“Piramal Pharma Limited Q3 and 9 Months FY25 Earnings Conference Call”

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Moderator: Ladies and gentlemen, good day and welcome to the Q3 and FY '25 Earnings Conference Call for Piramal Pharma 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 the call, please signal an operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Gagan Borana. Thank you, and over to you, sir.

Gagan Borana: Thank you, Rio. Good day, everyone. I welcome you all to our Post-Results Earnings Conference Call to discuss our Q3 and 9-month FY '25 Results.

Our results material have been uploaded on our website, and you may like to download and refer them during our discussion. The discussion today may include some forward-looking statements, and these must be viewed in conjunction with the risks our business faces.

On the call today, we have with us Ms. Nandini Piramal – Chairperson, Piramal Pharma; Mr. Peter DeYoung – CEO of Global Pharma; and Mr. Vivek Valsaraj – CFO of our Company.

With that, I would like to hand it over to Ms. Nandini Piramal to share her thoughts.

Nandini Piramal: Good day, everyone, and thank you for joining us on our "Post-Results Earnings Call".

The FY '25 so far has been a steady year for the Company with revenue growth of 14% and EBITDA growing at about 20% during the nine months. Our CDMO business has been the key driver of this performance with 18% revenue growth along the Y-o-Y EBITDA margin improvement.

We have seen robust growth in our revenue from innovation-related work, especially the on-patent commercial manufacturing. In Complex Hospital Generics business, we have seen a healthy uptick in volumes in our Inhalation Anesthesia portfolio in the U.S., leading to a 14% revenue growth for the quarter. In the India Consumer Healthcare business, the momentum in our Power Brands continued with the growth of 19% on the back of continuous investments in marketing and new product launches along with the robust growth in our e-commerce channel. We also maintained our net debt to EBITDA ratio below 3x to 2.8x.

On "Quality and Compliance":

We have maintained our best-in-class quality track record of successfully clearing 45 US FDA inspections, 365 total regulatory inspections, and 1,800 customer audits since FY 2012. As on date, we have made zero pending observations at any of our USFDA-inspected sites. This has

been made possible due to our strong emphasis on quality as culture with a focus on systems, processes, technology and people. We intend to maintain the track record going ahead as well.

On “Sustainability”:

Earlier this year we had received approval from the science-based target initiatives for our commitment to reduce Scope 1 and 2 GHG emissions by 42% and Scope 3 by 25% by FY '30. During the quarter, we took a significant step to achieving this target by converting the coal-fired steam boiler at our Digwal facility to operate on biomass briquettes, a carbon neutral fuel source. This is expected to eliminate approximately 24,000 tons of carbon dioxide equivalent greenhouse gas emissions annually, accounting for about 17% of our total emissions. The shift to biomass briquettes strengthens our sustainability practices and sets a new industry standard for environmentally responsible manufacturing.

Update on the “Board”:

We are pleased to welcome back Ms. Nathalie Leitch as an additional director, non-executive and non-independent to the Board at Piramal Pharma, subject to shareholder approval. Nathalie joins us after completing her other professional commitments. She is a subject matter expert in pharmaceuticals and the U.S. generics industry with domain experience in creative product strategies and formulations.

Moving on to business specific highlights:

Starting with the “CDMO Business”:

Our CDMO business delivered a strong high-teen growth in nine months FY '25, mainly led by continued traction in our on-patent commercial manufacturing and generic API business. The growth was well-complemented by EBITDA margin expansion on the back of operating leverage due to higher utilization at some of our facilities, improved business mix, higher contribution from innovation-related work, undifferentiated offerings and initiatives towards better procurement strategies, cost optimization and operational excellence.

We continue to delight our customers through superior execution, best-in-class track record in quality and compliance, and a continuous focus on sustainable operations. This should enhance our chances of getting repeat business and cross-selling different capabilities to our existing customers, thereby leveraging our global network of facilities having end-to-end integrated capabilities across the pharma value chain.

