which I suppose will largely be from the Atali capex, in Q3. Despite the operating expenses of that plant coming in during Q3 and Q4, with higher CDMO expenses and given that we have done almost 120 crores of CDMO revenue in the first half of this financial year, to grow by 40%–50% as you have guided, we would be doing close to 280–300 crores of revenue in the second half. With that CDMO revenue, which is at higher margins, should we still expect our margins to be higher than the 22%–23% that we reported in this quarter, as you said in response to the previous question?

Management: If raw material prices come down, the top line will come down because we have a pass-through. Margin percentage is a factor of global raw material pricing plus how much more CDMO business we conduct. If raw material prices remain high due to the impact of the war and other factors, that will put downward pressure on margins, while CDMO will provide upward pressure. We have to see how both mixes remain in the second half, and that will define the percentage margin. In absolute terms, however, I think gross margins will keep increasing as we do more quality business going forward.

Ankit Gupta – Bamboo Capital: Sure, sir. Sir, just one last question—

Operator: Thank you. I am sorry to interrupt, but Ankit, please rejoin the queue.

Our next question comes from the line of Dhwanil Desai with Turtle Capital. Please go ahead.

Dhwanil Desai – Turtle Capital: Good afternoon, everyone, and congratulations on a very good set of numbers. Sir, my first question is on the API side. I think we have reached a run rate of 180 crores. If I remember correctly, we have capacity to serve up to around 1,000 crores of revenue. As we are now ramping up once the headwinds are behind us on the API side, do we see ourselves reaching a run rate of 200 crores by the end of this year and eventually around 250 crores? A related question is, will we need more capacity to serve API demand thereafter?

Management: Just to clarify, the 180 crores is for the API plus intermediate segment. Currently, on the API manufacturing side that we have in Tarapur, debottlenecking is taking place on the anti-cancer side, in Block 3. We are trying to debottleneck that block. Once we have completed the debottlenecking, we will have the capacity to manufacture more APIs, and depending on the product mix, we can achieve a higher top line from the current level.

On the intermediate products that we manufacture and sell to the market, it is dependent on the capacity we have and how much of it is occupied by CDMO. We keep producing buffer products with the balance capacity. Overall, I think it is a fair assumption that 180–200 crores could be the base for the second half in every quarter, and then we will have to see how next year [trails off]

Management: We are also in the process of validating a few new products, which would be the base for the future.

Management: Yes.

Management: We will do that in this quarter and the next quarter.

Report is AI-generated and may contain inaccuracies.

Dhwanil Desai – Turtle Capital: Got it. Very clear. My second question is on CDMO—

Operator: [cut off] Thank you, sir. You have already asked two questions.

Dhwanil Desai – Turtle Capital: Sir, I have asked only one question. This is my second question.

Management: Take it, take it. Take one question.

Dhwanil Desai – Turtle Capital: My second question is on CDMO. We talked about 40%–50% growth, and we are already in H2. How should we look at going into FY28? I ask because some of the molecules that we supply will be commercialized and launched this year or next year. Approval will also come for obeticholic acid. With those 3 or 4 molecules that we have, do we expect 40%–50% growth next year? With all these molecules put together, do we have visibility to reach around 700–800 crores once Block 2 also comes into play?

Management: As I have mentioned, our target remains 100 million or 1,000 crores, whichever comes first. How we achieve it depends on how customers obtain approval. We work on almost 59 projects, and several projects have good potential. The CDMO/CMO value chain can have ups and downs, but with the kind of seeding that we have done, we are fairly confident that we will achieve that number. Whether we achieve it one year earlier or later, we will stick to that number.

Dhwanil Desai – Turtle Capital: Okay. Fine. Thank you.

Operator: Thank you. Our next question comes from the line of Kushal Goenka with Mangal Keshav. Please go ahead.

Kushal Goenka – Mangal Keshav: Hi, sir. Congratulations on a good set of numbers. My question relates to the previous participant's question about working capital. I understand that you mentioned inventory, but trade receivables have also increased substantially. Because of that, cash flow from operations is only 30 crores, compared to approximately 270 crores of EBITDA. Because of this, I believe short-term borrowings have also increased to around 650–660 crores. I wanted your thoughts on whether debtors are increasing and whether you have any thoughts on this.

Management: Basically, debtors would increase in line with sales. Sales have also increased compared to H1 of last year. If you see the cash conversion cycle that we track, it is around 150–160 days. We consider that to be the baseline for our business.

