

Windlas Biotech

Operator: Ladies and gentlemen, good day and welcome to the Q1 FY27 earnings conference call of Windlas Biotech Limited. As a reminder, all participant lines will be in listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference call, please signal the operator by pressing star and then zero on your touch-tone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Ankit Jain from Stellar Investor Relations. Thank you, and over to you, sir.

Ankit Jain – Stellar Investor Relations: Thank you, Aldric. Good morning, everyone, and thank you for joining us today. To discuss Q1 FY27 business performance, we have with us the senior management team of Windlas Biotech Limited, represented by Mr. Hitesh Windlas, Managing Director, and Ms. Komal Gupta, CEO and CFO. Before we proceed with this call, I would like to mention that some of the statements made in today's call may be forward-looking in nature and may involve risks and uncertainties. The company also undertakes no obligation to update any forward-looking statements to reflect developments that occur after the statement is made. Documents relating to the company's financial performance, including the investor presentation, have been uploaded on the stock exchanges and the company's website. I now hand over the call to Mr. Hitesh. Thank you, and over to you.

Hitesh Windlas – Managing Director: Thank you, Ankit. Good afternoon, everyone, and thank you for joining us today to discuss the financial results for the quarter ended 30 June 2026. We have uploaded the press release and investor presentation on our website as well as on the stock exchanges. I hope everyone has had an opportunity to go through them. To begin, I would like to talk about the outlook and way forward for Windlas Biotech, followed by the financial highlights for Q1 FY27, which will be shared by our CEO and CFO, Ms. Komal Gupta.

The Indian pharma market witnessed volume growth of 3.4% in Q1 FY27, reflecting a steady yet measured industry environment. Against this backdrop, Windlas Biotech continued its growth trajectory, delivering its highest-ever quarterly revenue of 248 crores, representing 18% YoY growth. This performance underscores the strength and resilience of our diversified business model, our operational excellence, and the trust our customers place in us. We are on track for the commercialization of Plant 6 in H1 FY27, which will further strengthen our manufacturing capacity and enable us to support future growth opportunities. Our injectables and Plant 2 extension facilities continue to drive scalable growth, highlighting the effectiveness of our strategic investments. We remain focused on creating sustainable value through disciplined execution, talent development, client diversification, capability enhancement, and expansion across dosage forms. I would like to thank our customers, partners, employees, and shareholders for their continued trust and support. Over to you, Komal.

Komal Gupta – CEO & CFO: Thank you, Hitesh. Good morning, everyone. We have started FY27 on a positive note by extending our record revenue streak to 14 consecutive quarters, with 18% YoY growth to revenue of 248 crores. Consistent with our focus on long-term shareholder value creation, in Q1 FY27, the company also completed a 47-crore buyback, in which the promoters did not participate, and declared an FY26 dividend of Rs.13 crores, or Rs.6.30 per equity share. Excluding the impact of ESOP expenses, which are non-cash in nature, of Rs.7.2 crores, our EBITDA grew 26% YoY to 34 crores, while PBT and PAT grew 27% and 37% YoY to 30 crores and 25 crores,

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respectively, reflecting our continued focus on improving operational leverage. If we take into account the non-cash ESOP expenditure of Rs.7.2 crores, the company reported EBITDA of 27 crores, PBT of 23 crores, and PAT of 18 crores. For Q1 FY27, earnings per share improved to 8.46.

Our generic formulations CDMO vertical delivered 29% YoY revenue growth to 207 crores, driven by customer expansion, deeper customer engagement, and new product launches. The trade generics and institutional vertical reported revenue of 30 crores following the discontinuation of codeine-based products. As we expand the portfolio with new launches and replacements, we expect to progressively bridge this gap. Our export vertical recorded 79% YoY growth to 11 crores. We remain focused on long-term company-level performance rather than quarterly and vertical-wise fluctuations, and we are confident in the underlying growth opportunity in all three verticals. Looking ahead, our priorities remain focused on strengthening strategic partnerships, expanding our offerings, achieving operational excellence, accelerating portfolio development, and driving disciplined execution. Supported by a modernized manufacturing base, a talented workforce, and a clear strategic direction, we are all well-positioned to capitalize on the opportunities across all three business verticals. Thank you for your continued trust and support in the company. We will now open the floor for questions. Thank you.

Operator: Thank you. We will now begin the question-and-answer session. Anyone who wishes to ask a question may press star and one on their touch-tone telephone. If you wish to remove yourself from the question queue, you may press star and two. Participants are requested to use handsets while asking a question. Ladies and gentlemen, we will wait for a moment while the question queue assembles. The first question comes from the line of Dhoni Desai with Turtle Capital. Please go ahead.

Dhoni Desai – Turtle Capital: Good morning, everyone. First of all, congratulations on very strong execution once again, despite the challenges on the trade generics side. My first question is that we have done exceedingly well on the CDMO and CMO side. Can you give us some color? Is it because the overall volume growth in the end market has returned and is therefore helping us? Generally, we have been in the 17%, 18%, to 20% kind of range. Is this delta coming because injectables are now also contributing to CDMO and therefore leading to slightly more sustainable and higher growth? Please give us some color on that.

Komal Gupta – CEO & CFO: Thanks, Dhoni. On CDMO, you have rightly pointed out that we have delivered a 29% number, which over a long period of time should be the highest one. However, I would like to emphasize that it is important for everyone to note that quarter-wise growth percentage is an area on which we have consistently been saying that it is important to look at quarterly growth numbers with caution, whether positive or negative, because there are [overlap]

Management: Several factors that contribute to having a very high or very low growth number in any vertical. It is important to look at our growth, which is consistently maintained at the company level, instead of looking at it vertically. Of course, the few points that you mentioned have contributed. Injectables has started participating in the overall revenue of the company, but it is not particular to this quarter. Injectables has now been participating in the overall revenue of the company, which is not separately disclosed. None of the long-term factors that we see have changed in any of the verticals, to be honest. There is no specific reason that we have to offer

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which says that the very high growth was because of this.

Dhonil Desai – Turtle Capital: My second question is that, even looking beyond the quarterly dip on the trade generics side, over the last 2–3 quarters, even if we remove the {? coden ?}-based revenue, whatever that 55–odd crores is on an annual basis from the base, we are still at a 30–35–crore kind of run rate. Even if I remove that entire 13–14–crore quarterly number, we still have not grown and have remained stagnant. I understand that you have been talking about it being lumpy and so on, but now it has been 3–4 quarters in the same range. How should we read this? Once this goes out of the base, perhaps in Q4 next year, will we again return to 25–30% growth? How should we look at this?

Management: Dhonil, first, as you know, we do not provide guidance. Therefore, I would not comment on what the growth could be going forward. One thing I want to say is that growth is a function of sustained work on our go-to-market strategy, the products we are offering in the TGX vertical, the geographies we are opening, and finally, execution across all of these areas. As you rightly summarized, although the loss of cough syrups is a sizeable hole, we continue to believe that our sustained efforts in all of these areas are the only way to build long-term success. That is what we are executing on.

Dhonil Desai – Turtle Capital: If you can highlight some of the things that you are doing to bridge the gap again, that would be really helpful.

Management: As I said, the fundamentals of the business do not change. We have to grow our product offerings in terms of the range of products we are bringing to our trade generics vertical. I still think we have a great deal of room to grow the number of SKUs that we can offer. Second, as we have spoken about in the past, there is the geographical opening of other states and deepening our presence in the states where we are already present. Every time you add people, there will be a period of nucleation, and then growth comes. That second part, around geographic expansion, is also something that we are aggressively working on. Finally, the third one is ensuring that execution is happening correctly, with the right discipline and in a timely manner. Fundamentally, these are the three things, and this is what we are working on.

Dhonil Desai – Turtle Capital: Thank you. I have more questions and will come back in the queue. Thank you.

Operator: Participants, in the interest of time and fairness to others, please restrict yourself to two questions. For any additional questions, you may rejoin the queue. The next question comes from the line of Sajal Kapoor with Anti-Fragile Thinking. Please go ahead.