In terms of market outlook for our CDMO industry, while the overall biotech funding has improved over the previous year, it is just enough to replenish the biotech cash fund, but not enough to accelerate R&D spends. With the reduction in global interest rates, we expect the

funding environment to further improve and drive order inflows, especially early-stage discovery and development orders.

On the "Order Inflows":

We continue to experience an increase in customer inquiries and RFPs driven by the customer needs to diversify the supply chain. However, the customer decision-making remains prolonged. Amidst current ongoing regulatory and geopolitical uncertainties, we see cautious optimism for the CDMO industry. To capitalize on this, we are making regular investments in our capabilities and capacities.

Moving on to our "Complex Hospital Generics Business":

The Complex Hospital Generics business registered 14% revenue growth on the back of a strong volume uptick in our Inhalation Anesthesia portfolio. In the U.S. market, we renewed and extended some peak tenders to maintain our leading market share in Sevoflurane. Also, in non-U.S. markets like Asia, Europe, and RoW, we saw healthy growth in our Inhalation Anesthesia portfolio.

To further strengthen our presence in the emerging markets, we have already undertaken capacity expansion products in Digwal and Dahej. I am pleased to share that these expansion projects are progressing, and we will be able to capitalize on these commencing the next financial year.

The demand for the Inhalation Anesthesia remains strong with limited competition as top three players command over 90% of market share in the Sevoflurane market in the U.S. and Europe. We will look to leverage existing relationships in more than 6,000 hospitals and GPOs in around 110 countries to gain more market share post the expansion.

In "Intrathecal Therapy":

We continue to dominate the U.S. market for Baclofen with over 70% market share. Our morphine sulphate product Mitigo also delivered encouraging sales during the quarter. Our growth in injectable pain management portfolio has remained constrained despite healthy demand due to supply challenges. However, we have started to work with another CMO partner to strengthen our supplies.

Over the new product launches, we have launched a few new injectable products in the U.S. and Europe in the last few quarters. Going forward, new product launches, specially differentiated and specialty products, will play an important role in driving growth in our CHG business. We are making regular investments in developing differentiated and specialty products, which we will market using our existing field force and our relationship with hospitals across the world.

Moving on to our “India Consumer Healthcare Business”:

In our ICH business, the momentum continued in the Power Brands with strong growth of 19% in nine months '25. The growth was achieved despite the slowdown in the consumer industry and growth in the i-range being impacted due to it being brought under price control. Excluding i-range, the Power Brands have registered a strong growth of 26% for the nine months which was led by brands like Little’s, CIR, and Polycrol.

To continue this growth momentum, we are making regular investments in marketing and brand promotion activities. Simultaneously, we are also increasing the availability of our products by expanding our distribution network in smaller towns and exploring new trade channels like quick commerce, super and hyper markets, etc.

E-commerce continues to be an important trade channel for us and has shown exceptional growth around 40% in the nine months and contributing about 20% of our total ICH sales. We are present in over 20 e-commerce channels and our full focus going forward would be to improve profitability through pricing, product mix and investment optimization.

On the new products front, we launched around 40 new products and SKUs this year. Some of the products had delivered encouraging results fueling the overall growth.

The performance during the Quarter Nine Months FY '25 have been mostly in line with our expectations of steady growth and revenue and EBITDA growth. CDMO continues to grow at a healthy pace with Y-o-Y margin improvement in the back of our innovation-related revenue.

CHG business delivered early teen growth led by strong volume growth in inhalation anesthesia. Power Brands and our consumer business continue to grow strongly with investments in promotion, distribution, and new product launches. We remain committed to our best-in-class quality track record and set new benchmarks for sustainable operations.

Talking about the 4th Quarter, it is historically the strongest quarter for the Company, especially the CDMO business, and we expect this trend to continue this year as well. We reiterate our guidance for the financial year to deliver early teens growth in revenue and EBITDA with a meaningful improvement in PAT.