Kushal Goenka – Mangal Keshav: Okay, sir. Thank you so much. That is all.

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

Rahul Jain – Credence Wealth: Hello. Am I audible?

Management: Yes.

Rahul Jain – Credence Wealth: Thank you for the opportunity, and congratulations on a very good set of numbers. My first question is regarding this CWIP of about 300 crores. In the second half, apart from the capitalization of these 300 crores, which you said you will do in Q3, is there any

Report is AI-generated and may contain inaccuracies.

further capex and capitalization to be done in the second half?

Management: [cut off] There will be some smaller projects also which [trails off]

Management: Total capitalization will not exceed this 300-crore figure. It will be lower because some projects will fall into next year as well.

Management: Q1 of [trails off]

Management: Q1 of next year. We do not anticipate any capitalization beyond this.

Rahul Jain – Credence Wealth: Sure. And what is the capex amount in the second half?

Management: Overall, we have targeted total capex of around 400 [trails off]

Management: for the year.

Management: 350-400 crores for the year.

Rahul Jain – Credence Wealth: My second question is regarding your guidance. You have generally been conservative and maintained EBITDA and revenue growth guidance of around 15%-18% for 9 quarters now. Given what we have done in the first half, both in terms of revenue and EBITDA, we are well ahead of that number. Also, given the Atali expansion coming through, the xanthine ramp-up next year, and the visibility on CDMO with a large number of projects, do we feel that there is ample scope to upgrade this guidance of 15%-18%, not just for this year—which looks quite certain to be much higher—but also for FY28, over and above FY27 numbers?

Management: Overall, we are giving 3-year guidance, so we do not want to give pointed guidance for this financial year. We also do not want to comment on half-yearly or quarterly volatility. Overall, one thing I want to reassure you [cut off]

Management: Our view is that the strategy is working, and all three businesses that we operate are poised to grow in the future. I think we are on track for all our guidance numbers. One year can be higher; last year we had a slightly lower number. Therefore, this year looks promising going forward.

Rahul Jain – Credence Wealth: Just one more small point, sir. In terms of API, you have mentioned in your presentation as well as in your remarks that the headwinds are subsiding. With regard to the environment, can you share some more details on the API segment? What exactly is happening? Is demand coming back, or are prices much better now? Can you share some insights?

Management: In Q1, as Rashesh mentioned earlier, one of the major blocks was shut down, and that was completed. That is the reason for the improvement in Q2. We are also trying to convert some of the projects into the regulated market. We are very much focused on the regulated business, so some products are maturing further to obtain newer approvals with our customers in the regulated market. That is giving us slightly higher margins compared to the rest-of-the-world or other markets.

Going forward, in API, we are very much focused on R&D and targeting new validations. We will be working toward this. If we are able to become the first source with our customers for a new project,

Report is AI-generated and may contain inaccuracies.

we would want to improve our margins in that scenario.

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

Management: Thank you.

Operator: Thank you. The next question comes from the line of Kushal Sharma with Equinox Capital Venture Private Limited. Please go ahead.

Kushal Sharma – Equinox Capital Venture Private Limited: Hi, sir. Very good evening. Am I audible?

Management: Yes.

Kushal Sharma – Equinox Capital Venture Private Limited: I have one question on your CDMO side. Of the 39 commercial-stage and 20 development-stage CDMO projects, what are the key therapeutic areas and types of molecules you are working on, and how are these projects split across each therapy? Could you guide us on this?

Management: We have products for antihypertensive treatment, pain management, anti-cancer treatment, and CNS. We have a varied range of products in our basket. They are not concentrated only on the anti-cancer side or any one particular area.

Kushal Sharma – Equinox Capital Venture Private Limited: Are you working on any peptides, because we have R&D? Do we have any plans for that?

Management: We are trying to set up the peptide lab. We mentioned earlier that we would set it up. By the end of this financial year, we will have an operational peptide lab with all the equipment. We have already started recruiting teams with experience in peptides, and we hope that during the next calendar year we will start generating customer business in the next financial year on the peptide and oligonucleotide side.

Kushal Sharma – Equinox Capital Venture Private Limited: In the 20 development-stage CDMO projects, do we have any peptide-based projects?

Management: Not any major project. We have 1 or 2 liquid-phase projects, but no major solid-phase projects.

Kushal Sharma – Equinox Capital Venture Private Limited: But in the future, do we expect some development in this area?