Sajal Kapoor – Anti-Fragile Thinking: Thank you for the opportunity. To be fair, the execution deserves acknowledgement. Fourteen consecutive quarters of record revenue is itself a demonstration of clean execution. I always say publicly that EBITDA alone is never the yardstick unless that EBITDA translates into solid cash flows. In Windlas, we have the cash flows and the balance sheet to show substance. What happens is that in a bull market, the herd mentality often chases P&L and reported earnings—what is shown, the proverbial elephant's tusks—and forgets to ask where the cash went. Anyway, coming to my question, as Plant 6 comes on stream and capacity expands, what specific operational milestones should shareholders track over the next 4–6 quarters

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to judge whether the incremental capacity is translating into higher utilization, stronger cash generation, and sustainable returns on capital, rather than simply higher revenue and EBITDA? That is the only question I have. Thank you.

Management: First of all, thank you, Sajal, for your recognition. We really appreciate that feedback. Regarding your question about the operational milestones for Plant 6, we are estimating H1 completion—we have already completed the mechanical completion, as we have updated. As all the validations and customer audits are ongoing, we expect that by the end of H1, we will be in play with that capacity fully coming online.

In terms of Plant 6, this is an expansion of our core, whereas injectables was an expansion of our periphery because we entered a new dosage form. Therefore, that required some learning from us as well, customer testing of us, and also involved a more complex dosage form. In the case of Plant 6, which is an expansion of our core, we expect similar things to follow, as happened in the Plant 2 expansion. We are extending our existing portfolio; we are not necessarily waiting for any new product development, and these portfolios will be offered from Plant 6.

There will be plant-level approvals by customers. We also expect that as we bring in new customers, we will be able to leverage Plant 6 in a more meaningful way. As customers see that we have available capacity, they are encouraged to work with a partner who can be more supportive of their growth, both in terms of the breadth of products and the volume per product.

Fundamentally, the signal of our success will still come in revenue and cash flow generation, as you mentioned, because that is honestly the crux of how the business should be evaluated.

Sajal Kapoor – Anti-Fragile Thinking: Thank you so much for answering that. I wish you all the very best. Thank you.

Operator: The next question comes from the line of Kumar Saurabh with Scientific Investing. Please go ahead.

Kumar Saurabh – Scientific Investing: Hello. Congratulations on a great set of numbers and on all the right steps, whether it is ESOPs for the longer-term vision or investor-friendly buybacks. I have two questions. My first question is on the IPM data. I am assuming that because we work in this sector, to a certain extent we will not be independent of industry growth and there will be some dependence. Last quarter, IPM growth data was very healthy. For the last 2 years, we were growing somewhere around 7–9%, and now we have moved into 10% to almost 12–14%. Three years ago, this IPM data peaked somewhere around the same 12–14%. I am not asking for any future projection or forecast, but given that you have been in the industry for so many years, what is your reading of the IPM data? Do you feel this is sustainable, or is it cyclical? What leads to higher IPM growth, and what is the sustainable number that we should believe, looking at history? Do we have any correlation between our growth and that, or is our aspirational growth independent of IPM data? That is my question.

Management: Kumar, what I can say is that, as you summarized very well, perhaps 2–3 years ago, IPM used to have a healthy growth percentage. At Windlas, we actually look at volume growth more closely because price growth is something in which, as a CDMO, we do not necessarily participate.

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The benefit of that goes to our customers.

If you look at volume growth over the last 2–3 years, it has been very mild and has sometimes even gone negative. There were a lot of explanations in various industry publications and discussions that this was probably related to incorrect or incomplete data capture, with some of the trade generics not being fully captured in the market, or it could also have been related to other factors.

What we did at Windlas was to focus only on execution. How can we bring business in a timely manner? How can we execute? How can we supply? As I mentioned earlier, it requires a whole team-based effort to do that. Almost all of our top 50–60 people are measured on revenue growth.

There were also several earlier queries about how increases or decreases in API prices affect things. We said that whatever is an externality, we cannot change it, but we can focus on what is in our hands. That is what we have been doing.

Regarding IPM volume growth, which was close to 3.4% last quarter, that is definitely a healthy sign. I would love to see this continue going forward so that it is not merely a blip. Our customers benefit as they achieve volume growth, penetrate more deeply, and their brands become larger. We automatically benefit from that, and of course, we also have to add more brands and grow.

