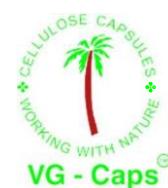




**NATURAL  
CAPSULES  
LIMITED**



**CORP & REGD OFFICE : "TRIDENT TOWERS" No. 23, 4th Floor, 100 feet Road, Jayanagar 2nd Block, Bangalore-560011  
Phone : 080-26561562 / 1571 /1573 /581 URL : [www.naturalcapsules.com](http://www.naturalcapsules.com) Email : [info@naturalcapsules.com](mailto:info@naturalcapsules.com), CIN No. : L85110KA1993PLC014742**

**Date: June 11, 2025**

**To  
BSE Limited  
25th Floor, PJ Towers  
Dalal Street,  
Mumbai-400001  
Scrip Code: 524654**

**To  
National Stock Exchange of India Limited  
Exchange Plaza, C-1, Block G  
Bandra Kurla Complex, Bandra (E)  
Mumbai – 400 051  
Symbol: NATCAPSUQ**

Dear Sir/Madam,

**Sub: Transcript of Conference Call held on Wednesday, 4<sup>th</sup> June 2025**

Pursuant to Regulation 30 and Part A of Schedule III of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we enclose herewith a copy of transcript of Conference Call held on Wednesday, 4<sup>th</sup> June 2025.

Kindly take the aforesaid information on record in compliance of SEBI (Listing Obligations and Disclosure Requirements), Regulations 2015.

Thanking you,

**For Natural Capsules Limited**

**Sunil L Mundra  
Managing Director  
DIN: 00214304**





**“Natural Capsules Limited**  
Q4 & FY'25 Earnings Conference Call”  
June 04, 2025



MANAGEMENT: **MR. SUNIL MUNDRA**  
MANAGING DIRECTOR  
NATURAL CAPSULES LIMITED

**MR. RAJ KISHORE PRASAD**  
CHIEF FINANCIAL OFFICER  
NATURAL CAPSULES LIMITED

**Natural Capsules Limited**  
**Q4 & FY'25 Earnings Conference Call**  
**June 04, 2025**

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**Moderator:** Ladies and gentlemen, good day and welcome to the Q4 and FY'25 earnings conference call of Natural Capsules 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 opening remarks conclude. Should you need assistance during the conference call, please signal an operator by pressing \* then 0 on your touch-tone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Abhishek Mehra from TIL Advisors. Thank you and over to you.

**Abhishek Mehra:** Thank you, Yashashvi. Welcome everyone and good evening. Thank you for joining this Q4 and FY'25 earnings conference call of Natural Capsules Limited. The results and investor presentation are available on the stock exchanges. In case anyone does not have a copy of the same, please do write to us and we will be happy to send it over to you.

To take us through the results for the quarter and the financial year and answer your questions, we have with us today Mr. Sunil Mundra, Managing Director and Mr. Raj Kishore Prasad, Chief Financial Officer. We'll be starting with a brief overview of the quarter from Mr. Mundra, which will be followed by the Q&A session.

I would like to remind you that everything said in this call that reflects 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 have been included but are not limited to what have been mentioned in our annual reports. With that said, I will now hand over the call to Mr. Mundra. Thank you and over to you, sir.

**Sunil Mundra:** Good afternoon, ladies and gentlemen. On behalf of Natural Capsules Limited, I welcome you all to our Q4 and FY'25 earnings call. Thank you for joining us today and for your continued interest in our company. As we gather here at the closure of another financial year, I would like to take this opportunity to reflect on our performance, the progress we have made, the challenges we have navigated, and our outlook as we move forward into the next phase of our journey.

Let me begin with a summary of our financial performance for the fourth quarter and the full year, along with the relevant comparison to the previous periods. Revenue from operations for Q4 FY'25 stood at Rs. 44.97 crores, registering a growth of 2.61% quarter-on-quarter and

11.81% year-on-year. EBITDA for Q4 FY'25 came in at Rs. 4.38 crores, a sequential increase of 2.71% over Q3 FY'25 and a 6.55% rise over Q4 FY'24. EBITDA margin excluding other income for the quarter was 9.74%. Profit after tax for Q4 FY'25 stood at Rs. 0.52 crores, a significant sequential jump of 392.62% over Q3 FY'25 of Rs. 0.11 crores, though it is lower by 46.32% compared to Q4 FY'24 at Rs. 0.97 crores. For the full year of FY'25, revenue from operations reached Rs. 169.21 crores, an increase of 8.87% over FY'24's, Rs. 155.42 crores. EBITDA for FY'25 stood at Rs. 17.52 crores, a decline of 12.01% from Rs. 19.91 crores in FY'24. EBITDA margin excluding other income for the year was 10.35%, down by 246 basis points from 12.81% in FY'24. Profit after tax for FY'25 was Rs. 0.62 crores, a decrease of 88.88% compared to Rs. 5.55 crores in FY'24.