Management: Peptides and oligonucleotides are two areas where we feel there is a lot of opportunity that we can capture. These are highly complex chemistries that require great precision in purification and conjugation. We will have to gain experience in carrying out this work. We are hiring experienced chemists and scientists to work on it. We will see how it goes. Next year will be the year when we begin, pitch to customers, and see how it progresses. Then I will be able to give you a firm commentary on how we are progressing in this area.

Kushal Sharma – Equinox Capital Venture Private Limited: Got it, sir. Thank you very much for answering my question. All the best.

Report is AI-generated and may contain inaccuracies.

Operator: Thank you. Our next question comes from the line of Dhruv Sitlani with Vyomara Capital. Please go ahead.

Dhruv Sitlani – Vyomara Capital: Thanks for the opportunity, and congratulations on a great set of numbers. Sir, my first question is: how much of the growth in API for this quarter was driven by pricing versus volume growth?

Management: It was largely volume-driven. The current growth was largely volume-driven.

Dhruv Sitlani – Vyomara Capital: On the API and intermediate business, what sort of growth do we expect over the next 3-4 years? Will this largely be volume growth or new-product-led growth?

Management: I think it will be both. It will be new-product-led as well as volume growth. In earlier calls, I also mentioned that we will have 10%-15% growth every year in this business. In certain years, we may have higher growth as well.

Dhruv Sitlani – Vyomara Capital: Thank you for the color. On the API business, is our competition primarily Chinese competitors or other API companies within India?

Management: Both.

Dhruv Sitlani – Vyomara Capital: Thank you.

Operator: Thank you. Our next question comes from the line of Aryan Mehta with Shavas Capital. Please go ahead.

Aryan Mehta – Shavas Capital: Congratulations on the great set of numbers. Earlier, you mentioned that there was some spillover of xanthine sales due to shipment issues. Can you quantify how much that was?

Management: That would be around 5% of this quarter's xanthine sales.

Aryan Mehta – Shavas Capital: So, 5% was the spillover. Also, regarding our guidance for CDMO this year of 40%-50% growth, I think we need around 280-300 crores more. Our LDL-lowering molecule is also ramping up. How confident are we about meeting the guidance of 40%-50% growth?

Management: As I mentioned, we are maintaining the guidance, so we will reach that number.

Aryan Mehta – Shavas Capital: Thank you.

Operator: Thank you. Our next question comes from the line of Arun with Unifi Capital. Please go ahead.

Arun – Unifi Capital: Thank you, and congratulations on the good set of numbers. In August, you had said that realization per kilogram would decline in Q2 for xanthine, but on a quarter-on-quarter basis, xanthine revenue is almost flat. Could you break it up between the price decline and how much the volume grew?

Report is AI-generated and may contain inaccuracies.

Management: What has happened is that we have xanthine, and then we have the allied chemistry that we conduct along with xanthine, which is classified under xanthine chemistry. There was a rise in that chemistry apart from the [cut off] The xanthine numbers have actually fallen slightly, whereas the top line from the allied chemistry has increased. Overall, on the xanthine side, there has been some fall in average realization. We need to check the exact number, but there has been some fall in realization.

Arun – Unifi Capital: And on the volume side, sir?

Management: On the volume side, I think we have [trails off]

Management: As mentioned earlier, there was 5% of the material that got stuck. Because of that, there will be some fall in xanthine, while the volume and turnover of the allied product were higher, so [trails off]

Management: Yes.

Arun – Unifi Capital: Understood. Is Q2 the peak in debt, or will it rise further with the remaining capex? Can you guide us on that?

Management: On xanthine, we will further improve our top line.

Arun – Unifi Capital: My question was also on debt. Debt went up by about 150 crores in H1. With 250 crores of FY27 capex still to come, do you see this as the peak, or would you still need more debt to fund your capex?

Management: No, we will need more debt.

Arun – Unifi Capital: And would that be just for this 250 crores of—

Operator: Mr. Arun, you may please rejoin the queue for more questions.

Arun – Unifi Capital: Sure. Thank you.

Operator: Thank you. The next question comes from the line of Ashish with Leo Capital. Please go ahead.

Ashish – Leo Capital: Congratulations on the good set of numbers, sir. For the xanthine business, how much of our growth was driven by value and volume growth on a quarter-on-quarter and year-on-year basis for this quarter? How do xanthine prices compare with last year and last quarter?

Management: On average, our xanthine realization is up 10%–15% over last year's realization. Overall, in this entire year, we will probably have close to a 15%–20% increase over last year's volume.

Management: Last year was 6,000 tonnes.

Management: Last year we did close to 6,000 tonnes.

Management: 5,000, I think. Last year was [trails off]

Report is AI-generated and may contain inaccuracies.

Management: We will have a 15% increase in volume this year over last year.

Ashish – Leo Capital: Understood. In terms of pricing, what was the pricing for xanthine?

Management: It is 15% higher this year, on average.

Ashish – Leo Capital: What sort of utilization are we operating at on the expanded capacities in the xanthine business that we added in Q2? By when do we expect full utilization?

Management: We have not planned for full utilization. Over the next 2 years, we will gradually reach 90% utilization. Our nameplate capacity will be 9,600, so we will operate at around {? 8,800 ?} at the highest level over the next 2 years. Next year, we should anticipate 7,500–8,000 in that range.

Ashish – Leo Capital: And currently?

Operator: Thank you.

Management: Nearly 7,000.

Ashish – Leo Capital: Nearly 7,000. Thank you, sir.

Operator: Our next question comes from the line of Ankit Gupta with Bamboo Capital. Please go ahead.

Ankit Gupta – Bamboo Capital: Thanks for the opportunity again. My first question is on the CDMO side. We have been targeting 1,000 crores of revenue, as you have indicated in earlier calls. Whether that is in FY28, FY29, or FY30, we will see. Given the current situation, there are two parts to the question. Given the current pipeline that we have and the current capacity, including the dedicated block that is supposed to come in the second half of next financial year, is our pipeline and visibility for 1,000 crores of revenue sufficient? With the capex for this new dedicated block also coming in, do we have enough capacity to reach 1,000 crores?

Management: I think we should have enough capacity to reach 1,000 crores with the new dedicated capacity coming in. However, as I mentioned earlier, we will not restrict our capacity to that. If we have more visibility on newer projects or if demand for current projects also increases, we will have to add additional capacity because the current dedicated block capacity is planned for only a few projects. If we have more projects with greater visibility, we will have to add more manufacturing assets.

Ankit Gupta – Bamboo Capital: This year, we are doing 400 crores of capex. Next year, we have plans for the new dedicated block that is coming in, and part of it will spill over from this financial year into next financial year. Apart from that, are we also looking to add capacity? You have indicated that we will put up more dedicated blocks. As of now, do we have any indications regarding putting up new capacities and new dedicated blocks for the next financial year?

Management: We are still figuring it out. Next year, we will decide how much more is needed and where to put it.

Ankit Gupta – Bamboo Capital: Okay.

Report is AI-generated and may contain inaccuracies.

Management: Yes.

Ankit Gupta – Bamboo Capital: On the xanthine side, once we reach full capacity utilization by next financial year, hopefully, will we look to expand capacity, or are we not looking to put in any more capex on the xanthine side?

Management: We will have the second-largest capacity in the world, and I think we will be happy to maintain this position for the next few years and then see how it goes. We have increased our capacity from 5,000 to more than 9,000.

Ankit Gupta – Bamboo Capital: On the pricing side, we have seen two factors affecting pricing. One will be the impact of crude, and the second will be the impact of the Chinese government authorities withdrawing the rebate they were giving companies on exports. Even if crude prices come down, do you think the prices on the xanthine side will be sustained or will they come down? What is your view on pricing given the current scenario?

Management: In xanthine, there are three segments. In the spot segment, we will face pressure on prices. I think the pharmaceutical and beverage segments will have greater pricing stability.

Ankit Gupta – Bamboo Capital: So, you think that, at least in those segments, the existing prices can be sustained going forward as well?

Management: Existing absolute margins will be sustained at least for the next financial year. Then we will have to see how the following year develops.

Ankit Gupta – Bamboo Capital: Thank you, and I wish you all the best.

Operator: Thank you. The next question comes from the line of Kirtan Donga with Himalaya Capital. Please go ahead.

Kirtan Donga – Himalaya Capital: Hello. Thank you for the opportunity. My first question is regarding Atali Block 1. What sort of asset turns do we expect for the multipurpose block?

Management: In the case of the multipurpose block, total capitalization of Atali was carried out as a greenfield project. The block had one value, and then there were central utilities, a warehouse, land development, and everything else. Therefore, the asset turns will not be very high. However, for the newer blocks, we have given guidance of asset turns of around 1.2–1.4.

Kirtan Donga – Himalaya Capital: Is some specific number possible?

Management: I mentioned the number to you, no, on [cut off]

Kirtan Donga – Himalaya Capital: No, that was for the new block.

Management: Assuming that the current block is also of the same cost and size, it will have this kind of asset turn.

Kirtan Donga – Himalaya Capital: Okay. My second question is whether we largely expect Atali to be used for the CDMO business, or do we also expect generic API business to come from there?

Report is AI-generated and may contain inaccuracies.

Management: There will not be any API business. There will be some intermediate business along with CDMO.

Kirtan Donga – Himalaya Capital: So, it will largely be CDMO?

Management: Yes, CDMO plus intermediate.

Kirtan Donga – Himalaya Capital: Thank you.

Operator: Thank you. Our next question comes from the line of Piyush Bhangar with {? Vegit ?} Global Securities Private Limited. Please go ahead.

Piyush Bhangar – {? Vegit ?} Global Securities: Thank you for the opportunity. My question relates to the peptides and oligonucleotides business. You said that the lab will be operational by the end of FY27 and that the numbers will be reflected from FY28 onwards. What kind of numbers do we anticipate, in terms of the percentage of total revenue in FY28 and thereafter?

Management: It is too early to give any number or guidance. We are just setting it up, so next year would be a good time for you to ask this question. Currently, I cannot comment with any greater visibility on this.

Piyush Bhangar – {? Vegit ?} Global Securities: Thank you very much.

Management: Yes.

Operator: Thank you. The next question comes from the line of Tushar Raghatate with Omega Portfolio Advisors. Please go ahead.

Tushar Raghatate – Omega Portfolio Advisors: Thank you for the opportunity. My question is on API. Historically, over the last 3 years, our API contribution went close to 40%. In the last 3 quarters, it has reduced to 30%. I could see that you have filed a DMF for a prostate cancer drug. What sort of opportunity do you see in that cancer drug, and what is your 5-year view on the DMF pipeline that we plan to file?

My next question is on CDMO. Regarding the peptide and oligonucleotide research we are conducting, I want to understand your plans for the next 5 years. This is currently focused on small molecules. Do we have any plans or aspirations to enter large molecules and other types of modalities?

Management: On the first point, we have a strong pipeline of 61 APIs. Next financial year, several patent expiries are expected, and those products will be launched with our partners in the markets where they have partnered with us. That will generate some sales in those regions. We still have to quantify who will obtain the market share and how effectively the dossier holders to whom we have sold are able to capture it. That will define the growth for us.

On our current existing products, we are also trying to obtain newer customers through an ABD program, or alternate vendor development, and that is another area where we will gain market share.

Report is AI-generated and may contain inaccuracies.

Coming to your CDMO question on peptides and oligonucleotides, these are large molecules that we are trying to develop. Apart from that, we are also trying to develop linkers as a modality. These modalities—small molecules, peptides, oligonucleotides, and ADC linkers—are what we will currently offer to our innovator customers.

Tushar Raghatate – Omega Portfolio Advisors: On the API front, what is our right to win for the DMF filings that we plan to make going forward? Is there a strategy whereby we are filing only for products where there is less competition? What is our view on the pipeline for the next 5 years?

Management: We have a strong pipeline, largely driven by oncology products, with several projects with dossier makers and US market customers. We have to see who obtains the market share, and that will define how the segment grows. I have given the guidance number for our aspiration. We will have to see what growth number comes on the API side.

Tushar Raghatate – Omega Portfolio Advisors: Fair enough, sir. That was helpful. Thank you.

Operator: Thank you. The next question comes from the line of Ameya Deosthale with {? ValEquity ?}. Please go ahead.

Ameya Deosthale – {? ValEquity ?}: Good morning. Looking at our recent filings, whether on oncology or antidepressants, on DMFs and CEPs, what are the targeted therapeutic areas that we want to focus on over the next 2–3 years, which could form a large mix over the next 2 years?

Management: We have a range of anti-diabetic products, blood thinners, and antihypertensives. Apart from steroids, which go into inhalation products, we have good projects that are being commercialized there. Of course, in oncology, we have several projects that will be commercialized. All these are growth areas for us on the API side over the next few years.

Ameya Deosthale – {? ValEquity ?}: My second question is on peptide R&D. I was looking at the renovated website, where you have given full disclosure on SPPS, LPPS, and the types of peptides that you are starting to work on, as you mentioned. Do we see R&D spending accelerating over the next 1–2 years, and how do we see eClerx Services Ltd. hiring the top R&D talent required for such intensive chemistry as peptides?

Management: As you rightly mentioned, as a company we will invest more in research, and we will incur more R&D expenses going forward. Attracting talent is a very important function of management, and we need to be able to attract talent. We were glad that we could attract good talent during FY26 and FY27, and last year as well. We have a new CSO who has been with us for the last 9 months, and we have also had a new API R&D head join us. We are further recruiting additional team members on the R&D side. With the renewed focus on peptides and complex chemistry, we are very sure that we will have good talent in our team to deliver the strategy that we have defined.

Ameya Deosthale – {? ValEquity ?}: May I ask one final question on xanthine? Do we have a breakup of spot-market sales versus pharmaceutical or other-grade sales?

Management: We do not provide that.

Report is AI-generated and may contain inaccuracies.

Management: We are not providing that breakup currently.

Ameya Deosthale – {? ValEquity ?}: Thank you. Congratulations, and all the best.

Operator: Thank you. The next question comes from the line of Rupesh Tatia with Long Equity Partners. Please go ahead.

Rupesh Tatia – Long Equity Partners: Thank you for the opportunity, sir, and congratulations on a good set of numbers. My first question is on the API segment. I was looking at some numbers, and I think we did, for example, 920 crores of API sales in FY25, which came down to 660 crores, and in the first half this is around 345 crores, in round figures. I think we were aspiring for FY27 API sales to be closer to FY25. Do you still aspire to reach that level this year?

Management: API sales in FY25 were 43% of total sales, and that became close to 36% last year. In the current financial year, API is close to 30% of the total. That is where we are. Overall numbers are increasing, and our xanthine number is increasing faster, so the overall pie is increasing. Last year, we had a decline on the API side, so we first have to regain the previous year's number, which we will cross this year, and then move forward.

Rupesh Tatia – Long Equity Partners: Will we reach the previous year's high this year and then achieve 15%-20% growth next year?

Management: We will have to see how this year goes. That is our target: to reach a new high.

Rupesh Tatia – Long Equity Partners: The second question is on Slide 12, where we are looking at 1,000 crores of CDMO revenue in 2-3 years. There are two ways to think about it. One way is that in FY25, FY26, and H1 FY27—the last 18 months—6 molecules have gone into commercialization. The number has gone from 33 to 39. Therefore, the potential of these 6 molecules could be very large, perhaps generating 500-600 crores, allowing us to reach 1,000 crores. That is one way to imagine reaching 1,000 crores.

The other way is that your under-development pipeline would have to increase from 20 to, for example, 100, or at least 70-80, because the under-development pipeline has not moved at all over the last 3-4 years. Could you address both of these aspects in relation to these 6 commercial molecules?

Management: I will explain how we maintain the pipeline. The pipeline appears to be a constant number, but it is actually a moving number. There are new additions as well as deletions. Projects that fail in the clinical phases also go out. This is the current pipeline; it is not a cumulative number that only increases in one direction. The number keeps changing. That is why you see the number remaining high. Some of the 21 under-development projects will go out and will not be commercialized. We will then add more commercial molecules. Therefore, we have more certainty on the 39 commercial projects than on the 21 projects on the under-development side.

Among the 39 projects, there are also certain projects that were transferred only last year and are campaign products. There was a significant increase in projects that moved from China to us as part of a China-plus-one strategy, where we were added as an additional source. Those projects were not very large, but the number of projects increased. These projects have an approval cycle

Report is AI-generated and may contain inaccuracies.

and a campaign cycle. All these factors make the situation more complex than the simple calculation you derived.

However, we have a few good projects that will drive the bulk of the sales number. The 80/20 rule, under which 20% of the projects drive 80% of revenue, still applies here as well.

Rupesh Tatia – Long Equity Partners: To summarize, if end markets perform well, which is not in our control, with the existing combination of commercial and under-development projects, there is visibility for 800-1,000 crores of revenue even with the existing set of molecules. Is that a fair inference?

Management: Of the 60 projects, the 10-12 projects that we have—the 20% of projects—will drive 700-800 crores of revenue out of the total potential of 1,000 crores.

Rupesh Tatia – Long Equity Partners: Okay. Thank you for answering my questions.

Management: Thank you.

Operator: Thank you.

Management: Thank you.

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

Management: I would like to thank everyone who participated in our conference. Thank you. Happy Diwali.

Operator: Thank you so much, sir. Ladies and gentlemen, on behalf of eClerx Services Ltd. and PhillipCapital India Limited, that concludes this conference. Thank you for joining us, and 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.

Report is AI-generated and may contain inaccuracies.