I do not want to say that the tide has turned or pretend to know more than anyone else in the industry can say. However, I think this is a welcome sign. We are honestly watching these growth numbers and definitely want to leverage them to the best of our ability.

Kumar Saurabh – Scientific Investing: Great, sir. My second question is that our current utilization is around 65%, Unit 6 is coming, and we do not have any immediate new capex plan. What is the peak capacity utilization we can achieve? Regarding export growth, I think we have been doing very well over the last 2 years, and we have been more focused on rolling out {? BD teams ?} and so on. Do you see this kind of extraordinary export growth continuing with our initiatives? This is the only question I have.

Management: Regarding exports, as we have already maintained, this is a business with a longer gestation period for conversion. That is why it takes time for several business ideas that we are working on to convert into revenue. Everyone has been patiently waiting to see that growth come in, and it has now come in.

However, there are additional factors that we continue to work on in terms of our efforts, and there is consistency in those efforts, as has been mentioned. It is very difficult to say what kind of growth numbers should be achieved. As you are aware, we do not provide guidance, but we remain focused. We have consistently maintained that we remain very positive about the growth opportunity available for our exports vertical, and we continue to do so.

Kumar Saurabh – Scientific Investing: And regarding utilization, where will we hit the peak?

Management: In terms of utilization, we have mentioned earlier that with Plant 6, we can deliver {? 1,100 crore ?} of total revenue.

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Management: [snippet starts mid-sentence] ...of revenue. However, we have always seen in the past that the initial estimate we provide in terms of the revenue that can be delivered with our plants can be increased to a large extent—by 10–15%—through various efficiency initiatives that we consistently undertake internally. We keep identifying the most suitable way to manufacture and pack, and accordingly, we keep making incremental changes. Some of this also goes into the maintenance capex carried out every year, amounting to 12–15 crores every year.

Therefore, we are very positive that this number can grow to a large extent in terms of capacity utilization. As such, we have said that 60–65% is the highest peak utilization level for our kind of business, which can of course be stretched to around 70%. However, as we increase the operational capacity, this number does not remain as important. That is why we are saying that the number of 1,100 crores is an easy milestone to reach. Beyond that, there is surely a great deal of possibility to increase it further.

Kumar Saurabh – Scientific Investing: I will come back in the queue. Thank you, Komal, and thank you, sir. I wish you all the best.

Management: Thank you.

Operator: The next question comes from the line of Avnish Burman with Vakarya Investment Management. Please go ahead.

Avnish Burman – Vakarya Investment Management: Good morning. Thank you for taking my question, and congratulations on a good set of operational performance. Komal, if we look at the trade generics business and remove Codeine from the base, do you think that the ex-Codeine business has grown YoY this quarter?

Management {? Komal ?}: TGS is a TGS-plus-institutional vertical, and institutional revenue, as we have mentioned earlier, is very lumpy in nature. Therefore, it is very difficult to comment on quarterly revenue in terms of YoY growth. To respond to that, I would say that with Codeine being taken away, there has been some impact on our TGS and institutional vertical in terms of the momentum that we had been maintaining. We would like to acknowledge that.

Having said that, we would like to emphasize that we remain extremely positive about the long-term growth potential available in our TGS and institutional vertical. This continues to be supported by favorable macroeconomic factors, increasing demand for affordable healthcare, and our internal triple-A strategy.

We continue to work on geographic expansion, portfolio expansion, adding institutional accounts, and aligning our internal sales force. We are continuously working on all of these factors. The momentum has taken a hit, but I would say that this is a temporary hit for a few quarters rather than a long-term issue. We are very confident of bringing back the momentum and good revenue numbers in this vertical.

Avnish Burman – Vakarya Investment Management: If you look at employee cost on an ex-ESOP basis, it seems to have grown by 17% YoY. I wanted some color on this. Are you adding manpower, or is it largely due to increments?

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Management {? Komal ?}: Several factors go into personnel cost. Increment is obviously one of the factors. Another factor is contractual manpower, including the variable manpower component, which increases with an increase in production. That is the second factor. Third, there has also been a further increase in the minimum wage by the Uttarakhand government. That increase has also become part of the personnel cost.