Turning to our operational performance, Q4 FY'25 was a stable period for our capsule business characterized by steady realization and robust demand, especially in export markets. Towards the end of the quarter, we observed a softening of gelatin price in international markets, our primary raw material for the capsule business. We anticipate that domestic prices will follow soon, which should support improved profitability in the coming quarters.

A significant development during the quarter was the imposition of an 88% duty by the US on Chinese HPMC capsules compared to a 14% duty on Indian HPMC capsules. This has created a substantial price differential, opening up considerable opportunities for Indian manufacturers in the US market. We are already witnessing a marked increase in inquiries from US customers and we are confident that this will translate into a rapid scale up of our HPMC business in the US over the current financial year.

Looking ahead to FY'26, we expect topline growth to be driven by our HPMC capsules, which command higher realization and superior profitability. The softening of raw material prices should further enhance margins in our gelatin capsule segment. We have already secured firm orders in the HPMC business, providing strong visibility for improved performance in the capsule business. The operating environment in our API segment remains challenging with industry-wide pressure on product realization due to significant excess capacity in China, leading to heightened competition and declining prices. As our API facility is part of the PLI scheme, we have raised this concern with the relevant Indian government authorities who are currently evaluating introduction of a minimum import price for the products manufactured under the PLI. We believe such a measure, if implemented, will support the domestic industry and improve operational performance.

As previously guided, our focus this year remains on ramping up capacity utilization across all products to achieve cash breakeven. During the quarter, we capitalize the full capacity of our API facility and expect this to begin impacting consolidated profitability from Q1 FY'26 with associated expenses related to interest and depreciation. We anticipate a meaningful pickup in sales from the end of Q2 and sequential improvement throughout the year.

Our strategic priorities for FY'26 are clear. Drive growth and restore higher profitability in the capsule business, focusing on regulated markets and value-added products, ramp up capacities in the API segment aiming for cash breakeven and securing the necessary regulatory approvals to unlock higher margin business.

In conclusion, while the operating environment remains challenging, we are cautiously optimistic about the opportunities ahead. The recent regulatory changes in the US market, the softening of key raw material prices, and our continued investment in capacity and technology positions us well for a year of growth. We remain steadfast in our commitment to executing our long-term strategies and delivering results for all stakeholders. Thank you. I am now open to any questions that you may have.

**Moderator:** Thank you very much. We will now begin the question and answer session. We'll take our first question from the line of Yash, an individual investor. Please go ahead.

**Yash:** What is your sort of topline you can expect from the API facility in the first year of operation? And what sort of PLI benefits should be budgeting for this year? Any update like in the delay of the start of the PLI? Have you taken this matter with the authority because the delay from the Pollution Control Board, we have lost production of a year and resulting PLI also?

**Sunil Mundra:** Okay. So, Mr. Yash, thank you for asking the question. The topline revenue that we expect out of API business in the year one is about Rs. 65 crores. And the benefit from PLI, we expect it about Rs. 9 crores. The other suggestion given by you that we should take up with the authorities, yes, we have done that. There are many reasons other than the Pollution Control Board and then all these reasons are not only our projects, there number of projects which have got delayed and we have taken it up with the relevant authorities in the Department of Pharmaceuticals. They have assured us that the matter is being taken up at the right level and at appropriate time government will resolve the issue.

**Yash:** On a more conservative estimate, by when do you think you will be able to operate this API facility at the optimum utilization level? And also with this new low realization of API, what is the sort of topline we can achieve minimum and optimum capacity from the API facility?

**Sunil Mundra:** Optimum capacity for such kind of facilities, I would say 60% to 70% occupancy of all the reaction vessels could be called as optimum capacity. Probably we expect to achieve in the FY'28 where at optimum level we expect the revenues or at a minimum level we expect the revenues to be in the range of about Rs. 240 to Rs. 250 crores.

**Yash:** And sir given the challenges in the initial scale of the API fermentation, what specific operational improvement or process changes have been implemented to ensure consistent quality and yield at the commercial scale?

**Sunil Mundra:** Consistent quality is definitely our goal and we have to make it short by introducing various standard operating procedures in the manufacturing torque batches. So both at fermentation level and the synthesis batches level.

**Moderator:** Thank you. We will take our next question from the line of Yashvi Gandhi from Molecule Ventures. Please go ahead.

