NEULAND
WHERE OPPORTUNITY BECOMES REALITY

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November 16, 2022

To

BSE Limited
Phiroze Jeejeebhoy Towers, 25th Floor,
Dalal Street, Mumbai – 400 001

Scrip Code: 524558

The National Stock Exchange of India Ltd
Exchange Plaza,
Bandra Kurla Complex
Bandra (E), Mumbai – 400 001

Scrip Code: NEULANDLAB; Series: EQ

Dear Sir/Madam,

Sub: Transcript of the Earnings call conducted on November 10, 2022

Pursuant to Regulation 30 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed the transcript of the Earnings call for the quarter and half year ended September 30, 2022, conducted on November 10, 2022. Also please note that this transcript of the call has been uploaded on our website.

The weblink to access it:
https://www.neulandlabs.com/investors/investor-updates/announcements/

This is for your information and records.

Thanking you,

Yours faithfully,
For **Neuland Laboratories Limited**

SARADA BHAMIDIPATI
Digitally signed by SARADA BHAMIDIPATI
Date: 2022.11.16 14:35:02 +05'30'

Sarada Bhamidipati
Company Secretary

Encl: As above

“Neuland Laboratories Limited Q2 FY23 Earnings Conference Call”

November 10, 2022

MANAGEMENT: **MR. SUCHETH DAVULURI – VICE CHAIRMAN & CEO, NEULAND LABORATORIES LIMITED**
MR. SAHARSH DAVULURI - VICE CHAIRMAN & MANAGING DIRECTOR, NEULAND LABORATORIES LIMITED
MR. VENKATA BHARADWAJ GOLLAPUDI - GENERAL MANAGER, FINANCE AND ACCOUNTS, NEULAND LABORATORIES LIMITED
MR. SAJEEV EMMANUEL MEDIKONDA - HEAD, CORPORATE PLANNING AND STRATEGY, NEULAND LABORATORIES LIMITED

Moderator: Ladies and gentlemen, good day and welcome to Neuland Laboratories Limited Q2 FY23 Earnings Conference Call. 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 conference 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. Ravi Udeshi from EY. Thank you and over to you.

Ravi Udeshi: Thank you Yashashri. Good evening friends. We welcome you to the Q2 FY23 Earnings Call of Neuland Laboratories Limited. To take us through the results and to answer your questions, we have with us the top management from Neuland represented by Mr. Sucheth Davuluri - Vice Chairman and CEO; Mr. Saharsh Davuluri - Vice Chairman and Managing Director; Mr. Venkata Bharadwaj Gollapudi - General Manager, Finance and Accounts and Mr. Sajeev Emmanuel Medikonda - Head, Corporate Planning and Strategy.

We will start the call with a brief overview of the financials by Venkata Bharadwaj and then Saharsh will give you a broad highlight of the business trends and what he is observing in the market and post this, we will open it up for the Q&A session. As usual, the standard safe harbor clause applies as we start the call. With that said, I now hand over the floor to Venkata Bharadwaj. Over to you, Venkata Bharadwaj.

Ventaka B. Gollapudi: Thank you very much, Ravi. A very good evening to all friends and warm welcome to you all for our Q2 FY23 Earnings Call. I think that you must have seen the presentation which Ravi just mentioned and it is put up on our website and also we have uploaded both on BSE as well as on NSE websites. As always, any comments on the content of this presentation, which we have sent will be highly appreciated and we will do our best to give out additional data points which will help you to analyze the data points much better.

I will briefly talk about financials now. The total income for this quarter is Rs. 293.9 crores as against Rs. 258.1 crores in Q2 FY22. This was largely driven by growth in our GDS specialty and CMS businesses. Our EBITDA for the quarter was Rs. 69.4 crores with EBITDA margin of 23.6%, an increase of 690 basis points over previous year which was 16.7% and it has been increased by 1050 basis points based on sequential basis.