In fact, the Uttarakhand government implemented a retrospective increase, and that amount is also part of the personnel expense that we see. However, there is nothing extraordinary, and we think that with these numbers, we have still been able to maintain the level of production we have achieved. That is why we have been able to maintain the EBITDA numbers.

Avnish Burman – Vakarya Investment Management: How much was this minimum wage increase, and when was it implemented by the government?

Management: It was done around the period when the notification came, perhaps around 2–3 months ago. I do not remember the exact details off the top of my head, Avnish, but what Komal is also pointing out is that our growth is mostly volume-driven. If we have to produce more units, many more batches, and cater to many more customers, that also results in additional manpower. That is the situation.

Avnish Burman – Vakarya Investment Management: When the plant is commercialized, what increase in the quarterly depreciation run rate should we expect to see?

Management: Regarding quarterly depreciation, we have yet to complete the detailed calculation, but it should initially be around 30 million, plus or minus 10–15%. Around 30 million per quarter should be the number initially, during the first year, and then it will decline, as you have seen with the reduction in our quarterly depreciation.

Avnish Burman – Vakarya Investment Management: Just one last question, with your permission. Was there any increase in working capital during this quarter? I see that interest cost has increased slightly and has been on an uptrend. Was it because of geopolitical factors or crude prices moving up and down, which required us to extend working capital?

Management: By the end of the period, we were able to maintain similar working capital levels. During the period, however, there were some factors that led to an increase. Because of geopolitical factors, there was some increase in inventory, and accordingly, there was also some increase in receivable days. Net-net, by the end of the quarter, and as of now, we have been able to bring it back to similar levels, considering overall operating working capital.

Avnish Burman – Vakarya Investment Management: Thank you so much for your answers.

Operator: The next question comes from the line of Ishit Desai with Fords Family Office. Please go ahead.

Ishit Desai – Fords Family Office: Thank you for the opportunity, sir, and congratulations on a very good set of numbers. My first question is on the trade generics side. You have answered this for a couple of previous participants, but I wanted to understand one specific point regarding Codeine-based products.

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We are trying to expand the portfolio with new launches and geographical expansion. Is there anything specific in terms of a like-for-like replacement for a cough syrup product for which we have already built a distribution chain? If we are working on that, what initiatives do we need to undertake at the company level, distributor level, and customer level? Also, what kind of timeline would be required to replace it with a cough syrup product itself? Please help us understand this.

Management: Ishit, one thing we should keep in mind when we think about Codeine and cough syrups is that India's 2 largest brands in the entire pharma market—I will not name them—are also essentially not on the market now. Given this change in cough syrup consumption and usage, as well as the government's own stance on the matter, it would be reasonable to think that, at the overall market level, some other cough syrups would have replaced the ones that were discontinued.

On our side, we also had several other cough syrups in our product range, and we have brought more focus to them. We have ensured that across our verticals, including CDMO, where some of our customers also ended up dropping Codeine, those customers required more non-Codeine cough syrups.

From a cough syrup perspective, it is very difficult to say whether we can replace one cough syrup with another on a one-to-one basis. Our approach has been broader than that. We also looked at our liquid line, which was a multi-product line, and considered why we should not offer more liquid products to our customers and our own vertical. We therefore offered and launched more liquid products to leverage this opportunity.

We also launched more pack-size variants in liquids. A whole range of strategies was considered, and those are the strategies we have acted upon. Fundamentally, as I mentioned earlier, in trade generics, the idea is that you work on a product range of 150–200 products and look to expand it much further. Nobody in the market is working on a product strategy in isolation, because the approach is based on a portfolio and a basket. We are in the same situation, and that is how we are working.

Ishit Desai – Fords Family Office: I understood, sir. That is helpful. My second question is on the injectables side. For the last 3–4 quarters, numbers have been coming in from injectables, and we have also caught up after a slightly slower start. We had built infrastructure for 2 lines when we initiated this, if I remember correctly. Where are we on that? Are we now at an advanced stage of considering a new line? Given that the basic infrastructure is already in place, what kind of timeline are we looking at to add capacity in injectables?