Further, I would like to reiterate our FY '30 aspirations to double our overall revenues to $2 billion with 25% margins and a high teens ROCE.

With this, I would like to open the floor for Q&A.

Moderator: Thank you very much. We will now begin the question-and-answer session. Anyone who wishes to ask questions may press "*" and "1" on their touchstone telephone. If you wish to remove

yourself from the question queue, you may press "*" and 2. Participants are requested to use handsets while asking questions. Ladies and gentlemen, we will wait for a moment while the question queue assembles. To ask questions, please press "*" and 1. The first question is from Amey Chalke from JM Financial. Please go ahead.

Amey Chalke: Thank you for taking my questions and congrats to the management on a good set of numbers. The first question I have is on the CDMO piece. This quarter we have delivered something like 18% growth. Is it possible to give some color on how the growth is divided between the development segment as well as the commercial molecules?

Vivek Valsaraj: So, Amey, the growth continues to be driven by the commercial side of the business as we reported in the earlier quarters as well. The development, the growth remains subdued as it has been because of the biotech funding crisis and the slowdown in the decision making with respect to RFPs for the development side. So, it continues to remain from the commercial side of the business.

Amey Chalke: Sure, and considering the biotech environment is improving, you expect FY '26 to be better for development side of the business?

Vivek Valsaraj: A bit too early to say, Amey, right now. We will see how things pan out. We are not really making any kind of guidance for FY '26 at this point in time.

Amey Chalke: Sure. Second question I have is, we had something like 160 million sales from the patented products in FY '24. Is it possible to guide for this year where this number could be?

Vivek Valsaraj: We will share what the number is going to be towards the end of the year when we make our annual declarations on these numbers. We will share what it was in the half year and we will give a more specific detail towards the end.

Amey Chalke: Sure, and considering this number will continue to improve looking at our pipeline, do you expect overall profitability of the business to move in tandem?

Vivek Valsaraj: So, that's the intent, right? As the overall business improves, the margin expansion should happen in the CMO space as the expansion happens in business revenues.

Amey Chalke: However, will that have any contingency on from where this product is sourced? Like if the product is made in U.S., the profitability, do you expect it to be slightly lower compared to if it is made in India? Or will that have an impact on the scale up in the commercial side?

Vivek Valsaraj: Amey, at scale, the profitability whether it's made in India or U.S. are fairly comparable. There is no necessarily a difference between where it is made. So, the scale matters.

Amey Chalke: Sure. Thank you so much. I will join back the queue.

Moderator: Thank you. The next question is from Sudarshan Agarwal from Axis Capital. Please go ahead.

Sudarshan Agarwal: Hi. So, my question is in relation to your tax rates. So, you know, this quarter also we had 100% plus kind of effective tax rate. While I understand there are certain loss making entities and you know that kind of affects our tax rates, can you elaborate what is driving these high level of tax rates? Is it more that your profitable entities are making more profits and the loss makings are at steady state? And how should I think about, you know, let's say next quarter or maybe the next couple of years in terms of our effective tax rate?

Vivek Valsaraj: So, Sudarshan, you are right that currently the mix is such that large quantum of profit is coming from the sites where we are currently paying taxes. The effective tax rate where we pay taxes are aligned with whatever is the tax applicable for the local jurisdiction. In quarter 4, you will see a meaningful reduction in the effective tax rate.

As we mentioned, quarter 4 is the biggest quarter in absolute value, which means the profitability at several of the other sites also improves, leading to a reduction in the overall effective tax rate. So, yes, you will see that reduction. We are not guiding for tax rates of the future years. We will see that later when we make specific guidances on years beyond FY '25.

Sudarshan Agarwal: Thanks for that. And lastly, I think you had certain one-off expenses in the health hospital generics space that you had called out earlier. Was a large chunk of it, you know, spent in this Q3 or is it pending? How should I think about that particular spend?