I would like to give some context on the increase in EBITDA margins on a yearly basis. The business mix has shifted in favor of high margin products. While we have continued to witness volatility in input prices, we have experienced some easing on relative basis. We have continued to focus on execution excellence and to optimize cost to ensure minimization of external events that we are facing. We have also witnessed high manpower costs and other costs arising mostly out of unit III commercialization that we did earlier. We continue to maintain high levels of inventory to avoid any future possible disruptions which are happening globally as of now.

I would like to share that our focus on improving the business mix has also led to a continued increase in the gross margin. Gross margin was 56.2% in Q2 FY23 compared to 53.4% in Q1 FY23 and 49.2% in Q2 FY22. Further, we expect the shift in portfolio mix to continue to drive higher gross margins. Profit after tax was at Rs. 38.3 crores as compared to Rs. 20.3 crores last year. This quarter EPS is at Rs. 29.9 per share. On a half yearly basis, the total income was Rs. 515.6 crores, an increase of 11.8% from the same period last year. The EBITDA increased by 39.1% to Rs. 98.4 crores as against Rs. 70.7 crores in H1 FY22. The EBITDA margins came in at 19.1% compared to 15.3% for the year earlier for the reasons which we have discussed just now and including Q1 performance.

In terms of cash and cash equivalents, we have Rs. 5.3 crores as on balance sheet at the end of September. We continue to make investment in the future and also for CAPEX we have spent about Rs. 34.2 crores in H1 FY23 and also if you talk about our CAPEX plan, it is on track and with commercialization of products happening and also for the future prospects. I would like to mention that even though we had done substantial CAPEX till date, our net gearing ratio continues to be low. As of now, it is at 0.2x. With that, I would like to hand over the call to Saharsh for his remarks and thank you very much.

Saharsh Davuluri: Hi, good evening everyone. Thank you Bharadwaj and my apologies if my tone is not very enthusiastic after the cricket match that we just witnessed. I think in terms of the quarter itself, I will add a few comments on top of what Bharadwaj has already said and then we can open it up for Q&A. I think the quarter in many ways is the representation of the direction that we have been steering our business towards. I think the growth driven by both Specialty and CMS business, it has meant that we have healthy gross margin flowing through to the rest of the P&L and while there is continued uncertainty around raw material prices, we have seen certain softening which has benefited us right now along with favorable exchange rate as well. I think other than that important is that we have our highest ever revenues in the Specialty segment, I think we clocked around Rs. 96 crores, which is quite promising. Products like Donepezil, Ezetimibe and new products like Paliperidone and Apixaban, these have all contributed significantly and we are very excited about these products. They help us keep healthy gross margins and we see newer products in our portfolio have greater traction as we go along.

With regards to CMS business, we have seen again highest revenues at around Rs. 97 crores which is also I think as indicated growth of over 40% year-on-year and the CMS pipeline is also witnessing a continued growth in terms of molecules moving to commercial stage and contributing to revenues. We have also seen some early-stage projects get added to our business this quarter as well and we are continuing to see increasing traction from new customers as our ability to execute difficult late stage projects distinguishes us and makes us a highly regarded CMO.

In terms of the overall business, we are seeing significant shift towards high margin business for the long term which has been our stated aim, however, we must remain cautious about how

business mix, raw material prices or even Forex could negatively impact these margins in the future, so I think that something that we would like to investors, analysts and all stakeholders to be mindful of and I think from another dimension, Neuland has always tried to create value for all its stakeholders and in line with the same, I am pleased to share that as part of our ESG efforts, ECOVADIS has recently awarded Neuland the sustainability rating of Silver during the September quarter.

I would also like to mention that our unit III is ramping up well and continues to support our growth. We can see that some of our late stage CMS projects are being scaled up here and as some of these products scale up, we see that the unit III utilization is gradually going to grow up and even as it contributes to raising operating expenses, we will see operating leverage continue to kick in and I think we continue to see the kind of momentum we have witnessed in H1. We think it is a sustainable kind of momentum and therefore we continue to remain optimistic about the future of the business.