Management: In terms of capacity, I can tell you that when we take a decision to enhance capacity, it will be a 6–8-month process to add the machinery, qualify it, and bring it online. We have already completed all the work on the supporting facilities, including getting the area ready, laying out the water system extensions, and installing all the AHUs. All of that is in place.

Of course, we are also considering whether this should be a straightforward capacity expansion or whether we can add some more variants, and those discussions are also underway. Certainly, when we do it, we will come back and inform you. As of now, we are not commenting on that.

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Ishit Desai – Fords Family Office: Just to understand better, injectables are now back on track, correct? Given that the ramp-up was slightly slower than our expectation, are we now on track in terms of customer feedback, inquiries, and offtake? Is it fair to assume that we are reasonably on track?

Management: Yes, that is correct.

Ishit Desai – Fords Family Office: Thank you so much, sir. That is it from my side, and all the best for the coming quarters.

Operator: The next question comes from the line of Pawan Kumar with Ratna Triya Capital. Please go ahead.

Pawan Kumar – Ratna Triya Capital: Can you give us a broad understanding of volume versus price growth in CDMO this quarter? It might not be an accurate number, but—

Pawan Kumar – Ratna Triya Capital: Can you give us a broad breakup?

Operator: The next question is from Vansh Gupta from Precent Capital. Please go ahead.

Vansh Gupta – Precent Capital: Thank you for the opportunity. I wanted to understand whether there has been any impact from the change in API prices quarter on quarter on our revenue. Has there been any noticeable impact?

Operator: The next question comes from the line of Resham Jain with VVVT Asset Managers. Please go ahead.

Resham Jain – VVVT Asset Managers: Good afternoon. Congratulations on a good set of numbers. I have two questions. The first is with respect to your capacities. I think you mentioned about 1,100-odd crores of revenue that you can reach once Plant 6 is commissioned. We are already at a run rate close to 1,000-odd crores. How are we thinking about further capacity additions? They would need to happen now so that the capacity is available.

Management: In fact, for this quarter, the revenue that we were able to convert was partly supported by a few machines that we had acquired for Plant 6. We were able to use them in our existing Plant 2 and extension area, which is why we were able to convert this revenue. There is some contribution coming in from those machines in this quarter as well.

Second, as we mentioned earlier, we clearly see the possibility of a further increase of 100-150 crores in Plant 6 over and above the numbers that we have already mentioned.

Third, we want to continually track the growth that we are able to deliver in terms of business. We are continuously tracking it, as well as our capability to increase the revenue numbers. At any point when we see that additional capacities need to be put in place, we will start working on another organic growth project.

However, instead of starting a new capex project, we would first want to completely focus on increasing and enhancing the revenue that can be delivered from the existing plants. We also want to bring in more efficiencies in Plant 6, which is quite large in nature.

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Management: To explain this a little further, every time you set up a plant, you have to make certain assumptions about the machine choices at every stage of production. As products begin to fill in, the bottlenecks that appear are dynamic and keep changing. When you identify those bottlenecks and remove them through localized changes, adjustments, and strategic additions of small capex—the capex we call operational capex or maintenance capex—that is how debottlenecking happens.

This is part of the process. It is not that we are withholding visibility from you, but it is a process that we have to go through in order to understand the situation and take the right decisions at those moments.

Resham Jain – VVVT Asset Managers: Is it fair to assume that 1,100 crores is just a number and that you can further debottleneck the existing facility to increase the top line beyond current levels? Is that the correct understanding?

Management: Yes, that is correct.

Resham Jain – VVVT Asset Managers: Understood. My second question is on exports, which is still a small vertical. Obviously, it is growing at a very high rate on a low base, but what are the important catalysts for growing this vertical over the next 2–3 years? Which areas are you focusing on, and what opportunities do those segments offer us? Thank you.

Management: We have been and continue to focus on geographical expansion, portfolio expansion, and obtaining more plant approvals. These are the areas on which we continuously work. Conversions happen at particular points in time or in particular quarters, but these are the areas that we are confident about and have always been confident about working on.