Vivek Valsaraj: We have spent about half of it, Sudarshan. We still expect the remaining to happen in quarter 4.

Sudarshan Agarwal: Thanks. That's it from my side.

Moderator: Thank you. The next question is from Abdulkader Puranwala from ICICI Securities. Please go ahead.

Abdulkader Puranwala: Thank you for the opportunity and congrats on good set of numbers. My first question is in relation with your cost optimization measures. While a good amount of that is visible into this particular quarter, but if you could highlight a couple of strategic initiatives, what you are taking and the kind of impact that will be seen in the EBITDA margins ahead would be helpful. Thank you.

Peter DeYoung: I can handle this one. Sorry. Vivek, you can add on top of that. For our cost efforts, we have several dimensions of activities across the whole Company. The first one is we are now into, I think, the third year of our significant enhancements in our procurement efforts, which should

continue and have demonstrated improvements in our purchased goods on both direct and indirect.

The second one is that we are also several years into a very aggressive program on our operational effectiveness program which is covering both direct and indirect labor as well as all the materials and how we use them in our facilities. We are seeing significant benefits from those efforts and those two initiatives are providing us with separately and together significant improvements in our overall cost to serve across our network.

I think those are the two I would like to highlight, and I think that they have contributed to some of our benefits this year so far, and we aren't done with those journeys yet. We should see benefits in the future months and quarters. And Vivek, if you want to add anything, please.

Vivek Valsaraj: I think you have fairly covered that, Peter.

Abdulkader Puranwala: Got it. Thank you. And my second question is pertaining to the new contracts, what you obtained in the complex hospital generics. Firstly, on what would be the tenure of this contract? And secondly, if we see the growth acceleration which is happening in this particular quarter, how much of that is because of this new contract?

Peter DeYoung: So, in this one, I would say that some of the contracts were renewals of existing contracts, which is very positive because in those cases, they are multi-year renewals, which is very beneficial for stability of revenue. So, that doesn't demonstrate the growth.

Then we do have certain ex-U.S. contracts that were new. And I would say that they are going to provide benefits in future months and quarters. But I would look at the overall annual growth and the annual guidance we have given as opposed to within quarter variations that there can be anomalies and differences in the prior year comparable quarter or also within the quarter.

And so I would encourage you to look at our overall guidance for the business for the year in the full-year basis, because that's probably the better measure. But I think you rightly noted that we are seeing kind of a return to healthier growth in this business, and we expect to kind of see that continue in line with our long-range plan.

Abdulkader Puranwala: Got it. Thank you, and I will get back in the queue.

Moderator: Thank you. The next question is from Tushar Manudhane from Motilal Oswal Financial Services. Please go ahead.

Tushar Manudhane: Thanks for the opportunity, sir. Sir, with respect to biotech funding while, you know, there is some gradual improvement, but apart from our, let's say, the interest rate, what is it that is holding

on in terms of the increasing the biotech funding? Is the project itself running at a slower pace or is it only to do with the finance cost? That is my first question.

Peter DeYoung: This is a complicated topic to predict the future. What we are looking at is the ability, first of all, last year as Nandini mentioned in her opening comments that last year the aggregate funding increased over the prior year but not beyond the level of replacement. And so our expectation is that if the funding were to improve further beyond that, they would need to be driven by some combination of factors. One could be the reduced interest rate.

The second could be the recycling of capital through exits through M&A because of changes in the FDC policy in the U.S. that could allow for more exits and then therefore more recycling of capital into the industry.

Another driver of potential increased investment would be more clarity around the viability of new investments with clarity around who is going to be in the cabinet and what policies they are going to take, and all these things need to be kind of shaken out over the coming weeks and months.