So, may be these are some of the high-level comments. So, I will kind of pause here and open it up for Q&A. Thanks.

Moderator: Thank you very much. We will now begin the question-and-answer session. We have our first question from the line of Siddhant Maheshwari from Banyan Capital. Please go ahead.

Siddhant Maheshwari: Sir, we would like to know how significant is revenue from Levetiracetam for the company as a percentage of total revenue?

Saharsh Davuluri: We don't disclose at a product level what is the percentage of the contribution, so it is definitely one of our top 5 or 10 products, but we don't have that information.

Siddhant Maheshwari: But sir, still may be some broad idea like can it be like, broad number like is it falling in let us say around 10% of the total?

Saharsh Davuluri: It is one of our top 10 products for the company and one of our top 5 products in the generic side.

Sajeev E. Medikonda: Just to answer your question Siddhant, Levetiracetam is still a good contributor among our top Prime products and if you see this quarter Prime contributor to 30% of our revenues and within that Levetiracetam is in the top 5 products.

Moderator: Thank you. The next question is from the line of Keshav from RakSan Investors. Please go ahead.

Keshav: Congrats for an astonishing performance. Firstly, there are a few trends playing out pertaining to which I would like to understand how we are positioned, so though your opening statement

has already shared but still for the sake of repetition, so one thing is that we have small midsize biotechs our clients and we are seeing a tremendous amount of innovation from this space in the past decade, but it has been also an era of ample financial liquidity, so firstly do you think that as a business model or clients might be relatively vulnerable and they might reprioritize their assets or might actually face difficulty funding their early stage pipelines or are we seeing any such signs of slowdown, talks of a slowdown or difficulties getting newer clients?

Saharsh Davuluri: I think a lot of customers we work on the CMS front are biotech companies as you mentioned Keshav, but also I think it is important to understand that a biotech company is not necessarily a venture back company, a lot of the companies we work with especially the ones where we have more advanced molecules, these are all either NASDAQ listed or New York Stock Exchange listed companies and they have market caps in excess of $2-$3 billion, some of them have $10-$15 billion market cap. So, I think the biotech category is perhaps a little loosely defined, but for us the biotech is especially the ones where the assets are in late clinical phase, these are all multibillion dollar market cap companies, so they are a little bit more resilient than some of the early stage companies that you are perhaps referring to.

Keshav: And sir, secondly, apart from probably the complexity required during deuteration that we spoke of, are there any other factor as well because of which deuterated molecules have hardly seen any commercialization in the market as yet because as a concept it sounds too good to not be leveraged in a big way, like simplistically, so did not bring in many candidates with good efficacy that gets rejected due to the toxicity profiles or other 505 B2 opportunities?

Saharsh Davuluri: I think again, the caveat that we are not really drug discovery experts, but just someone who has specialization in deuterated chemistry, I think what we understand from the market places while deuterated molecules are safer and more efficacious in nature, I think there have been lot of challenges in getting commercial approvals for these drugs and I think there are many factors which frankly speaking we as an API maker don't understand, but having said that I think over the last 6 months we have come across fairly significant number of clinical candidates of deuterated molecules, so I do believe somewhere that in the years to come, there shall be more deuterated drugs out there in the market, but I think again when it comes to deuteration, I think there are several other factors to be considered and therefore it is hard to or say question as to why they are not more deuterated drugs in the market right now, but we are seeing more and more candidates in terms of assets in the clinic or early stage clinic.

Moderator: Thank you. We have our next question from the line of Midhun, an Individual Investor. Please go ahead.

Midhun: Congrats for nice set of numbers. My question is regarding the peptide molecules in our pipeline, we have been developing Semaglutide and Liraglutide for past 4 years I think, can you give me more color on this? Have you filed any DMF for something or any update on this?