We see a much higher possibility of delivering a good revenue number in this vertical itself. It is a large opportunity vertical. However, the point at which we are able to convert that opportunity is something we will have to see. We continue to work on all the activities we have been undertaking.

In addition, a great deal of registration work is ongoing, new geographies are being added, and many plant audits are taking place. All of these activities continue across all the plants.

Resham Jain – VVVT Asset Managers: That is it from my side. Thank you.

Operator: The next question comes from the line of Ankur Kumar with Alpha Capital. Please go ahead.

Ankur Kumar – Alpha Capital: Thank you for taking my question. Most of my questions have been answered. I wanted to ask about the 29% CDMO growth. You said that there could also be some API price increase. Could you comment on the breakup? As you said to the earlier participant, it is very difficult to quantify, but do you have a rough idea? What kind of number should we continue to expect in the coming quarters?

Management: We would like to mention that a quarterly growth number should not be considered as the base growth number for any of the verticals. We want to repeat this, even at the risk of sounding repetitive, because it is very important for everyone to look at the company level instead

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of looking at each vertical separately, especially over a shorter period such as a quarter.

Regarding API growth, we would say that the API-related portion should be lower and the volume-growth portion should be higher. This is not because we have seen a huge number or a major event that has resulted in this growth. We have seen business as usual. Perhaps this has been the quarter in which we were able to convert slightly more than usual, but we do not see a huge change in how the vertical should perform going forward. We are not making any specific statement beyond that.

Management: It is tricky to read too much into a single data point. What we are saying is that the work required to achieve these results has been ongoing, and we continue to focus on the right areas.

Ankur Kumar – Alpha Capital: Congratulations on 14 quarters of consistent growth. I hope this continues going forward as well.

Management: Thank you.

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

Dhwanil Desai – Turtle Capital: Thank you for the follow-up. I have two questions. The first is on exports. In terms of the large markets, I think we had dossiers approved in South Africa and the Philippines. Have we added any new large semi-regulated market, and how are we scaling up our dossier portfolio in these 2 markets, South Africa and the Philippines?

Management: As you know, we have complete visibility on which markets we are targeting and which dossiers we are expecting, but this is very sensitive from a competitive standpoint. Therefore, this is something that we have not been sharing on the earnings calls.

Dhwanil Desai – Turtle Capital: No problem. My second question is that we have been carrying out phased expansion, and each expansion adds 150-200-odd crores of revenue. However, it may also be creating some inefficiencies in terms of process flows and planning. Are you considering creating much larger blocks and consolidating the manufacturing facility at a later date? Is there any thinking on that side to increase efficiency?

Management: In fact, we think exactly the opposite. We do not think that having a huge plant facility would benefit us. We believe in incremental capacity expansion because there are certain costs that you would start bearing as fixed costs even if you are not able to use the capacity. You also become somewhat more desperate to fill a large plant, rather than being able to maintain some control over operating working capital, cash flows, and margins.

We therefore believe that it is important to keep track of the business and follow the discipline of adding only incremental capacities, step by step. However, we also have to ensure, which we do, that capacity never becomes a hurdle to delivering the kind of growth that the business can deliver.

This is the balance that we have always maintained, and we are confident that this strategy is working in our favor. It is preferable to adding a large capacity and then forgetting about everything

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else while focusing only on filling that capacity by any means.

Dhwanil Desai – Turtle Capital: Very clear. Is there any update on the new dosage form?

Management: No, nothing so far.

Management: Nothing is in the final stages as of now.

Operator: The next question comes from the line of Avnish Tiwari with Wakaria Investment Managers. Please go ahead.

Avnish Tiwari – Wakaria Investment Managers: Komal, can you articulate the gross margin performance we had this quarter? If the trade generics mix has declined, and trade generics typically has a higher gross margin, what might have helped our gross margin performance from a mix perspective? It was a remarkable performance. Were there any specific segments or other factors, whether related to API prices or anything else?

Management: The gross margins we have delivered were mainly driven by the business mix, the operational efficiencies we have been able to bring in, and the product portfolio within the CDMO vertical that we were able to convert in this quarter.