**Yashvi Gandhi:** Good evening, sir. Thank you for this opportunity. So my first question is on the HPMC line segment. So you've already highlighted that there's some pricing pressure happening on the Chinese market due to the US tariffs. So can you please elaborate on the execution plan for the strategy and how quickly you expect this to reflect in the export volumes and margins? And also in Q2, you had mentioned about 2 new HPMC production lines which were going to contribute to the revenue. So if you could give a breakup of how much revenue contribution was there from this line segment?

**Sunil Mundra:** Okay. So HPMC capsule business, our first line started in Q4 of FY'24. But somehow the anticipated exports could not pick up due to severe pricing competition from China. The pricing competition was so severe that the local manufacturer in US went to court and got an anti-dumping suit which was awarded to them and the results of which came just about a couple of weeks back. The Chinese capsules have been levied with 88% duty, whereas Indian capsules have been levied with 14% duty. So this places us in a comparative advantageous situation and post this anti-dumping duty suit is altogether different from Trump's proposed duty. So this is anyway going to be there irrespective of Trump's duties there or not. So a lot of distributors, consumers in US have been in contact with us for the last 4 months. And we have done a couple of visits to US and we found that there is a good opportunity for scaling up the business fast. Last year, our exports to US market were about 10%-11% of our total exports, roughly around 539 lakhs. And we expect this to go much faster this year and with much better profitability. We are expecting to execute our 2 balance HPMC lines quickly. The lines though got delayed last year due to one of the reason was of course the less than expected offtake in US market. Other was of course our idea to validate the designs of size 00 caps. So now going forward in the current year, FY'26, we anticipate that HPMC business, which last year gave us a topline revenue of over Rs. 9 crores should give something around Rs. 27 crores of topline revenue in the current year. I hope I have answered all complements of the question.

**Yashvi Gandhi:** Sir, my next question is on the execution front. This great execution from your end in the capsule segment in FY'21 and '22; however, we are constantly missing on our targets and guidance, quarter-on-quarter we are worrying about some challenges and delays that are happening. So do we see that FY'21 and '22 were just a one-off years and we are not going to see any spike. Or can you please highlight the reasons for the same and tell us what do we expect from the capsule segment going forward? And what would be the sustainable profit margins from this business in FY'26 and beyond?

**Sunil Mundra:** Yes, I would say that FY'21, '22 were definitely one-off years in terms because they were back with the COVID demand. Post FY'22, there was a drop in demand, which increased during COVID period and there was excessive pipeline stocks, which slowly tapered down and subsequently demand stabilized. There was a drop in demand, which led to drop in our selling price, thereby leading to the correction in our margins or reduction in the margin. But post '22, we have taken several measures, corrective measures, which are giving us confidence that our bottom-line is going to go up now. One of that measure was that our focus on taking away from the ROW markets where the prices were low or there was a chance of currency fluctuation leading to drop in prices in those countries, going to some of the developed countries market. Second, in domestic markets, focusing on large volume, large buyers, companies which are Indian top 40, 50 pharma companies. And then our focus is on that we consistently manufacture our volume goods. So prior to 2021-'22, during '20, '21, '22, we had done a significant jump in our production capacity by almost 180%-190%, from 7 billion to almost 18-19 billion. So if you can notice the turnover increase in last 4 years from Rs. 135 crores in 2021-'22, FY22 Rs. 173 and then Rs. 153 and Rs. 166 now. So as you can see, there is a drop from FY'23-'24. But post that, again, we have got our momentum back. And there is a growth of almost about 9% to 10% in the topline revenue. So we are confident that going forward in FY'26 and FY'27, in capsule business, we should do topline revenues, which should give us the incremental revenue in the mid-teens. And going forward in FY'26 also, we should do about 8% to 10% growth. So I see definitely a good future for capsule industry, especially our company where we have been strategizing our marketing and focusing on profitable business.

**Yashvi Gandhi:** Okay, sir and the last question is what the drop in the gelatin prices that you mentioned as a decline in the gelatin prices that would also trickle down on the final product realization, right?

**Sunil Mundra:** Yes.

**Yashvi Gandhi:** So do you expect the revenue growth to still remain subdued this year? And does the profitability get impacted or is it the other way around?

**Sunil Mundra:** No, I said drop in gelatin prices, gelatin is our raw material. So I think this will lead to increase in our bottom-line. I don't foresee any drop in our selling price. Our selling prices are going to go up because of our change in marketing strategy, change in our product composition like HPMC revenue going up. So the bottom-lines are going to definitely go up. Gelatin prices drop will increase our bottom-line.

**Moderator:** Thank you. We'll take our next question from the line of Nirbhay Doshi from Western Research. Please go ahead.

**Nirbhay Doshi:** Sir, congratulations on decent sets of results. Sir, on API side, significant delays from both our side and pollution board, the API CAPEX has doubled from Rs. 100 crores to Rs. 200 crores. This has levered our balance sheet. But sir, revenue is not yet to flowing, so our net realizations are

down. On a board level view , how do you expect this capital allocation decision given the current profitability and balance sheet impact?

**Sunil Mundra:** Yes, Nirbhay, thank you for asking the question. The API project had suffered delays due to various reasons and majorly it was due to governmental statutory approvals which got delayed. Now you mentioned that the increase in capital outlays was from Rs. 100 to Rs. 200 crores, which I would say need to be seen in a correct perspective. At Rs. 100 crore, the capacity of the project was at a much lesser level. It was at about 17 metric tons of API production. Now the revised outlay, actual outlay is about Rs. 167 crores of this thing. With the other expenses capitalized, it is coming to CAPEX block of Rs. 200 crores. So the increase in the CAPEX from Rs. 100 to Rs. 167 crore had made the capacity increase from 17 to 37 metric tons. So this increase became necessary keeping in mind our commitment given under PLI scheme for 3 products and which we hope to capitalize upon now once we start the full-scale manufacturing in steady. Your question about the capital allocation. Capital allocation is done based on the decision taken by the board of directors, based on the opportunities, marketing opportunities and strategic decision-making.

**Nirbhay Doshi:** Secondly, I see that you have capitalized the entire asset. But there is no major difference in depreciation and interest cost. Why so? And sir, what would be the depreciation and interest cost on conso level from the next quarters onward?

**Sunil Mundra:** Okay. So depreciation and interest, we did capitalize at the end of the quarter. So there was no significant impact on the depreciation of the quarter Q4 of FY'25. However, going forward, we see that depreciation would hit us by about Rs. 2.3 crores and interest of about Rs. 1.5 to Rs. 1.55 crores from the subsidiary company giving an impact to the consolidated balance sheet.

**Nirbhay Doshi:** Okay, sir, perfect. And sir, lastly, in case the profitability of the capsule business does not improve, how do we plan to finance the working capital requirement and that will come up from the API facility? So if through debt, what is the peak debt we can expect at console level?

**Sunil Mundra:** Profitability of capsule business is definitely going to improve. We are confident about it. But in a scenario if the profitability doesn't improve, how are we going to finance the working capital? Working capitals are well financed at the moment. We are well financed on the capital and the incremental working capital need will be met by the internal accruals. Total debt position of the consolidated group level at the moment is about Rs. 102 crores and we hope that it will remain around the same level probably going forward by FY'26.

**Moderator:** Thank you. We will take our next question from the line of Madhur Rathi from Counter Cyclical Investments. Please go ahead.

**Madhur Rathi:** Thank you for the opportunity. My first question was on API plants. At this Rs. 65 crore revenue, what kind of margin or at what level of losses can we expect for this year? And the second one

was, sir we see that the fermentation of these APIs are very difficult to scale up since we have been two months since we have commercialized this, how has the scaling up been for this product? And in pricing terms, how are you pricing currently for the API? Like, based to either prior year or earlier?

**Sunil Mundra:**

Yes, so API current year we have estimated about Rs. 65 crore of topline revenue. We expect a modest EBITDA margin of about 7% because our idea is that we will be selling to mostly companies which do not require any kind of approvals. So which we expect these margins to improve in the coming year once we get into a better quality of customers. Now you mentioned about the scale-up challenges. Yes, scale-up challenges are there in all the projects, but we have taken measures so that all the scale-up challenges are met sufficiently and we don't encounter any surprises. Now regarding the prices of these API, as you might be aware that all the APIs are facing a sudden slide down in the terms of pricing. Basically, there is an overcapacity across China as well as maybe to some extent in India, then there is maybe less than expected growth in demand, which has led to a slide down in the pricing. Compared to last year, I think the prices have slided downwards by about 12% to 15% in most of the other segment of APIs.

**Madhur Rathi:**

Got it. What was the quality expected from this product? Are we able to manufacture to that quality or do we need some further improvement going forward?

**Sunil Mundra:**

The product quality is a basic requirement if we have to sell. So basically we are selling all pharma grade products so they will have to comply with the pharmacopoeial standard. So quality is not an area of concern which is always have to be met. Whereas the yield of the process is an area where we need little improvement and where I am confident with the continuous monitoring of the ongoing batches and continuous constant improvement in R&D, we will be able to achieve the yield levels matching to the industry standard.

**Madhur Rathi:**

Got it. Sir, on the capsule side, if I consider, there's my question here, two questions, sir, how much percentage of our capsule revenue of the Rs. 170 crore we got last year would be coming from regulated markets? And sir, what is the margin differential that we sell to the regulated markets versus our selling into domestic or rest of the world market. And sir, how big could be the US opportunity? That is the first question. And sir, how much was catered earlier by these Chinese players?

**Sunil Mundra:**

Out of Rs. 170 crore, our exports to some of the regulated and semi-regulated markets, our total exports was about Rs. 48 crore. So I would say, exports to regulated markets like US and probably Canada, the markets like Brazil, South Africa, were about Rs. 20 crores. So we did about Rs. 20 crores of exports out of 170. Now, talking about the US opportunity in terms of these latest changes in the duty structure, I foresee that we will significantly improve our business to US. Currently, we did about Rs. 5 crores. I think going forward, we anticipate that

this could increase to about Rs. 20 odd crores. Rs. 22 crores is what we expect. So, jump in the US business, which will definitely come with a better margin than our current margin.

**Madhur Rathi:** Got it. And sir, if you could just give me a broad range of what would be the margin difference. So if we made 10%-11% last year and in a steady state we expect it to go to 15% sir, would the margin of the regulated market be 25% or even higher than that or lower than that?

**Sunil Mundra:** Regulated market margins are definitely better. I can't say that it would be 25% and the domestic margins are 10% to 12%, regulated market could be about 17%, 18%. But at the same time, last year and a half, the geopolitical situation caused all the international freights to go up and down and that was a big drain on the bottom-line on that. So freight, especially on the sea freight and air freights cost had gone up in some of the shipments. So it was down. Otherwise, margins are better, I would say, by 7% to 8% EBITDA margin.

**Madhur Rathi:** Got it. So, just a final question from my end. Sir, if I look at the industry landscape, ACG is like the biggest player that we can, based on our research findings. Sir, how do we gain customers or what is the value proposition of Natural Capsules when pitching to clients and gaining customers versus ACG or any other player globally?

**Sunil Mundra:** Yes, that's a good question. ACG is the biggest player in the market with almost closing 50% of the market share, whereas we are close to 10% market share. ACG, because of being an entrenched player, more than 60-year-old company, so they had much bigger customer share and I mean of the bigger companies and those of the regulated market business. So now the strategy, we are working on strategy, how to gain customers from ACG. ACG has got a very long lead time on delivery side. We are, because of the virtue of our own high speed machines, we are able to deliver quickly. Our quality is at par with ACG and our pricing is competitive as compared to ACG and therefore we are able to convince the customers of ACG or other larger players like Capsugel Lonza and we are able to supply those and thereby acquire more new customers.

**Madhur Rathi:** Sir, that was very helpful. Thank you so much. Sir, just a clarification, sir. We are planning to make team spend a growth in our capsule division for this year, right?

**Sunil Mundra:** Yes, there are two HPMC lines which were supposed to come last year, got delayed, but now they are on track. So currently, two more HPMC lines are getting added.

**Madhur Rathi:** Okay, so on this mid teen revenue growth, what kind of margins can we expect? Can we expect some improvement over the 10%-11% depressed margin that we did last year?

**Sunil Mundra:** The incremental revenue definitely should be higher than last year's business because they're expecting the incremental business to come from export markets and I anticipate that those revenues should be much better. So I would say they will be in the range of about 18% to 19%.

So thereby our overall margin should improve from current about 10, 11 to 10.5% to 14%, especially standalone on the capsule business, for the overall business.

**Moderator:** Thank you. We will take our next question from the line of Praveen Sharma, an individual investor. Please go ahead.

**Praveen Sharma:** My first question is, is there any anti-dumping duty placed by US on gelatin capsules also or it is only on HPMC?

**Sunil Mundra:** It is only on HPMC, not on gelatin.

**Praveen Sharma:** Okay, because I was reading somewhere it was higher gelatin so maybe okay. So basically, what is the share of the Chinese player currently in HPMC capsule as far as US is concerned? What is the space which is going to be vacated by them?

**Sunil Mundra:** I think the US market at the macro level is about in the range of about 110 billion capsules and the domestic production is hardly about 20-22 billion capsules there. The rest of 90% of it was getting imported from China. So there's a big amount of opportunity there. I think they are vacating almost about 80 billion capsules capacity which is coming up. At the same time, having said that, Chinese are also trying to put up very quickly some plants in US, all that said and done, but still there will be big opportunity for companies like us.

**Praveen Sharma:** And you don't think that they will be dumping those capsules here in India once they are prohibited from US?

**Sunil Mundra:** I think there is an import duty already in place, 30% import duty is there in India on gelatin HPMC capsules.

**Praveen Sharma:** Okay. And sir, what is the gelatin capsules, apart from the prices which will boost our margins, do we see demand pick up as far as these are concerned?

**Sunil Mundra:** I would like to submit that demand for capsules has always been growing. There has been never a degrowth. It grows at a consistent rate of 6% to 7%. Why there is a sudden up and down in the demand supply gap is due to the periods of excessive capacity addition and periods of no capacity addition. So it plays in between. So I would think that during COVID period, a lot of capacity got added and there was a huge demand. Subsequently, there was a drop. So now the demand and supply gap is stabilizing at the macro level. And at company level, we are already well placed with orders backlog of about 3 to 4 weeks on most of the sizes. Our target at this point of time is to improve our customer profile by concentrating more on large volume, large value, large profitability business and customers.

**Praveen Sharma:** Okay. And sir, basically in the capsules being in the excipient category, is there any entry barrier means how difficult it is for somebody to start new lines and just start putting up, setting its production or it takes approval from the end customer and it takes time to do that?

**Sunil Mundra:** Yes, though the capsules are an excipient category, they are important component of any finished capsule product because the product needs to be filled at the customer place. The capsule is a fragile product. It is transported through air conditioned transportation. And nowadays, the capsule filling equipment is very high speed. So if the capsule formation is not as per the expected lines and they're suitable to the machine, it will lead to rejections. And therefore, customers generally do not change their supplier just because somebody is offering a little less price. So there is a consistency from the customer end also. And therefore, any new entrant coming into the industry also would require some time to stabilize this quality, gain entry into some of the large volume customers. And therefore, there is some sort of an indirect entry barrier there.

**Praveen Sharma:** Great. Sir, my last question is on the API. So you said, if I heard correctly, the depreciation and interest is 1.5x. So yearly it is Rs. 16 crore, correct?

**Sunil Mundra:** Yes, sir. I think it will be about roughly, quarterly about Rs. 3.824 crores. Yes.

**Praveen Sharma:** Okay. And we expect to make an EBITDA of Rs. 7 crores and over and above that PLI of Rs. 9 crores. So that should offset it, correct? Is my understanding correct?

**Sunil Mundra:** Yes, we said 7% EBITDA. So that should be something like about Rs. 4.5 crores or so.

**Praveen Sharma:** Okay. And Rs. 9 crore PLI, correct?

**Sunil Mundra:** Yes.

**Praveen Sharma:** So it should be around Rs. 12 crore of. Okay, okay, okay. So this year should be some kind of loss at that level and at console level capsule should take over and deliver the profitability?

**Sunil Mundra:** Yes.

**Praveen Sharma:** Last question on the same is that we were supposed to get Indian approval and European approval for the API. So what is the status on that?

**Sunil Mundra:** So Indian approval in sense the local drug licensors, GMP are already received. The WHO GMP, which is also issued by the Indian authorities, is expected by this year end. European CEP filing is going to happen by this year end and we expect CEP approvals by Q3 of FY'26.

**Praveen Sharma:** So without GMP approval in India, we can sell it to the Indian customers domestically?

**Sunil Mundra:** No, no, no. Without GMP approval, you can't sell. I said GMP approval is already in place. It's WHO GMP. There is another round of GMP inspection done in guidelines with the WHO. That is expected by December this year.

**Praveen Sharma:** Okay, great, great, sir. Thank you very much and all the best.

**Sunil Mundra:** Thank you.

**Moderator:** Thank you. We'll take our next question from the line of Manan Shah from Moneybee Investment Advisors. Please go ahead.

**Manan Shah:** Yes, thanks for the opportunity. Sir, you mentioned on the API side we are not yet at the industry average yield. So at what yield are we and what would be the industry average yield?

**Sunil Mundra:** That will change the product to product. So I would say for any X product like betamethasone, probably the industry yield, we are the only manufacturer at this point of time in India. I would compare it with Chinese. Chinese are in the range of say 42%. We are at about 34%, something like that. So we need to improve the yield to become competitive with reference to the Chinese prices.

**Manan Shah:** Okay. And have you been able to identify areas or ways how you can improve this yield and the margin guidance that you gave of 7%, is that assuming your current yield or the improved yield?

**Sunil Mundra:** So the margin guidance is given as per the current yield only and as to the efforts are being made to improve the yield on a continuous basis because in a plant like API manufacturing, R&D is a continuous effort and therefore we are hopeful that as we go by, as time passes, the more and more batches, the yields will improve and as we work on new technologies, new routes of synthesis, yields are definitely going to go up.

**Manan Shah:** Okay. Then you mentioned on the HPMC lines which were expected to be delivered last year. Now when are you expecting them to be delivered and then get into commercial production?

**Sunil Mundra:** Yes, we have lined up now since we are seeing sudden demand pick up from the Western markets. We have lined up one to come in Q2 and other one maybe by end of Q3.

**Manan Shah:** Okay. And on the capital side, then your current lines are fully utilized or there is still potential to get better production out of the current line?

**Sunil Mundra:** So current lines are generally we work on 100% capacity utilization. Last year, our capacity utilization are about 94%. So, the growth will come maybe to some extent by utilizing a little more optimum utilization of capacity, then by proving the profile of the customer. So that would also add to the bottom-line as well as the topline. Some of the low end customers where

we sell the same product at a slightly lower price, we cross over to new customer where the pricing is higher and the bottom-line is higher.

**Manan Shah:** Okay, but you also said that we are looking at a 15 or a mid-teen sort of revenue growth, right, for the capsule business?

**Sunil Mundra:** Yes.

**Manan Shah:** So you are saying the primary driver in that is going to be the realization and not the volume?

**Sunil Mundra:** Realization is one and of course the addition of HPMC capacity.

**Manan Shah:** Understood. And in terms of margin for the capsule business, is it fair that we can target a mid-teen sort of a margin for this year?

**Sunil Mundra:** Yes, we are looking at margins in current year to the range of about 14%, 14.5% on an aggregate basis. On HPMC, definitely it will be higher. And therefore, the HPMC, the volumes are going up. We expect this current level of 10.5 to go up to 14.

**Manan Shah:** Okay. And on the API side, we were undergoing a stability study with various customers. So where are we over there? And when do you expect these customer approvals to come through and you can start selling with the approved customers where the margin profile can be higher?

**Sunil Mundra:** Yes, so our products are in stability studies of various customers. So far we have supplied our samples to almost 33 customers. In 2018, we have started supplying. Going forward, once the stability studies of more customers get approved, our volume of business will increase. Stability studies the customers do at the formulation level, that depends on what grade of customers, which market they are selling. Therefore, stability studies is some type, for some companies, a basic requirement. But for some companies, extended acceleration stability studies become required. Some of those who want to go for a regulated market, requirements are much tougher.

**Manan Shah:** So how long do these generally last? Because I believe we've been doing this for at least 6 to 8 months now.

**Sunil Mundra:** Yes. So I think the Indian companies would look for about 6 to 9 months of stability studies. Whereas those who are wanting to go for US and all, they would look for 18 months of study.

**Manan Shah:** Okay. And the quality that we were able to manufacture out of the commercial batch was at par from the kilo scale batch or there was any improvement or deterioration or anything on that part?

**Sunil Mundra:** So I answered that question. Quality is a basic requirement. We can't sell anything less than the quality expected by the customer, which is also the quality standards defined by the government in pharmacopoeial. So basically quality is always has to be matched. Then only you can supply that.

**Manan Shah:** Okay. And currently we've only commercialized dexamethasone, right?

**Sunil Mundra:** No, we are selling dexamethasone and derivatives. We are selling betamethasone derivatives and prednisolone derivatives, hydrocortisone derivatives. Earlier we were importing intermediates from China and converting them into base API and derivatives. Now we are trying to backward integrate, having our own intermediates manufactured here in the site and sell the same API, which we have been selling earlier using the Chinese.

**Manan Shah:** Okay, so as and when we are able to make these intermediates, our margins should also improve?

**Sunil Mundra:** Yes, absolutely.

**Manan Shah:** Okay, and what is the debt repayment obligation for current year?

**Sunil Mundra:** Debt repayment obligation at the subsidiary level, API level is about Rs. 6 crores, Rs. 5.5 crores to Rs. 6 crores. And at the parent company level, about Rs. 4 crores. So I think total debt repayment is roughly around Rs. 10 crores.

**Manan Shah:** Okay, but you also mentioned that we are looking to maintain the gross debt. So we are looking to refinance it primarily?

**Sunil Mundra:** Yes, probably. Yes, could be because of the increase in working capital.

**Sunil Mundra:** As our topline goes up, we might seek additional working capital.

**Manan Shah:** Okay. Understood. And last question, sir, on the API, our subsidiary, I believe there was a clawback clause, which I think gets triggered by end of current year, right?

**Sunil Mundra:** Can you please repeat the question, drawback clause?

**Manan Shah:** Clawback clause, yes.

**Sunil Mundra:** Okay. You are referring to the investment done by private equity?

**Manan Shah:** Yes. So I believe we won't be meeting the targets that were set, right?

**Sunil Mundra:** So that clawback clause is referring to FY'27 actually. FY'27 is a year in which the investor wanted the clawback to be given. But we have requested the investor also to extend it by a year or so.

**Manan Shah:** And the investor has agreed?

**Sunil Mundra:** Informally, they have agreed. Of course, not in writing. Informally, they have agreed.

**Manan Shah:** Okay. Thank you. One last question. Sir, one last question on the PLI side. This PLI incentive will be largely recorded in the Q4 or it will be evenly spaced out throughout the year?

**Sunil Mundra:** No, the government rules permit quarterly release of these funds. We expect of course our major ramp up happening in Q3, Q4. So we expect it to receive in Q3, Q4.

**Moderator:** Thank you. We will move onto the next question from Yash, an individual investor. Please go ahead.

**Yash:** In the API business, can you please share a roadmap of achieving the regulatory approvals like by when we can expect which approval and by when we can expect the commercial supply in the regulated market?

**Sunil Mundra:** Yes. So in regulatory approval, there are two major approvals from Europe and from US. Target is that we are expecting our WHO GMP audits to take place by Q3 of the current financial year and receive the approval by Q4 of the current financial year. We start filing our CEP and DMFs by Q4 of this current financial year. CEP is for European Union approvals where they require about 9 months of review and post review, they grant the CEP. We expect the CEP grant to happen by Q4 of next financial year. Similarly, DMF requires about 12 to 18 months of review by the customers and by the regulatory authorities. We expect that to happen by Q3 of FY'28. And there, after both the Europe and the US business, once the DMF and the CEPs are reviewed and approved by the customer or the regulator, then we start inviting queries and audits.

**Yash:** And sir given the increasing focus on regulated markets, what additional investment in compliance are planned for the next 12 to 14 months?

**Sunil Mundra:** I think the site is being constructed and all the facilities erected keeping in mind the regulatory requirements. So fundamentally, there is no major investment required other than maybe incremental requirement of some of the equipment which could be specifically required for those regulated market requirements like particle size unit, PSD units and all that. I don't foresee any major expenses.

**Moderator:** Thank you. We have a question from the line of Ratnakar Gokhale, an individual investor. Please go ahead.

**Ratnakar Gokhale:** Sir, good afternoon. Thank you for the opportunity. My question is related with the growth we are expecting in the coming year. So out of this 170, what we have done, what is the revenue percentage of the capsule business and how much have we done from the API business?

**Sunil Mundra:** So I think it is majorly capsules only, API business was very marginal, just about Rs. 1.26 crore because basically in API business we are selling only for sample submissions.

**Ratnakar Gokhale:** Okay. So, and out of this, then, after this 170, we have done approximately Rs. 5 crore from the export to USA, if I understand correctly. And that is expected to go to, let's say, Rs. 20 crores in the coming year. So we are expecting a Rs. 15 crore jump from the USA business. But for the company as a whole, in order to, let's say, get a 15% revenue jump, we will need to reach the target of Rs. 195 crores or Rs. 200 crores, out of which about Rs. 15 crores is going to come from USA supposedly. Where would the next balance of the Rs. 15 or Rs. 10 crores will come from?

**Sunil Mundra:** Yes, see the US exports is one part of exports of the HPMC capsules. So there will be still capacity in HPMC lines remaining which we intend to sell in India and other parts of the world. We anticipated the increases coming more out of the HPMC business.

**Ratnakar Gokhale:** So if you are expecting 10%-15% growth there, then on company level, how much is the revenue growth that we expect in the company?

**Sunil Mundra:** No, I said the company level revenue is about Rs. 195 to Rs. 196 crore, which means about Rs. 25- Rs. 26 crores of incremental business, out of which about Rs. 15 crore can come from US. Another Rs. 10 crore will come from HPMC business, incremental increase in margin of gelatin coming from other sources by selling it to better customer profile. So that is how the revenue is going to come.

**Ratnakar Gokhale:** And so once this API in supposedly in the next year API all start firing the dexamethasone and then rest of them, then how much right now they're contributing 1% to the revenue? How much do we expect them to contribute in the next year to the revenue of the?

**Sunil Mundra:** So next year we are anticipating about Rs. 65 crore of revenue from the API business on a console basis to Rs. 60 crore. So roughly there will be about 27%, 25% to 27%.

**Ratnakar Gokhale:** So if at all the API business is going to ramp up to that much, then should this not, the entire revenue, should this not go up a little bit more than Rs. 195 crores?

**Ratnakar Gokhale:** I said if API business is going to contribute 27% of the revenue.

**Sunil Mundra:** Yes.

**Ratnakar Gokhale:** So if 195 is the total turnover which we expect?

**Sunil Mundra:** No, so the total turnover on console basis will go up to 260.

**Moderator:** Thank you. As there are no further questions, I now hand the conference over to Mr. Sunil Mundra for closing comments. Over to you, sir.

**Sunil Mundra:** Yes, thank you for joining the call. Please be assured we are working very hard to regain growth and profitability and we'll keep communicating and updating you and our progress. Thank you. Thank you everybody.

**Moderator:** Thank you. On behalf of Natural Capsules Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.