Sajeev E. Medikonda: So, I think Midhun when it comes to the peptide sect we have in our portfolio and which we have been developing, you are right that we have been working on Liraglutide and Semaglutide and we have made significant progress in the lab. Even as we were looking, this is not a small molecule, so therefore we are not looking to straight away go and file a DMF because we need working very closely with a formulator to ensure that we have the right products which is their need and even as we are looking for the right customer for these two products, we have also started development on more molecules in the peptide portfolio. So, as soon as we find the right partners for these products, we will scale them up, you will see the DMF being filed. Even as we are saying that we are looking for the right partners for these products, we have gone further because we have done the work in the lab for these products, we have added more products to our portfolio and even there we are seeing good interest in those products, so I think we will find that in our product list, a product called **Difelakafalin** as well as Tirzepatide, both also we have been working for the past 6 months or so.

Midhun: My next question is regarding the molecule, Tirzepatide, are we seeing any demand for this molecule, how is that customer traction for this molecule?

Sajeev E. Medikonda: So, this is a recently approved molecule, so we are seeing good traction, but we will be expecting certain small development quantities going out over the next 12 to 18 months or so, but from a commercial perspective this is a long-term bet both for us as well as our customers.

Midhun: I think this one is a patented molecule, right?

Sajeev E. Medikonda: Yes, it has been recently approved, it will be under patent.

Midhun: So, are we seeing customer demand for this molecule, I think there is only one customer?

Sajeev E. Medikonda: Yes, this is for generic market, so we are seeing interest from generic customers who are looking for their pipeline, for people who are looking to file NCE-1 filing looking at a first to file opportunities, those are the kind of customers who are showing interest in this product right now.

Moderator: Thank you. We have our next question from the line of Kunal from Carnelian. Please go ahead.

Kunal: I just wanted to understand in this current quarter, you have done about Rs. 97 crores in Specialty and Rs. 97 crores in CMS, in comparison to Rs. 58 crores and Rs. 69 crores respectively in the last quarter. During the last quarter, if I understand correctly we had some delayed deliveries in both the segments, so just wanted to understand in this Rs. 97 odd crores, if you could help understand briefly, what would be that amount which was pertaining to the last quarter which got delivered in the current quarter?

Saharsh Davuluri: I think when we talked about our performance in the last quarter, there was an indication that there have been some projects that have been delayed and therefore the numbers could have been

higher. I think with regards to that question, probably Kunal what I would say is whatever delays would have happened in that quarter are probably a part of these numbers that we are right now forecasting or what we have actually executed, but I think it is also important to take into consideration that we see since we are executing several projects, there is a continuous sense of rollover, so again we have done Rs. 97 crores this quarter, but perhaps if we had absolutely no delays in this quarter, we would have done more. So, there is, in that sense, a spillover even from this quarter to next quarter, so I think I would ask you to take my opening remarks into consideration what we have done this quarter which is around Rs. 96-Rs. 97 crores is in some way not a one-off quarter, it is not that we have had a lot of stuff from last quarter spilled over into this quarter and therefore we did Rs 97 crores. It is just that, yes we have had spillovers into this quarter, but having said that this quarter is also in some way the sustainable quarter, so it is not like 60 is the steady number and 97 is the onetime number. That is how much I can clarify.

Kunal: And just coming to the Prime segment, right, so now we have been doing like about Rs. 90 odd crores in the last 2 quarters, so how should one look at this particular segment going ahead now, I mean as you have mentioned that we have been focusing more on Specialty CMS and that is getting reflected in our CP margins as well which has been clocking very good, but for the overall revenue being, you guided for 20% revenue growth in this year on revenue count, so is that guidance on track considering all the segments?

Saharsh Davuluri: Yes, I think just to clarify, we have not provided any guidance in terms of how our revenue would progress. I think in terms of the prior category itself, I think there has been for us the biggest impact on Prime has been because of Levetiracetam and I think that continues to be a concern for us. Even in this quarter we have seen subdued performance of Levetiracetam, if not we would have probably had a higher revenue number and I think for us it remains a little bit of a concern because we are not very clear in terms of how and when we will recover. I think other than Levetiracetam. I think to a certain extent, Mirtazapine also has been a little bit muted compared to how we did last year. I think if not for these two products, I think the rest of the product portfolio in Prime is doing well for us and everything else is moving as per our budgeted numbers and I think Mirtazapine also, we are seeing a little bit of a slowdown because we had some sort of tenders and all last year which are not happening this year, may be they will happen later in the year. I think Levetiracetam is where there has been a reduction in terms of the volumes that our customers are taking and I think we have seen this kind of cycles in the past with Levetiracetam and some of our other products. It is not a long-term concern, I think we continued to be very competitive in Leveitracetam and we continue to add new products, so I think we expect it to come back sooner or later.