But we were, as Nandini mentioned, cautiously optimistic about the future because of some of the signals we saw of the increased deal activity at JP Morgan, the increased, I guess, overall mood and sentiment in that event. And if you look at the queue of pending IPOs at the moment, which are not yet fructified in the U.S., but if they were to come up, the number in the queue would be a substantial increase over the same prior period last year.

So, it's a combination of effects that have not yet played out and so therefore we are watching them very eagerly to see in which way they turn.

Tushar Manudhane: Got you. Because the commentary, the kind of optimism which in general we had from the CDMO companies, it seems to be, you know, sort of moderating in terms of the outlook, and that's the reason to ask this question. Secondly, if you could just also…

Nandini Piramal: There is increased volatility and uncertainty. So, I think everyone is, including us, is being. cautious.

Tushar Manudhane: Secondly, just if you could also share the gross margin across these three segments, it's not probably in the pecking order or each of the businesses.

Vivek Valsaraj: We don't share individual vertical level gross margins, Tushar. But they are not materially different except for ICH, which obviously will be slightly lower, but otherwise they are not materially different.

Tushar Manudhane: Understood. That's it from my side. Thank you.

Moderator: Thank you. The next question is from Madhav Marda from FIL. Please go ahead.

Madhav Marda: Hi, good evening. My first question was, what is the one-off costs that you booked in Quarter 3 for the CHG business?

Vivek Valsaraj: Sorry, if you could please repeat your question?

Madhav Marda: What is this one-off cost which we booked in Quarter 3? Could you quantify that amount?

Vivek Valsaraj: As I said, it's about 4 million, half of what we had planned to. It's not completely booked in Quarter 3, so between H1 and Quarter 3, Quarter 3 has about 2, H1 had about 2.

Madhav Marda: So, $2 million, so let's say 15-16 shows. So, should we say that the normalized business profitability in Quarter 3 is higher by $2 million? That's how we should look at the sort of steady-state margin for the business.

Vivek Valsaraj: Yes, because this is a one-off spend for Quarter 3. That's right.

Madhav Marda: And the second question was on the CHG business. Sorry, very basic question, but has the new site for inhalation started, which we wanted to use for servicing the RoW markets? Has that already commissioned or when does that start?

Peter DeYoung: So, to clarify in this one, the facility position of capability at our Digwal facility for Sevoflurane, the facility has been completed, the product has been manufactured, and it's on stability. And so as that stability data matures and we can start to file in different markets, we would start to enjoy the benefits once those are filed and the benefits accrue. And so that's why Nandini mentioned in her comments that this would be a next fiscal year benefit that we would experience in a phased manner.

And in the case of the Dahej facility, the work is progressing such that we should allow it to see the benefits also in the course of next fiscal year and that has a lower regulatory hurdle. And so it's in progress but not yet there, and no major issues at the moment and expecting benefit next fiscal year.

Madhav Marda: Understood. Thank you so much.

Moderator: Thank you. Before we take the next question, a reminder to participants that you may press star and 1 to join the question queue. The next question is from Vilas Jain from WF Advisors. Please go ahead.

Vilas Jain: Good evening, everybody. My question relates to the two dynamic parameters of the skewed nature of the business in the financial year and the tax incidents to the Company. We can see the

profitability remains precarious and for the first nine months, there is a loss. It is only the last quarter which is delivering value to the organization as it appears. I have pointed this earlier that there has to be a meaningful effort to even out the business over the quarter to make profitability higher and sustainable for the Company.

And secondly, the tax incident from the Company also requires some reorganization perhaps of the business. So, in favor of the or in favor of the Company of the plants which have been very high profitability.

Vivek Valsaraj: So, Vilas, sorry, your question was not very fully clear. One, I understood was your question was related to the skew of profitability. Am I correct?

Vilas Jain: Yes.

Vivek Valsaraj: If you could please repeat your second question.

Vilas Jain: The second is of the incidence of taxation which remains on the higher side. Can we reorganize the businesses in such a way that the operations of the higher profitable plants are increased and the loss-making plants operations are reduced to make the overall incidence of the taxation at a lower level?