For the quarter, the margins you see are coming from these factors and from the increasing contribution of various value-added products that we always strive to add. However, I would like to mention that we do not try to maintain quarterly margin outcomes as such. We try to maintain and improve material margin levels at the customer level.

If we are able to add a few more high-margin products in addition to a low-margin product being added by a customer, we try to maintain that balance and continuously improve it. Growth in the export vertical has also helped us. There has clearly been some impact on the business because of the lower contribution from the trade generics and institutional vertical, but fortunately, we have been able to handle that through better products delivered in the CDMO vertical this quarter. That may or may not be a long-term factor. It will mainly be determined by the product portfolio that comes in the coming quarters.

Avnish Tiwari – Wakaria Investment Managers: How are API prices trending? Based on what you have experienced, are they now in a more stable zone, or are they still somewhat volatile because of the earlier crisis?

Management: Avnish, the impression I have is one of volatility. Stability has still not arrived. This is why Komal also mentioned that inventory had to be increased during the quarter. We also had to ensure that negotiations with customers took place very quickly. Customers also have their own view on API prices because they are in the market, and they sometimes help us obtain better prices because of their own influence in the market.

We have been leveraging all these factors, but the volatility has not gone away. I do not see stabilization yet, and it would be incorrect to say that stabilization has already appeared.

Avnish Tiwari – Wakaria Investment Managers: Great. Thank you. I wish you all the very best.

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Operator: The next question comes from the line of Kumar Saurabh with Scientific Investing. Please go ahead.

Kumar Saurabh – Scientific Investing: Thank you for the follow-up. You have said that capacity additions will be made when required. Having interacted with fellow investors, I think the general concern is that when any capex is announced, it usually takes 1.5–2 years to become operational, followed by the operating leverage. Having listened to the previous answers, my sense is that the next expansion, whenever it comes, could be a brownfield project. My question is: from the time we plan it, how much time will it take to go live and start generating revenue?

Management: Mr. Kumar, the important thing to understand is that in any CDMO business, not just pharma, if your customer sees that you have a large amount of unutilized capacity, they understand that they can get you to sign up for a very low-margin business. Creating very large capacities is therefore somewhat counterintuitive. You pursue efficiency, but then you lose efficiency. There has to be a balance.

Based on our history, if we are doing something in oral solids and a brownfield expansion is more or less compliant with the new Schedule M, the time taken for us to bring it up is closer to 1 year. If it is a new dosage form, obviously there is a different learning curve.

The number of dosage forms and the number of products in the pharma space are also very large. The largest player in this space, I believe, has more than 19 facilities and has also gone ahead with some additional acquisitions.

Our approach is not to say that we are the cheapest and the largest. We approach customers by saying that we uphold quality, operate transparently, and will work with them according to their needs. This is a slightly different approach from saying that we are the cheapest and the largest and that customers should bring everything to us. I hope I have answered the question.

Kumar Saurabh – Scientific Investing: Yes, this answers my question. Thank you, and I wish you all the best.

Operator: The next question comes from the line of Ankur Kumar with Alpha Capital. Please go ahead.

Ankur Kumar – Alpha Capital: Sorry, just one small follow-up. When is the new Plant 6 coming in? Which month is it expected?

Management: We have said that Plant 6 will come in at the end of Q2, by the end of H1. There could be a variance of 15 days plus or minus, but that is what we are targeting.

Ankur Kumar – Alpha Capital: Will the additional 3-crore-per-quarter depreciation start from Q3?

Management: Some of it will be in Q2, and it will be fully reflected in Q3.

Ankur Kumar – Alpha Capital: Thank you, and all the best.

Operator: Ladies and gentlemen, that was the last question for today. I would now like to hand the conference over to the management for the closing remarks.

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Management: Thank you very much, everyone, for giving us the opportunity to speak to you. We wish you all the very best.

Management: Thank you.

Operator: Thank you, sir. Thank you, ma'am. Ladies and gentlemen, on behalf of Windlas Biotech Limited, that concludes this conference call. Thank you for joining us, and you may now disconnect your lines.

Note: {? ... ?} indicates a figure or name where audio clarity was insufficient for confident transcription. Verify against the source audio or the company's published filings.

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