Kunal: Just one last question if I may squeeze in, our quarterly run rate of other expenses, I mean which was 55-56 for the last 4 quarters has gone up to Rs. 63 odd crores in the current quarter, so how should one look at that, any oneoff over here or how should one read that?

Ventaka B. Gollapudi: I think there has been no oneoff specifically in the other expenditure that we have seen, so I think this should be something which we focused to happen in a continued basis.

Sucheth Davuluri: And most of the expenses Kunal are related to investments that we are making in our capabilities, in R&D and manufacturing for new product developments, so we expect, though we had kept a strong cap on our expenses and lot of initiatives to keep them under control, there is no oneoff items that are reflected in the specific quarter, so they will continue.

Kunal: And our unit III is breaking even or there is still some line for unit III to breakeven?

Saharsh Davuluri: We have not disclosed what the unit III levels are, but I think broadly speaking it is not yet there, but I think by the end of this year, we should be in a good position.

Moderator: Thank you. We have our next question from the line of Ankush Mahajan from Axis Securities. Please go ahead.

Ankush Mahajan: Congrats for a good set of numbers, sir, my question is related to the outlook on the CMS division, as in the last quarter we have been told that there is a delay in shipments as the orders have been cancelled, we can say in this way, so any update on that one, that its spillover order was there in the CMS or sir any another way I just tried to understand that what is kind of a CAPEX we already have done for the CMS and what kind of revenues that we are looking on that sir, if you throw more light on the CMS I really appreciate, sir?

Saharsh Davuluri: We had just clarified this first question earlier saying that whatever spillover that happened have been delivered this quarter and having said that what we have done in this quarter we consider to be a steady performance, so I believe that question is answered. I think second question may be Bharadwaj, you want to answer?

Sajeev E. Medikonda: Second question, is there specific CAPEX which is done for CMS projects and I think if we, all the CAPEX is done both from GDS and CMS perspective, even if there is a project which is specific to CMS, the overall investment is done on the basis of the fact that it will be fungible capacity, so they are all multiproduct facilities, so we would not be able to say that this is the CAPEX amount for CMS projects.

Ankush Mahajan: I am seeing very good set of numbers for this Specialty division, so I just tried to understand sir, Paliperidone, Donepezil and Apixaban, these molecules are given there, sir any plan to launch new molecules in the second half and what are the five current molecules that are contributing to the revenue of Specialty, sir?

Sajeev E. Medikonda: Ankush, to answer your question, you already mentioned three of the products contributing to specialty revenues. On top of that I think another product which we did mention even in our press release is Ezetimibe and I think if you look at our business, we actually developed products

many years in advance and the launch of these products in the market is actually dependent on our customers when they are able to get approvals and how rulings happen in terms of patent and so on and so forth, so to a certain extent, our responsibility, our job is to ensure that we select the right products and that we develop them. So, I would not be able to answer if we are launching any products in the H2, but what I can assure you is that we have a very healthy pipeline of products and customers are looking towards those projects and we will continue to see good traction from the new products.

Ankush Mahajan: Sir, last one is about CMS side, any update on few molecules that we are looking on commercialization and in the developmental stage that can add revenue now?

Saharsh Davuluri: I think on the CMS side, we had mentioned earlier that we have a table that we publish every quarter and I think if you look at the table, you will see that there are some molecules listed in Phase-3 development and commercial. I think they are the candidates for us that are likely to provide good stable commercial revenue in the future and as we had also mentioned in some of our commentary earlier, in the next year or two, we expect at least may be 2 to 3 molecules getting commercialized and I think in the last 2 years also we have had at least 2 new additions to the commercial segment of our category, so I think we do expect steady transition of molecules from development into commercial and those should contribute to commercial revenues for CMS and I think that is what we will contribute to the growth of the CMS business as well, but we cannot give specificity in terms of which molecule, which indication, etc.

Moderator: Thank you. We have our next question from the line of Ritesh Oswal from Opal Industries. Please go ahead.

Ritesh Oswal: Congratulations, last year you have lost one customer, have you started supply to them?

Saharsh Davuluri: Sorry, can you clarify what customer you are referring to?

Ritesh Oswal: Under CMS, you lost one customer last year that deuterated our product?

Sajeev E. Medikonda: I don't think we have lost any customers with respect to last year I think the only project that we said that let us say Antihistamine where the product has become generic, so therefore there we have lost revenues from that. That was the only reference. There has been no loss as such in terms of any customer.

Ritesh Oswal: One more question, can we expect the same EBITDA level in Q3 as the INR depreciates?

Sajeev E. Medikonda: I think even as Saharsh had mentioned during his speech, we expect our business mix to be similar even in Q3 and so therefore you would see that the margins this quarter are driven by the business mix and certain conditions being in our favor, so when it comes to Q3, the numbers will be a reflection of the business mix and also the external conditions too.

Moderator: Thank you. We have our next question from the line of Santhanam Surendran, an Individual Investor. Please go ahead.

Santhanam Surendran: Congratulations on the good set of numbers, my question was on the utilization of unitIII, if you want to just put a number to it and what is that you expect for the next half of this year and are there any US FDA inspections lined up in the near term?

Sucheth Davuluri: I think with unit III that is a difficult question to answer because we are constantly investing in unit III and expanding and we keep adding products at the same time, so the capacity continues to evolve. Having said that, currently, there is no inspection which is being formally announced, we are expecting to be inspected as we do continuously, but as of now there is nothing on the card.

Moderator: Thank you. We have our next question from the line of Keshav from RakSan Investors. Please go ahead.

Keshav: Sir, just one observation, so the later stage soon to be commercial and commercial molecules have gone up in the recent past and we also mentioned about increasingly focusing on this area and choosing candidates wisely over there, but just want to understand if we are selectively foregoing a lot of early stage opportunities as well if we were getting a certain kind of enquiries 5 years back, are we getting on an average bigger number of early stage enquiries, but we are much more selective now to choose from it, is this the correct observation?

Saharsh Davuluri: Frankly speaking, I don't think we are there Keshav, I think we would ideally in the future get to a stage where we want to focus more and more on late stage molecules, but I think today if you see how our pipeline is progressing, I think even this quarter we have added I think like 3 or 4 preclinical assets, we have added one or two Phase-1 assets and I think the way the business is evolving, I think two things are very important, I think for investors, analysts also to note, that timelines which mean preclinical Phase-1 to commercial is gradually reducing, I think especially US companies are becoming more aggressive in their development timeline especially post COVID. So, I think it bodes well for a CDMO to keep continuously working with early stage assets also because early stage assets are also accelerating very quickly into late stage and commercial; however, having said that in the long term, as we have to keep focusing and getting, I guess you know becoming more selective we will have to come up with a subtle way of looking at assets which are adding more value to the company, but I would not say that the assets which are adding more value to the company are necessarily only late stage molecules. Sometimes we may not want to do a Phase-3 molecule for a particular indication and we might want to do orphan indication for Phase-1. So, I think there is a lot of qualitative work done in how one screens for business which I think is a relevant question, I think we would like to get to a stage where we will be screaming for business. Today, I think we do it only a little bit, not so much.

Keshav: And sir, in the NCE pipeline, have any of our clients seen any in-licensing in the past 2-3 years for the substance we are selling?

Sajeev E. Medikonda: If I have to understand your question Keshav, you are asking whether any of our customers have seen in-licensing, I think considering that we have close to 30 or even as much as 50 customers for our 87 odd projects, so we see that there has been both the mix of in-licensing as well as out-licensing activity which happens, so there is nothing specific relevant to our business which we need to comment on.

Keshav: And sir, another long shot question again, so we have been either hearing about nearshoring from EU and US and now the rhetoric is moving between outsourcing or nearshoring, so understood that the CMS business is strategic and short-term moves don't happen, but from a longer-term perspective, is there any directional shifting say CDMO capacity is coming up in EU or US closer to the customers?

Saharsh Davuluri: I think it is a very good question and I think many of us in the pharma industry were at an important trade conference last week called CPHI and I think one of the takeaways that we had was that European CDMOs are also quite active in terms of getting some of the business from biotech companies as well as big pharma and they are also looking at creating capacities, so I think there will be a continued challenge from European based CMOs. I think that challenge will be more prevalent with when we are competing for business with European companies. I think when we are competing with the business for US company, may be you might still have a little bit of an advantage, but that is kind of one way to look at it. Sucheth, anything you want to add.

Sucheth Davuluri: No, I think very similar as you are commenting, I think generally, we will stick our neck out and say this, but I think it is going to be the European API companies and the Indian API companies that are going to become the formidable supply base for most of the pharmaceutical markets across the world, so I think we are seeing it as an opportunity, our investments reflect that and our investments of the future will also reflect the same.

Moderator: Thank you. We have our next question from the line of Sajal Kapoor. Please go ahead.

Sajal Kapoor: Congratulations for a very reassuring set of performance this time around. My question is, an Indian CDMO dominated player is a relatively large size player and recent commentary was that they have seen some attrition and loss of manpower in their overseas operation, are we seeing any similar trend here in India and how is the attritions levels looking from an industry perspective as well as from Neuland's perspective?

Sucheth Davuluri: You called right after we answered the previous question.

Sajal Kapoor: So, my question is, in this NCE scaleup and this novel synthesis is a very skilled-incentive you need certain capability and scientific resources, you need certain infrastructure and one of our

Indian large CDMO government player, the recent commentaries also they are seeing some attrition in their overseas facilities, so they operate out of Europe and US as well in addition to India and in their overseas facilities, there is also some attrition in the CDMO space, are we seeing any higher than normal attrition levels in India or are we struggling to hire the kind of scientific talent that we need to scale up these novel chemistry?

Saharsh Davuluri: Sajal, since the voice came out really low I am just going to repeat the question, just please confirm if my understanding of your question is correct, what you are saying is that for these new chemical entities scaling them up, requires a lot of not just infrastructure, but also scientific talent and for doing, for executing this project successfully, do Neuland have any challenges on the scientific capabilities or resources itself, is that your question?

Sajal Kapoor: Absolutely this is my question because some of our other Indian players who operate in this sort of domain they have highlighted this and mainly from their overseas operations, so they operate out of, they have got a large base in US and Europe in addition to India, so they were sounding cautious on their overseas operations regarding exactly the scenario, but is it always for Neuland and Indian industry as well?

Saharsh Davuluri: Yes, I would agree with the comments that you made based on what you had understood from the industry. I think as we are dealing with not just CMS molecules, but also with the Specialty APIs in our business, scaling these kind of molecules is a lot more challenging than the Prime APIs because there is a lot of prior information available about the scaleup of these molecules, but when it comes to the new chemical entities especially and when you are working with biotech companies, you are pretty much independently handling the project and it is kind of like a turnkey project where you are not really getting a lot of insights, information or guidance from the customer and in those kind of situations I think our scientific competence and our scaleup expertise is very important and some of the delays and challenges that we have talked about in the last year to 2 years are also a result of handling this kind of complex business. So, definitely I would not shy away from admitting the details of the challenge, however, I think that is an area that we are also investing a lot of time and resources on. I think you know getting the right kind of scientific talent, not just for the labs, but also for scaleup and for manufacturing. I think that is very important, so we have been steadily building the pipeline of leaders, not just at the senior level, but also at a team lead level, at a scaleup level in the manufacturing areas. People who understand the techniques of quality by design, who are able to study the reactions holistically before scaling them up is very important and for that it is not just the scientific talent, but also the right kind of infrastructure, ability to study the reaction progression and making proper analysis of it before going for scaleup, that is very important. So, I think its infrastructure coupled with right kind of scientific talent and one of the things like, we have been investing steadily in building proper infrastructure in R&D as well as scaleup instruments like FBRM, RC ones, different kinds of poly blocks for studying crystallization patterns, so I think all these have become very essential which may be we are not so essential when we are doing this Prime API and I think while it may not be possible to have or replicate the scientific talent that is available

in the West what can also be done is have the right kind of scientific advisors, consultants to also guide you and I think Neuland that way is fortunate to have the right set of advisors who we are able to also kind of tap into and help us troubleshoot when we have challenges. So, I think that is kind of a slightly long answer, but it is something that is obviously a high priority for the organization even going forward to keep having the right kind of talent either as full time employees or as scientific advisors.

Moderator: Thank you. We have our next question from the line of Midhun, an Individual Investor. Please go ahead.

Midhun: As the earlier question regarding the molecule, Tirzepatide, sorry to press you more regarding this, if my understanding is correct, the innovator who launched this product Eli Lilly has the patent for this molecule up to 2036, I am not understanding then how we are getting demand for the generic version of the molecule now, can you provide more clarity regarding this aspect, are we a partner for Eli Lilly for this molecule?

Sajeev E. Medikonda: Midun, what you need to understand is here from the generic business perspective, customers would invest in some of these products even 10-15 years in advance, some of the projects like say Apixaban, we had developed that back in 2015 and now only we are seeing traction. For these projects to be first to file, customers need to be able to file at this point of time or rather start development at this point of time to file at the date of NCE-1, so that they will have say exclusivity or any other rights once the products goes generic. So, those are investments which we are making and even if you look at our products which we are selecting, some of the products are we are actually selecting for the next half of next decade and that is how this business is.

Moderator: Thank you. We have our next question from the line of Maulik from Anand Rathi. Please go ahead.

Maulik: I just wanted to understand you broadly explained further this is not one-off revenue for CMS and Specialty business, but just wanted to broadly understand that what is our expected run rate for H2 in terms of CMS and Specialty business and if there is any addition or deletion in terms of products or revenue wise diversion, so just wanted to understand on that aspect?

Saharsh Davuluri: We don't have any guidance for H2, but I think what I will just kind of reiterate Maulik is that the performance of Q2 I think is good representation of what we can possibly do going forward; however, there would be quarter to quarter variation, there would be a product mix related impact on margins and there could be other factors which could have a positive or a negative impact as well. So, I would probably leave that to the individual judgment to figure out how H2 is going to be, so I think definitely when it comes to CMS, as we have been maintaining we have had a flat FY22 and FY23 was always going to be a year of growth given especially that FY22 was flat and I think we have also, I think just given the fact that there are lot of molecules moving from Phase-3 development into commercialization. I think over the next 2-3 years also we expect

to have a healthy growth for the CMS business and thereby for the overall business as well. So, I think that is kind of what I would say and probably not comment too much on how H2 will be vis-a-vis H1.

Moderator: Thank you. I would now like to hand over the call to the management for closing comments. Over to you, sir.

Sajeev E. Medikonda: We would like to thank everyone once again for joining the call and for asking us very pertinent questions regarding our performance this quarter and also the outlook. As we have stated, I think in this quarter the result of the direction in which we have been steering the company, this is not something that we believe will be one-off, but rather the direction in which we will continue to see the business happening so once again thank you for all the questions. We look forward to receiving any further questions to in the future would be glad to respond. Thank you.

Moderator: Thank you. On behalf of Neuland Laboratories, that concludes this conference. Thank you all for joining us and you may now disconnect your lines.