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Date: November 23, 2026

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

To
National Stock Exchange of India Limited
Exchange Plaza, C-1, Block G
Bandra Kurla Complex, Bandra (E)
Mumbai – 400051
Symbol: NATCAPSUQ

Dear Sir/Madam,

Subject: Transcript of Conference Call held on Thursday, November 19, 2026.

Pursuant to Regulation 30 and Part A of Schedule III of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we enclose herewith a copy of transcript of Conference Call held on Thursday, November 19, 2026.

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

Yours Faithfully,

For Natural Capsules Limited

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"Natural Capsules Limited

Q2 & H1 FY27 Earnings Conference Call"

November 19, 2026

MANAGEMENT:

MR. SUNIL MUNDRA
MANAGING DIRECTOR

MR. RAJ KISHORE PRASAD
CHIEF FINANCIAL OFFICER

Natural Capsules Limited
Q2 & H1 FY '27 Earnings Conference Call
November 19, 2026

Moderator: Ladies and gentlemen, good day and welcome to Natural Capsules Limited Q2 and H1 FY '27 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 this conference call, please signal an operator by pressing "*" then "0" on your touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Abhishek Mehra from TIL Advisors. Thank you and over to you, Mr. Mehra.

Abhishek Mehra: Thank you, Nirav. Good morning, everyone, and welcome to the Q2 and H1 FY '27 Earnings Conference Call of Natural Capsules Limited. The results and investor presentation are available on the stock exchanges. If anyone does not have a copy of the same, please write to us and we will be happy to send it over to you.

To take us through the results, we have with us Mr. Sunil Mundra — Managing Director, and Mr. Raj Kishore Prasad — Chief Financial Officer. We will begin with an overview of the quarter and the half year. This will be followed by the question-and-answer session.

Before we start, I would like to remind you that anything said on this call that reflects any outlook for the future that could be construed as a forward-looking statement must be viewed together with the risks and uncertainties that the company faces. These include but are not limited to those set out in our annual report.

With that said, I will now hand over the call to Mr. Mundra. Over to you, sir.

Sunil Mundra: Thank you, Abhishek. Good morning, ladies and gentlemen. On behalf of Natural Capsules Limited, I welcome you to our Earnings Call for the 2nd Quarter and 1st Half of FY '27.

When we spoke last time in June, I said FY '27 would be a year of execution. Six months in, the picture is mixed, and I will share both sides. The capsules business has done well. The API business has moved forward on its regulatory path, but revenue and one of our partner

programs have not moved as fast as we said they would. I will take you through the numbers first and then each business.

For Q2 FY '27, consolidated revenue from operation was INR 51.15 crores, up 12% year-on-year and 5% quarter-on-quarter. EBITDA was INR 3.01 crores against a loss of INR 0.88 crores in Q2 of FY '26 and a profit of INR 1.12 crores in Q1 of FY '27. EBITDA margins was 5.88%, an improvement of 781 basis points year-on-year and 358 basis points over the previous quarter.

After these changes, the loss before tax narrowed to INR 4.58 crores from INR 7.70 crores a year ago and INR 5.83 crore last quarter. The net loss was INR 4.22 crores compared with INR 6.99 crores in Q2 FY '26 and INR 5.74 crores in Q1 FY '27.

For H1 FY '27, revenue was INR 99.86 crores, up 10% year-on-year. EBITDA was INR 4.13 crore at a margin of 4.14% against a loss of INR 1.13 crores in H1 FY '26. The net loss for the half year narrowed to INR 9.97 crores from INR 13.13 crores. We generated INR 7.18 crores of cash from operations in the half. Capital expenditure was INR 3.76 crores and net financing outflows were INR 3.20 crores.

Now talking about capsules business, Q2 was a strong quarter for the capsules business. With no orders coming from the U.S., our HPMC line had been running idle. We took the decision to convert them to gelatin so that the capacity could be put to productive use. The first line was converted in Q1, and the additional gelatin volume drove most of this quarter's growth. The improvement of around 3% in realization that we achieved in Q1 has held through Q2 also. The second HPMC line is now being converted and should add volumes in the second half.

I should be clear about what this means for our guidance. In June, we expected about INR 20 crores of revenue from HPMC capsules this year. With the U.S. demand still absent, that will not happen. We chose to protect utilization and profitability rather than hold capacity idle for a market that has not returned.

Demand for gelatin capsules remained firm, and we added several new customers in the quarter. Mankind Pharma came on board, and we successfully completed an audit by Zydus Lifesciences. We expect business with Zydus to begin in the coming quarters.

Container availability and freight rates remained a concern through the quarter. We managed these without giving up profitability. Looking ahead, we expect gelatin prices to rise as international coal and oil prices increase. Raw material costs may go up in the coming quarters. We have passed such increases on to the customers in the previous quarters. And expect to do so again. We expect EBITDA in the capsule business to remain in its current range over the coming quarters.

Now talking about the API business, the most important change this quarter is in how the business is being run. We have appointed a new COO of our API operations. He spent 9 years at Shilpa Medicare. Under his leadership, we have made considerable changes and we are closing loss-making product lines and customer accounts. We believe it is the right decision because volume sold at a loss does not build a business.

Our focus is now on registrations and approvals for our products in the right markets and with the right customers. Three milestones matter to us. First is WHO GMP certification. We had expected the audit earlier in a year. We now expect it anytime. Certificate of Pharmaceutical Products, COPP, filings for 7 products. Validation has been completed for 4. Remaining filings are scheduled for December. Remaining validations are scheduled for December, and we expect the process of all filings to be complete by March 27. COPP and WHO GMP would help us to revive or generate business from ROW markets as well as Class B and A category customers in India.

Regulated markets, we have planned a pipeline of 16 molecules for US DMF and European CEP filing. At the moment, we have projected that we will file 8 in FY '28, another 8 in FY '29. We expect a US FDA audit to be conducted by Q1 of FY '29.

Contract manufacturing, we are building a broader contract manufacturing pipeline to make full use of our Tumkur facility. We are taking on a contract with a new organization, and discussions with a few other parties are going on. We are also exploring a similar opportunity for our synthesis block. With Fermbox Bio, the client is refining a few processes steps in the lab before scaling up again with us. In both the fermentation and synthesis blocks, these programs will use our available capacity and absorb fixed costs while our own product load builds up.

Now talking about the overall outlook, the first half shows the company moving in the right direction with growing revenue, expanding margins, and a narrowing loss. For FY '27, we have recalibrated our outlook to reflect the choices we have made to prioritize profitable growth.

Our priorities for the second half are clear. We will build on the momentum in capsules, complete WHO GMP certification and COPP filing, and grow our contract manufacturing pipelines for our API business. We remain confident of scaling the API business profitability over the long term. We will keep you updated on our progress against each of these milestones every quarter.

Thank you. We are now ready to take your questions.

Moderator: Thank you very much. We will now begin the question-and-answer session. First question is from Yug Baid, individual investor. Please go ahead.

Yug Baid: So my first question was, can you give us the segment split for Q2 and H1? And the revenue and EBITDA for capsules with gelatin and HMPC separately, and for API also with own products and contract manufacturing separately.

Sunil Mundra: I will try to answer the questions, but the segment revenue for HMPC and okay, Q2 and H1 revenues for API are INR 3.67 crore and INR 9.36 crore respectively. That is revenue, or that is net profit. This API revenue would be, yes, okay, this is API.

So you are talking about API revenue now INR 3.67 crore and INR 9.36 crore, H1, and API EBITDA is minus 4.43 and minus 10.17 in H1. Capsule revenue is INR 47.48 crore in Q2 and INR 90.50 crore in H1. Capsule EBITDA is INR 7.63 crore in Q2 and INR 14.53 crore in H1.

Right now we don't have the breakup of HPMC with gelatin capsule EBITDA. HPMC sales was pretty low, so it might be not a significant amount. Yes, Mr. