

February 06, 2026

To,
The Manager
Listing Department
BSE Limited,
Phiroze Jeejeebhoy Towers,
Dalal Street,
Mumbai- 400001.
Scrip Code: 544578

To,
The Manager,
Listing Department,
National Stock Exchange of India Limited,
Exchange Plaza, 5th floor, C-1 Block G,
Bandra Kurla Complex, Bandra (East),
Mumbai - 400051
Scrip Symbol: RUBICON

ISIN - INE506V01022

Sub: Transcript of Earnings Call – Q3 FY 2025-26

Dear Sir/ Madam,

Please find enclosed the transcript of the Company's Q3 FY 2025-26 earnings conference call held on February 3, 2026. The transcript is also available on the Company's website at <https://www.rubicon.co.in/investors>.

We request you to kindly take the above information on record.

Thanking you,

Yours faithfully,

For Rubicon Research Limited
(Formerly known as Rubicon Research Private Limited)

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“Rubicon Research Limited
Q3 FY ‘26 Results Conference Call”
February 03, 2026

MANAGEMENT: **MR. PARAG SANCHETI – CHIEF EXECUTIVE OFFICER –
RUBICON RESEARCH LIMITED**
**MR. NITIN JAJODIA – CHIEF FINANCIAL OFFICER –
RUBICON RESEARCH LIMITED**
**MR. SAGAR OAK – SENIOR VICE PRESIDENT,
CORPORATE DEVELOPMENT AND STRATEGY –
RUBICON RESEARCH LIMITED**

MODERATOR: **MR. TUSHAR MANUDHANE – MOTILAL OSWAL
FINANCIAL SERVICES LIMITED**

Moderator: Good evening, ladies and gentlemen and welcome to the Rubicon Research Q3 FY '26 Earnings Conference Call, hosted by Motilal Oswal Financial Services Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes.

Should you need assistance during this conference call, please signal an operator by pressing star then zero on the touch-tone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Tushar Manudhane from Motilal Oswal Financial Services Limited. Thank you and over to you Mr. Tushar.

Tushar Manudhane: Thank you Swapnali. Myself Tushar from Motilal Oswal Financial Services. I cover pharma and healthcare here. Welcome you all for the 3Q FY '26 results earning call of Rubicon Research Limited. From the management side, we have Mr. Parag Sancheti, CEO. Mr. Nitin Jajodia, Sagar Oak, Senior Vice President, Corporate Development and Strategy. So over to the management for the opening comments.

Parag Sancheti: Hey, thanks Tushar. This is Parag here from Rubicon. Along with me is Sagar and Nitin. Nitin is the CFO and Sagar heads Corporate Development and Strategy. Thanks everyone for the earnings call. I'll ask Nitin to just take us through the financial highlights and then I'll come back on the commentary around the numbers.

Nitin Jajodia: Thanks Parag. Good evening, everyone and welcome to Rubicon Research earning call for third quarter. I'll take you through the financial performance. So I'm on the Slide 5. For the third quarter, our revenue from operations was INR476 crores which was up by 52% versus the same quarter previous year. EBITDA was at INR112 crores which was up by 59% versus the previous year's same quarter. And profit after tax was INR73 crores which was up by 91% versus the same quarter previous year.

Moving on to the Slide number 6. On summary income statement, I'll take you to the key numbers. Our Q1 growth was significantly higher than our H1 growth. So H1, we were at 25%. For the third quarter, our gross profit was at INR313 crores which was 49% up versus the previous quarter. Our pre-R&D operating EBITDA was INR160 crores which was 33.7% of our revenue.

Our R&D expense for the quarter was INR52 crores which was 11% of our revenue and was in line with our guidance for the R&D expense. Our operating EBITDA margin was at 22.7%. And our EBITDA after other income was INR112 crores which was 23.5% of revenue and up by 59%. Our PAT was INR73 crores and our EPS was 4.41 rupees per share.

On a Y-T-D basis for the first 9 months, our revenue was INR1,240 Crores which was up by 34%. Our gross profit was INR833 crores up by 29%. Our pre-R&D EBITDA was INR416 crores which was 33.5% on a Y-T-D basis. Our R&D expense for the first 9 months was INR134 crores which was 10.8% and in line with our guidance on R&D front, 10%-11%.

Operating EBITDA for 9 months was INR282 crores up by 47% and translated into 22.7% operating EBITDA margin on a Y-T-D level. After other income, EBITDA was INR287 crores

translating into 23.1% of EBITDA and on a Y-T-D level that was INR170 crores up by 73% and on a Y-T-D level our EPS was 10.67 rupees per share.

Moving on to the next slide, slide number 7 on summary balance sheet. As on 31st of December, our shareholders fund was INR1,194 crores. It was up versus March primarily driven by IPO proceeds. Our borrowings were at INR285 crores versus INR393 crores as on 31st of March and reduction was primarily driven by repayment in debt.

Fixed Assets increased to INR550 crores driven by investment in or the acquisition of manufacturing facility at Pithampur plus close to INR70 crores additional capex. Our cash reserve was at INR334 crores which gives us dry powder for our inorganic growth aspiration. And our working capital, net working capital as on 31st of December was INR607 crores translating into 132 days of net working capital which was broadly in line with the March number which was at 137.

In working capital if you look at our inventory was at INR685 crores. Here I would like to draw your attention that our inventory which is slightly on a higher side needs to be seen in conjunction with our faster growth rate. For us, inventory is our fuel for growth and inventory is forward looking and, in this inventory, if I look at the inventory which is for recent launches and the upcoming launches, so 25% to 30% of the inventory will be towards the recent or the expected launches.

And if you look at our ROCE, despite this higher inventory level, our ROCE is at 34% which demonstrates our laser sharp focus on capital efficiency as an organization and this ROCE has also improved versus March '25 as well as the previous quarter.

Moving on to the next slide on cash flow statement, our net cash flow from operating activities for the quarter was INR35 crores. This INR35 crores cash from operation was after payment of INR46 crores of income tax in the previous quarter versus INR12 crores in the H1. So if you look at the cash from operation before tax, it was at INR81 crores for the quarter which was a healthy cash generation.

And if you look at our net cash flow on a YTD level, it was INR140 crores. On a YTD level, our cash flow in investment activity was INR340 crores. This INR340 crores comprises INR149 crores investment behind Pithampur plant acquisition, capex of INR70 crores, bank deposits of INR87 crores and our investment in GenIE Lifescience of INR18 crores. Our cash flow from financing activities of INR326 crores on a YTD level was primarily driven by IPO proceeds of INR478 crores and net debt repayment of INR116 crores.

So, these were our key financial numbers. With this, I will hand over the mic to Parag and he will take us through the performance for the quarter.

Parag Sancheti:

Okay, thanks, Nitin. So, as you see, the revenue growth which we experienced of around 52% is quite broad based across both launches and our old products growing market share. Also, if you look at the concentration, which we have published even in the last quarter, it has been range bound. So, no significant product concentration is there. If you look at the pricing, with our focus on specialty products, the pricing remains to be stable.

Also, if you look at the performance because 98% of our revenues come from US dollars, even a dollar to dollar comparison, there is a healthy growth year on year and quarter on quarter. From a cash flow perspective, I think we are generating healthy cash flow, again reflecting our very strong focus on cash flow generation. So, these are broadly, I would say on all parameters, the business has done well and we continue to focus to keep on doing better than what we are doing this quarter.

Let's move to the next slide. So, this is a very important slide and I think will give some perspective on how we look at the market, how we are looking at the demand and how we are managing, putting the capacity and its consequential impact on margin and EBITDA. So, just taking a step back, we acquired the Pithampur facility, we got the handover around in June of 2025 and the reason for taking over Pithampur was to actually build more capacity and also build more capability.

So, we were seeing that there will be anticipated high demand would be there and for our products and we wanted to ensure to our existing facilities that we would have more ability to supply more of that and also just to remind everyone that Pithampur also gives us some other capabilities which we do not currently have like high potent oncology, hormones and steroids and a huge room for expansion.

At Pithampur, we are on track to operationalizing, kind of doing all the validations by mid of 2026 calendar year, we should be able to complete that and we expect commercialization in quarter one of CY '27. So, if you look at what has happened in the market right now, for the demand which we had anticipated, actually our demand has even been more than what we have envisaged.

And hence, even in the last quarter, I had alluded to increased outsourcing which would pressurize gross margin but EBITDA would remain stable. In light of this, what I would want to state is what is the status in this quarter or what steps have we taken. So, first sales ramp up has been above our expectations and also actually, I would say higher than the anticipated outsourcing we had planned for. So, we had planned for some outsourcing but it is more than that.

This has put pressure on the GM but the root problem is, it is a good problem to have because we are having more than anticipated demand and we had to actually do more outsourcing than what we had actually envisaged at the start. But I want to reaffirm as we had guided, the operating EBITDA margin would remain stable and we stand by that. The revenue ramp up is obviously stronger than what we have envisaged.

So, in the near term, the only way to keep the revenue growing and looking at getting the demand locked in earlier is through outsourcing which will be gross margin negative in the near term. But in the long run, as we change the mix, it will definitely, again, it will be a good leverage for our Pithampur facility as it goes online to get ready business to scale up.

From two to three quarters perspective, we are evaluating actually some tactical measures for our own manufacturing facilities versus outsourcing and we will see how they play out and if

they play out as what we have intended, it will definitely be gross margin accretive in the light of strong revenue trend. We can move to the next slide.

Nitin Jajodia:

Just to clarify what Parag meant, that we plan to operationalize Pithampur facility in the middle of the current calendar year and ramp up in the quarter one of the next calendar year.

Parag Sancheti:

So, again, this is a very important slide. I would say Rubicon has always been a R&D company, the growth of this company. So, we have a slide which talks about R&D spends and their impact on our revenue growth. So, what I was mentioning was I think R&D has been the DNA of this company.

The growth which we have experienced or continue to experience is because of the portfolio selection, the way we do R&D on the products we have selected and then the way we are executing on the selected products. So, if we look at R&D, we look at that as investments, but obviously it goes through our P&L. So, in this slide, we have tried to take some historical data and tried to show how R&D investments have led to revenue growth.

So, I will request Sagar to just explain that how R&D spend is a lead indicator of our future revenue in our business.

Sagar Oak:

Thanks, Parag. Good afternoon, everyone. So, we wanted to provide a little bit of color around R&D spend and how that ties into future growth. We have received questions around sort of pipeline in the previous earnings call last quarter, but we wanted to give you some perspective in that sense. So, let me explain what we have here and we will speak a little bit about the numbers.

For any program or product program, as you can imagine, the spending of R&D and then subsequently the revenue ramp up as well, spans typically over multiple years. So, what we have done is we have looked at R&D spend cumulatively over a nine quarters timeframe. So, if you see the first chart left of screen, you have R&D spend for nine quarters, which is fiscal year '20, fiscal year '21, and then one quarter of fiscal year '22, which is totally about INR165 crores.

And when we look at the incremental product sale, we have compared incremental product sale over a three-year period. So, that is between fiscals '21 and '24. Now, the reason for this is this takes into account what you could, I guess, call the overall candidate to cash flow lifecycle for a product, starting from when we begin development, go through filing, review approvals. And then we have spoken previously about our sort of launch philosophy where we want to be focused on sustainable growth.

So, if I look at how the numbers shape up, our revenue in fiscal year '21 was just a shade under INR300 crores, that increased by about INR540 crores. Now, if you compare that INR540 crores to the cumulative R&D spend of nine quarters, like I said, which is 165, that is roughly a 3.3x multiple of that R&D spend.

Now, development cycles obviously run multiple periods, like I said, and therefore, what we look at this is sort of on a rolling basis. So, if you roll this forward and do another three-year timeframe, fiscals '22 versus '25, you are looking at revenue that was INR293 crores, that

increased to about INR1,262 crores. And if you compare that to the R&D spend of about INR238 crores, you will see that the productivity multiple has gone up. So, this is now 4.1x for this period.

And then correspondingly, looking forward to the current period, which is between fiscals '23 and '26. And just calling out here, the number that you see for fiscal '26 is we have just taken the year-to-date December revenue number that we just reported, and we have annualized that for 12 months. So, I just want to give context of the fact that this is, as it says on the slide, it is arithmetic annualization.

But what we are looking at is incremental revenue of nearly INR1,280 crores between fiscals '23 and '26. And if you compare that to the R&D spend that was made in fiscals '22, '23, and Q1 of '24, that is INR226 crores, and that is 5.7x. So, as you can see, on this sort of rolling basis, if we look at these three timeframes, the return on R&D, if you will, or the productivity of R&D has been improving consistently from sort of a little more than 3x to now more than 5.5x.

Now, if we look at our current R&D spend, so we are expecting confidently to keep R&D spend above INR500 crores, if we look at fiscals '26, '27, and Q1 of '28 taken together. So, if you take that INR500 crores of R&D spend, and we believe that R&D productivity will continue to be along similar lines. So, that gives you pretty strong sort of visibility in terms of directionally where the revenue is going.

So, I think, and also given the fact that these are programs where we already have good line of sight on what the composition is. So, typically, programs would have been selected and work would be in various phases on those. So, it is not that it is blue sky in a sense where the makeup of that INR500 crores R&D spend is not known.

So, taken together, I think the spend, as well as the productivity that we have shown you sort of what the trend has been, they provide very strong revenue growth visibility for FY '29, FY '30, and even beyond that. Parag?

Parag Sancheti:

Hey, thanks, Sagar. So, I think we have gone through the financials, the key metrics for the company for this quarter. We have kind of gone through how the journey will evolve from where we are standing today. Again, the R&D engine is a key part of our business. And as mentioned, and we have seen a good revenue traction, and we are confident of keeping the operating EBITDA in the range of 22% to 23%. And the R&D spends, again, to be around 10% to 11% of revenue for the next several years.

So, just one other point, which I would want to highlight is, I think, from a Board of Directors perspective, we have appointed Dr. Pradnya Saravade as an Independent Director. And one nominee, General Atlantic, Director, Mr. Anand Agarwal, has stepped down. So, now the board is equally comprised of the Promoter Directors, the nominees from GA, and then there are four Independent Directors.

So, the details are available, but I wanted to make everyone introduce the new Director to the larger audience.

- Sagar Oak:** And just calling out that the Board of Directors composition, Parag just spoke about, that is on Slide 21 of the deck. The remainder of the deck is more of an update on the company overview that we thought was relevant, given that we are fairly new in the listing and earning calls sort of journey. So, I think with this, we will open up the floor for questions and answers. Thank you very much.
- Moderator:** Thank you very much. We will now begin the question and answer session. We have the first question from the line of Harsh Kundnani from Aionios Alpha. Please go ahead.
- Harsh Kundnani:** Hi, Parag and team. Congratulations on great set of numbers. A couple of questions from my end. What is the outlook on specialty portfolio of the business? Where do you see this, say, probably a year from now, contributing to your gross profit? And if that has to ramp up, how do you see the impact on gross margin? That is the first one.
- The second one is that, thanks for the update on the Pithampur facility. As and when it does get ramped up, do you see that aiding our gross margins? And when should we expect that?
- Parag Sancheti:** So, thanks for the question. So, let me first elaborate on the question was, I think, on the growth in specialty business. Is that right?
- Harsh Kundnani:** Yes.
- Parag Sancheti:** Yup. So, if you see year on year, our overall revenue growth is about -- we've grown, the overall revenue base has grown. And if you see, the specialty share of gross profit has remained in Q2 and Q3 at 31% to 32%. This is higher than 26.9%, which was there in the full year of FY '25. So, we have a very good pipeline. And we are very confident that the business, the composition of specialty will keep on growing. And overall, we will remain at the EBITDA range we have guided at operating EBITDA in the context of the discussions we've already had.
- So, the second question is regarding the Pithampur operationalization and I think the gross margin ratio change. As mentioned earlier, I would say that as we operationalize it in mid of 2026 and then ramp up in '27, considering how the demand has been shaping and we also taking some tactical measures from a portfolio perspective.
- It is, I don't want to right now comment on how the GM movement would be there. But obviously, these measures are being done to ensure that the GM moves in a healthy upward direction. But at the same time, as I mentioned, the 22% to 23% operating EBITDA is which we are very, very confident about. So, from a business perspective, first, what we want to take care of is that we are taking care of the demand.
- We are not losing the demand, the faith which our customers are putting us in with us for the supply chain, we want to cater to that. So, that in long term, that definitely benefits us in terms of when we are ramping up Pithampur, that demand is still locked in with us and we can quickly ramp up.
- Harsh Kundnani:** Got it. Thanks a lot.

- Parag Sancheti:** And also, one thing I would just add just to the first question as, you look at the speciality, definitely interesting and that's where our movement is going, our portfolio is moving towards. But at the, you will look at products which we have got an approval like on the Fluticasone, a product which there were no new approvals since 2007, and we are the third company which has got an approval both on the RX and the OTC side. So, definitely, speciality pipeline, we remain confident. But I think even in products which are in the non-speciality category, we continue to see good growth and good demand from our customers.
- Nitin Jajodia:** And just to add to that, one nuance on the speciality, the way we define speciality, I think we had mentioned in the last earnings call, that while the definition of the speciality is static, the list of speciality products is not static. So, as Parag mentioned, that our share of speciality products in the overall gross profit has been increasing despite the fact that the revenue has been going faster.
- And the way we define speciality wherein apart from Rubicon, there is at the max one more competition. But even if, let us say, there is more than one competition and the product does not continue to be a speciality, even then the margin profile of that product is fairly healthy. So, from that perspective, I think there is a nuance to the whole speciality piece.
- Harsh Kundnani:** Understood. Thanks, Sagar and thanks Parag.
- Moderator:** Thank you. We have the next question from the line of Nikhil Mathur from HDFC Mutual Fund. Please go ahead.
- Nikhil Mathur:** Hi, good evening. I am referring to your Slide number 11. I just wanted to understand this R&D to revenue multiplier from 3.3 to 4.1 to 5.7. So, what is changing that is leading to this higher multiple every subsequent three years? Is it products? I mean, you are able to select better products or you are increasing, let us say, efficiency in general and how you approach R&D. So, any thoughts on why this multiplier is going up?
- Sagar Oak:** Sure. Thanks, Nikhil. So, I think it is the, I would say the quality of the pipeline. If you look back, to where Rubicon was five, six years ago, where the portfolio pipeline was, or the portfolio was predominantly generic, but the pipeline was beginning to shape up with more and more speciality, drug device and then in the last three, four years, even branded products coming in.
- So, I think it is what is driving the productivity is, you know, while we have continued doing more of the same and continuing our success on the generic product side. Key elements from the business plan that have gotten added in, are the specialty products and you have seen their share sort of increase in the business over time.
- Drug device combinations, which are also significant revenue opportunities, despite, you know, in cases not even being specialty like Fluticasone, Parag spoke about that just now. And then branded products as well. So, where we have, developed, launched last year two branded products already in the US. So, all of these, I think, are shifting the numerator in the sense for that productivity calculation and that, I would say, in large part driving the shift in R&D productivity upwards.

Nikhil Mathur:

Got it. And why would this number sustain, let us say, next three, five years? So, I mean, if I do some rough math, you are saying that INR50 crores of quarterly R&D will continue. So, if, let us say, you were to do some INR400 to INR500 crores cumulative R&D over two years and one quarter period, we are talking about 5.7x of that R&D number as incremental revenue

Now, this will lead to your revenue base in a five, seven year period being multifold, not just being 2x. So, I mean, why do you think this run rate will continue? Am I missing something here, that basis this conversion itself, if I look out to FY '31, not just double, but the revenue will be perhaps 3x?

Nitin Jajodia:

So, first of all, Nikhil, one thing, basically, we are confident that the R&D productivity will be upward of 5x. Okay. So, that is...

Parag Sancheti:

So, Nikhil, I think it's a function of all, right? Portfolio, channel, what we are doing on, how we are selling. So, it's a combination of all factors which will -- so, one is selecting the right product, considering all factors, then executing it well, and then getting it to the market and the go-to-market strategy. If you put all those factors together, as Nitin mentioned, we are confident of not at least meeting what we are meeting currently from a multiple perspective, but even beyond that.

And since we are only talking about, I think, the idea of this type of -- so, just to give a sense of how our R&D over a period of time, that has been the differentiator for us, right? So, if we take R&D, portfolio selection, execution as a differentiator, we are just trying to say that how that will all transfer, all put together, and at least we have a sight of what we are doing, right?

So, while that makes us confident, at least what we have mentioned here is that -- which gives us a very strong confidence. Because today what we are doing is going to be getting launched in that '29- '30 phase, which we know, and nothing will change from that. So, from that perspective, we feel fairly confident, and as I stand today, I think the --we have been more -- our pipeline is very, very exciting. I can say from any time of the years before that, I'm actually very, very excited about what kind of pipeline we are on right now.

So, definitely, we are fairly confident because of that, plus the channel, plus other innovations we are doing to ensure that we remain committed to seeing this multiply higher or the productivity impact of R&D playing out.

Sagar Oak:

And to give you some color on the pipeline, right, and without sort of moving away from our, stated dharma of not talking about specific products, I think in this case, we have a little bit of liberty because the regulatory process required us to disclose this. So, if you look at some of the work as an example that we are doing on the intranasal development side and the investment that we made in a company called Neuronasal.

Now, they are working on programs for Parkinson's disease, traumatic brain injury. This is on their website. So, I don't mind mentioning it. Now, to give you a data point, I mean, when they did a human pilot study, they found that intranasal, 'nose to brain' delivery of their drug was, and I quote, 50 times more efficient in getting to the brain than IV delivery. And that's 50 times.

So, for a therapy area or a disease state like Parkinson's disease, if we can combine not only sort of, the right kind of molecules with the right kind of delivery, I think the potential for something like these or programs like these to be transformative is certainly there. So, to your earlier question, in terms of whether the growth is, I mean, the numbers are, we just wanted to put out the numbers as they are today.

Nikhil Mathur: Got it. And just one final question, slightly more near term. So, after almost a three, four year period of very strong growth, how do you see FY '27 and '28? Would this growth momentum continue to taper off? Any color on slightly more short term will also be very helpful?

Parag Sancheti: So, Nikhil, we'll stay away from giving a specific guidance for '27, '28, but I think again, we remain, I think the trajectory remains strong, the demand remains strong, and that's what I can convey.

Nikhil Mathur: Let me put it this way, in this 3Q number of revenue, do you see any exceptional, like you said, the demand environment has been very strong. Do you foresee this demand environment waning and your current run rate kind of coming off?

Parag Sancheti: No. No. And there's a reason, again, we go back to the mix, A is the spec, speciality vs non-speciality. Even within non-speciality, the kind of products we have and the demand we have seen on that. And if you saw the numbers on our top five, top 10, I think there's no concentration there that we are dependent on one product.

Plus the kind of pipeline which is going to, like the near-term approvals which we are looking at. So, looking at all those factors, there is no dependence on like one single hero product or a product which, if removed from the portfolio, will create an impact on the profitability of the company.

Nitin Jajodia: And also, let's say, this outlook also factors in uncertainty around, let's say, some approval delay, competition coming in, or let's say, some potential disruption on the supply, API supplier, etc. So, I think those are part and parcel of business and we factor in those while being confident about the growth trajectory.

Nikhil Mathur: Got it. This is helpful. Sorry, I forgot to congratulate on the great set of numbers you have delivered. Thank you so much for this.

Parag Sancheti: Thanks, Nikhil.

Moderator: Thank you. We have the next question from the line of Ankit Shah from Canara Robeco Asset Management Company. Please go ahead.

Ankit Shah: Thank you for the opportunity and congrats on the great set of numbers. So, my first question, again, links to gross margin and you partially touched upon it, but just to get a sense, last year our specialty share was 26%-27% and our gross margins were around 70%-72%.

Now, if you set aside the rise in outsourcing and the decline in gross margin due to that, should our gross margin on FY '25 base continue to rise each year considering that our specialty share will continue to grow incrementally? So, can you get some sense on that?

Nitin Jajodia:

So, Ankit, as we mentioned that in the near term, there has been an impact on the gross margin due to the higher outsourcing manufacturing. And as we look at the strong demand, while that reliance on the outsourced manufacturing is likely to continue. Having said that, as Parag mentioned, we are also looking at some technical measures at our end, looking at the mix of in-house manufacturing, outsourced manufacturing that should be the gross margin accretive. So, that's the way we look at the gross margin.

Parag Sancheti:

But again, I would just re-emphasize, again, sorry, being repetitive, I think, but we are absolutely confident of the operating EBITDA being in the 22%-23% range. As obviously these measures we are undertaking. And again, for us, locking the demand, ensuring reliable supply to customer is an important priority. So, we want to ensure that we remain profitable at the same time the demand which is coming from the customer, we are able to meet that and keep customers happy and long-term committed.

Ankit Shah:

Right. No, what I was trying to understand was, is that broadly our quality of portfolio is increasing every year and as you earlier also highlighted that R&D productivity is also going up. So, that should be margin accretive over a period. In short term, obviously there's this outsourcing impact, but once Pithampur ramps up, broadly the directionally, overall margins should continue to trend up directionally. Is that a fair assumption?

Parag Sancheti:

Yes So, as our own manufacturing comes into play, as Pithampur and other things come into play, definitely, yes, it will be directionally positive.

Nitin Jajodia:

And then, we maintain our, let's say, Pithampur's ramps up and our reliance on the outsourced manufacturing reduces, we are confident of going back to our earlier gross margin range of 67%-68%.

Ankit Shah:

Got it. Got it. That's helpful. And my second question again relates to the pipeline. So, you indicated that incrementally we will have more and more specialty and complex products. So, can you give more sense on those products? I mean, are you also pursuing 505(b)(2) kind of opportunities, especially on the nasal side? And any field force investments would be required or the current field force should be sufficient for any of our future specialty production?

Parag Sancheti:

Yup. So, Ankit, I'll not comment on product specific details, but we focus on one, there's only one dharma we have, is to focus on unmet medical needs or patient needs. And that drives the whole innovation. Now, innovation could be in terms of dosage form, it could be in terms of a molecule API, it could be in terms of the regulatory filing, it could be in terms of go-to-market, packing, anything.

So, there could be, when you look at the unmet patient needs, there are multiple things you could do to meet that requirement. And 505(b)(2) is just a regulatory pathway. So, we definitely will work across spectrum to ensure that if we are convinced that this unmet patient needs exist, and

it is for us, and that need is for us profitable to serve, we will definitely go ahead and execute on that plan.

So, I would not restrict it to say that we will do 505(b)(2) only, or we will do ANDA only, or we'll do something else. But I think we will explore all the regulatory routes and ensure that we are able to profitably grow our business and meet the unmet needs.

Sagar Oak:

And Parag, I'll just add to that, if I may. I think if we go back to the Fluticasone example, where we've gone 505(j), ANDA, as well as OTC. So, we've got two routes over there. So, Ankit, to your point, and as Parag said, we are very focused on getting what is right for the patient in what is the most efficient way from a path to market perspective.

And 505(b)(2), you mentioned, especially in nasal, I think it's a very interesting space, and very, very exciting, because I spoke earlier about how the Neuronasal has seen sort of exponentially better efficiency when it comes to delivering. But overall, if you look at nasal as a route, because you're bypassing the whole oral GI tract, liver, and you're delivering a targeted dose, potentially crossing blood-brain barrier quickly, because of which you could have potential to deliver lower doses that are as effective as sort of current oral treatments. It's a very exciting space..

So, I think as it continues to evolve, we will -- you'll see that reflected in, as we go along, we won't talk about specifics. But to your point, yes, we are looking at all possible avenues.

Ankit Shah:

Right. And just to complete the point. So, what I understand is we had some 10 MRs under Validus, which are focused on CNS doctors. So, then going for more 505 products, would it require any people investments in the longer run?

Sagar Oak:

So, great question, right, Ankit. And our go-to-market strategy for brands is sort of based off combination, feet-on-street, as well as digital promotion. And again, if the portfolio selection is, and the path to market go closely hand-in-hand, I think we've said all along that portfolio discipline is something that we will maintain, because we want to make sure that whatever we are bringing, we have the ability to take it to market.

We evaluate that based on newer products coming in. So, going forward down the line, could we look at having sort of an increase in the number of sales force? I think answer is yes. But do we see that changing dramatically for sort of the current portfolio products? I would say answer is probably not. We may have incremental changes to sort of address coverage the way that we want, but I wouldn't think it would be a material impact on financials.

Parag Sancheti:

So, to add two things to that, I think if you've seen, and even in the past, we've built all our businesses in a measured way. So, we will continue to build even the, what I would call the branded business in a measured way with right mix of channels for promotion.

And adding to that, I think whatever the cost or, if you take the people we require for promoting a certain product, all of them have been built into projections and are part of the, you know, as when we look up at a business plan, all of that has been built in.

So, we are not randomly going and selecting product and then going to make a change that, you know, now we need five, we need 25 people to make that change. So, I think all those investments which are in the P&L and are as per our plan.

Nitin Jajodia: And just to add, all the required costs, whether field-force, whether promotion, all of that is based in our EBITDA guidance of 22% to 23%.

Ankit Shah: Got it, got it. Yes, that was very helpful. Thanks for your replies and all the best.

Nitin Jajodia: Thank you.

Sagar Oak: Thanks Ankit.

Moderator: Thank you. We have the next question from the line of Narottam from DT Partner. Please go ahead.

Narottam: Congratulations on a great set of numbers. So, first question was that there's obviously a significant market share gain, in your top five, top 10 products. So, what is it that's leading to this market share gain and how do you think about the sustainability of this trend going forward? That's question one.

Second is that as Pithampur comes online, it does have a positive impact on growth margin. How should we think directionally on the EBITDA margin front, as more manufacturing moves in house? So, those would be my two questions.

Parag Sancheti: So, on the market share gain, I think we don't comment on specific top 5, top 10. As I said, it's been pretty broad based and it's across our mature products and new launches. And again, the approach we have to market share building is very, very calibrated. And even if any product we look at, we definitely figure out how we want to ramp up market share.

So, and then I'll break it down. 31% of our gross profit comes from specialty, which means that at least there are products where part of those products, any of our market share is anywhere between 50% to 100% because we are one of the two players at minimum. So, that will give you a sense that depending on the product and how we look at that market, we continue to look at how we want to gain market share over a period of time. So, just to give you the philosophy of how we look at the market share.

And coming on to Pithampur and EBITDA margin, as I said, first, as it gets ramped up in CY'27, I think we are confident of the operating EBITDA margin of 22% to 23%. And right now, we want to comment only up to that.

Narottam: All right. Thanks, guys, and all the best for future.

Parag Sancheti: Thank you.

Moderator: We have the next question from the line of Vipul Mehta from an Individual Investor. Please go ahead.

- Vipul Mehta:** So, my first question is like there had been a considerable reduction in working capital days from 137 to 123. So, are there any specific measures which had been taken to reduce that? And how sustainable is it going forward?
- Nitin Jajodia:** So, our working capital number of days in March was 137 days.
- Vipul Mehta:** And now it has been reduced to 123.
- Nitin Jajodia:** It is 132 days. So, I think it is in that range only. So, we do not see this as a considerable reduction. And I think that is the rangebound working capital. That is the way we look at it.
- Vipul Mehta:** Got it. And secondly, so, there had been kind of instances of unpredictability of product approvals from regulatory authority like for semaglutide for one of the Indian companies in Canada. So, for example, for any...
- Nitin Jajodia:** Sorry, sorry, your voice is not clear. Can you please repeat and go a bit slow?
- Vipul Mehta:** Yes. So, there had been situations and issues with product approvals from regulatory authority US and Canada. And like one of the recent being semaglutide from Canada for one of the Indian company. So, like whenever you estimate a product approval timeline, which is kind of important for understanding the product economies, how do you kind of estimate it? And how do you take into consideration such unpredictability?
- Parag Sancheti:** I think a good question. Yes, I know there has been a lot of discussion around semaglutide Canada approval. So, when our philosophy again, we are conservative in the way we look at it. And when we look at our modelling or our long range plans, we factor in conservatism from all the external variability factors, regulatory being one, but it could be competition, it could be change in the FDA guidelines.
- And we have seen this for the last five years that FDA changes its thinking on certain things, or any market supply constraints. So, you might get an approval, but the API is not available for commercialization. So, when we look at all of these factors are considered when we are looking at the business plan and the commercialization plan for a product.
- Having said that, if you look at our last three years R&D productivity data, it has moved up from 3.3 to 5.7x. So, that will give you some comfort and sense that we factored in A and B we are well prepared for some of the anticipated queries from the FDA.
- Vipul Mehta:** Got it. And the last question is regarding like, so, I heard a news that you had been, you are going to expand into Saudi Arabia. So, there had been a news of opening subsidiary in Saudi Arabia. So, what are your expansion plan for Saudi Arabia, Europe or any other geography beyond US in the near future?
- Parag Sancheti:** Yes. So, obviously, we are looking to expand across the global markets and our business development team keeps on working on building our presence in other markets. So, but as on date, I think all of these plans are underway, our registrations are underway. So, it would not be

right for me to comment on any specific market because, we cannot specifically say what each market will offer us.

Once we have some data and sizable revenues coming from there, then probably we can definitely guide you guys on how we are looking at these markets. But our idea is to leverage our product basket of innovative products across the globe.

Vipul Mehta: Got it. Sure. Thank you so much.

Moderator: Thank you very much. Ladies and gentlemen, due to time constraint, we will take that as the last question. I now hand the conference over to the management for the closing comments. Thank you and over to you, sir.

Parag Sancheti: Thank you everyone for attending the earnings call and thanks also for the questions. As mentioned earlier, I think we remain confident of our growth trajectory and look forward to speaking to you in the next quarter. Thank you.

Nitin Jajodia: Thank you. Thank you very much.

Sagar Oak: Thank you everyone.

Moderator: Thank you very much. On behalf of Motilal Oswal Financial Services Limited, that concludes this conference. Thank you for joining with us today and you may now disconnect your lines.