Vivek Valsaraj: So, it's like this, Vilas. Firstly, of course, it is the preferred thing that we should have a more even distribution. We would also prefer that as management to have more even distribution of revenues and profitability. This skew is predominantly in our CDMO business and the reason this also happens is because of the way the customers place orders with us and when they expect delivery. So, it's not completely within our control. To the extent possible, we of course try to push the skew. But we have seen this historically that the customers tend to buy more in their first quarter, which is our last quarter. And that trend has continued.

Secondly, with respect to the taxation, rest assured that we don't pay tax higher than what is required in the jurisdictions where we operate. So, we are paying only the standard ATR, whatever it is, 24-25% that is there. Currently, of course, it looks skewed because of the subscale operations at some of our facilities. As we increase our overall utilization and as profitability improves, the ATR will also start showing an improvement. So, it's more about improving the overall business performance to be able to get a more optimized tax.

Vilas Jain: But sir, as a general person, I would like to understand the surgeries and the elective surgeries happen throughout the year. Why would the business have such a huge skew towards the last quarter of the year?

Vivek Valsaraj: So, essentially, Vilas, there is a component of fixed cost that prevails throughout every quarter, right? So, as the scale, it's all about fixed cost leverage. As scale improves, as revenue booking enhances, margins improve. So, it's more about fixed cost leverage.

Vilas Jain: Very well. Thank you.

Moderator: Thank you. The next question is from Alankar Garude from Kotak Institutional Equities. Please call ahead.

Alankar Garude: Hi, thank you for the opportunity. Vivek, you spoke about growth being driven by the commercial segment within CDMO. So, in that context, can you provide some qualitative comments on the improvement in utilization rates, particularly at our overseas facilities in this quarter?

Vivek Valsaraj: So, see, it's difficult to give a number of utilization and we have been saying this that putting one number across all the facilities that we have, given the fact that it's development commercial, it's very complicated and it probably would be not making sense if I throw a number. Obviously, as we improve scale, we are looking for improving the utilization. That's the target. But I really can't give a number for that. And especially at a quarter level, it's even more difficult.

Alankar Garude: Yeah, so that's why my question was any qualitative comments would be helpful.

Vivek Valsaraj: So, historically as we have been saying that our utilization at our facilities in India are high and at the same time at some of our API facilities are also on the higher side, we do have more capacities on the formulation side of the business. And we have created some capacities in the form of Capex at our facilities, whether it's ADC, whether it's that high potent API. So, those are recently created capacities where we continue to have some capacity right now.

Alankar Garude: Understood. Secondly, while it would be difficult to make a like-for-like comparison, intuitively, how should we think about the margin profile for integrated projects versus, say, a single facility-based project?

Vivek Valsaraj: The integrated project allows you to capture a higher segment of the total value chain, right? Because you are actually getting profit from multiple areas within the entire profile of the product. So, to that way, in absolute value, it will be much more higher than doing just one part of the work for the customer.

Peter DeYoung: You see, just to build on this, we see the margins may be modestly similar or better, but I think the much more important thing is what Vivek alluded to, which is the average ticket size for an integrated program is an order of magnitude higher than for standalone offering on a like-to-like basis. And I think the other point is that when we deliver on our customer promises after winning an integrated program, we find that the business is also stickier. And so we see the benefits

primarily in the – when we win those, and we do win them, and we are excited about this offering, is that we can get – a single win can have a larger ticket size, and it's more durable when we perform.

Alankar Garude: Got it. And one last question, if I may. While that would not be visible as of now, but is there any possibility of slowdown in the RFP activity given the uncertainty around the Biosecure Act?

Nandini Piramal: So, one is, I can take this. The Biosecure Act has not been passed yet, but if people are looking at diversifying of supply chains, we do have capacity available in the U.S. for U.S. manufacture and I think that's one of the benefits of our global structure as well as capacity in India. So, if people want to diversify, we do have the capacity available.

Alankar Garude: Understood. That's it from my side. Thank you.

Moderator: Thank you. The next question is from Saurabh Kapadia from Sundaram Mutual Fund. Please go ahead.

Saurabh Kapadia: Thanks for the opportunity. While our EBITDA margin has seen improvement on Y-o-Y basis, also on versus Q2, but the gross margin has seen some softness. What could be the reason for that?

Vivek Valsaraj: So, Saurabh, I would urge don't look at quarterly gross margins because they can move depending upon the product mix during the quarter. The nine-month gross margin is more representative as we have been saying overall gross margins of 64-65 is more representative and that's how it will pan out. So, within a quarter you will see some skews depending upon the mix.

Saurabh Kapadia: And also, in CDMO, if you look at 9 months growth of 18%, can you at least give some color in terms of how is it going to growth in the API business, generic API business?

Vivek Valsaraj: So, while we don't give specific growth at individual segment level, overall it's been a healthy growth, I may say.

Peter DeYoung: Yeah, I will just add that we have seen some a kind of return to growth in a healthy way that it describes for our generic API segment after a few years where it was more volatile and less positive. So, I would say this is actually something that you see in positive signs.

Saurabh Kapadia: Thank you.

Moderator: Thank you. The next question is from Pravin Rathi from Pravin Rathi & Associates. Please go ahead.

Pravin Rathi: Congratulations on the good set of numbers. I had two questions. Any color on our production of Bexagliflozin under the brand name of Brenzavvy? And the second one is that the government is actively considering disinvestment of HLL Lifecare. So, are we actively considering to participate in that? Thank you.

Vivek Valsaraj: Can you repeat the second question? We didn't understand the second question.

Pravin Rathi: Our government is considering the disinvestment of HLL Lifecare. And we are shortlisted I think in that. So, are we actively pursuing for that or due to the US business you are not considering it?

Nandini Piramal: I think we are not looking at any new acquisitions at the moment, I mean, if that answers the question.

Pravin Rathi: And the first one?

Vivek Valsaraj: We can't comment on specific products. We are bound by confidentiality agreements, Pravin. So, please excuse. It may not be appropriate for us to make comments on that.

Moderator: Thank you. The next question is from Chandresh, who is an individual investor. Please go ahead. Mr. Chandresh? There seems to be no response from the line of Chandresh. We will move to the next question. The next question is from Sajal Kapoor from Antifragile Thinking. Please go ahead.

Sajal Kapoor: Many thanks for taking the questions. The intermediate and API supply chain, we know that is spread across the globe and it's pretty complex. So, given the recent posturing from the U.S. administration, I mean, how is the economics and the timeline of setting up a greenfield facility in the U.S. versus India?

Peter DeYoung: So, we are not currently contemplating setting up a Greenfield API facility in the U.S. We actually have an existing facility that has capacity for the type of offering that we think would be most benefiting from onshore production, which would be the on-patent work and the higher value work. I think there is a lot of uncertainty that needs to play out, given the recent political indications.

But Nandini's point is the one that I think we should just emphasize, which is that if the customers should feel the need to produce more onshore in the U.S., we have capacities available now at our facilities if they should feel the need to do that in the areas where the value would be highest because of the benefits of the offerings we have.

If the U.S. wanted to do a much more wholesale onshoring, including the lower value products and the higher volume products, it would be a much more substantial change. And I am not

entirely sure there would be ability to execute on that in the near term. And there would be more things that would have to play out.

And so we are just going to have to wait and see how the government acts and also how our customers act, but our point is if you want capacity at appropriate value, we have it in both the U.S., which is the onshore offering, and we also have it in front shoring countries such as India and Canada and the UK. And so this will have to play out over time and frankly it's too much volatility to make a prediction, but our point is we are ready for our customers.

Sajal Kapoor: And Peter, the pricing is different, right? If you want the product to be made in the U.S., the pricing will not be the same as in India, right?

Peter DeYoung: We see actually customers, when they make a choice of who is going to provide for them, typically they will pick the country and then they will do an RFP with people who can provide in that country and the pricing is compared against other providers in that country. While sometimes more infrequently customers will do global RFPs, we found that in many cases they will pick a country or a couple of countries where they are willing or interested to source from and the competition is based on the cost structure of the location.

Sajal Kapoor: No, understood. And in terms of the duration and scope of the compliance audit, how does a USFDA audit differ from a customer audit? Because logically speaking, failure to meet compliance obligation is a risk for our customers. So, their audit should be stricter, longer, and I mean, ideally, they should go deeper compared to a USFDA audit because If you sail or pass, it doesn't impact the cash flow of USFDA, but it does impact the cash flow of our customers.

Nandini Piramal: I think our customers are very experienced auditors, and often what they do is they do help us improve and get to the level that the USFDA inspects. That's one of the benefits of being a CDMO is that you have a lot of customers that walk through to the plants and more eyes will always find, you always learn something. Different customers do have different approaches to the audit. So, you also learn from each of those and you have to then decide what is the Piramal way of quality.

Sajal Kapoor: That's helpful, Nandini. And finally, if I may squeeze the last one, how many CDMO scientists do we have? So, that's one part, and then do our scientists work across multiple projects simultaneously, or do they remain restricted to one team, one project at a time?

Peter DeYoung: I will take this. So, we have a teaming concept for a given project. And obviously, as the work progresses through the value chain, different cross-functional members participate in that activity. And so in many cases, the people would be working on that activity at that point in time for that client, but it's rare that the entire team would be dedicated unless it's a larger volume commercial recruiting activity where we can carve people out or if in the case of the, if a client

wants to have a dedicated team, and they are willing to pay the FT rates for a certain period of time.

So, the more common arrangement is that people pay us for the outcome, and we arrange the team to deliver that outcome. But there are cases where people will say, I want a lab unit in the case of, let's say, discovery, or if they would like to ring fence a set of people to make sure that they are available, even if there will be variances in the utilization of the people.

That's typically a maybe a higher cost option because it doesn't allow them to get the benefit of the ups and downs, and they have to pay throughout. So, I would say that's done, but it's more frequently they pay us for the outcome, and we deliver the service.

Sajal Kapoor: That's helpful, Peter. I missed the number of CDMO scientists we have today and where do we expect this number to go in the next foreseeable future?

Peter DeYoung: So, we haven't disclosed it in the past. I guess we have not gotten that question too often. What we could do is debate whether that's something we put in our next annual disclosure. What we have actually focused on is what we call our scientific collective, which will be kind of our highest caliber scientists that we think are very helpful in the selling process and also the execution process of projects. and projecting these very high-profile top of their domain experts we found has been a very useful tool in giving prospective and current clients comfort that we can add value to their projects and not just execute without having that perspective.

And so we have invested in and we have even branded it from a marketing perspective as the scientific collective. But this would be a handful of very high-profile scientists. Obviously, there is a whole large number of folks behind them that are highly skilled, but we don't market or brand them that way. But we take your feedback and we will think about how to best capture that in the future.

Sajal Kapoor: Thank you, Peter. Thank you. That's all from my side.

Moderator: Thank you very much. That was the last question in the queue. I would now like to hand the conference back to Mr. Gagan Borana for closing comments.

Gagan Borana: Thank you very much, everyone. We hope that we were able to answer most of your questions. In case you have any follow-up questions or any clarification, please feel free to reach out to me and I will be happy to respond. Thank you, and have a good day.

Moderator: Thank you very much. On behalf of Piramal Pharma Limited, that concludes this conference. Thank you for joining us, ladies and gentlemen. You may now disconnect your lines.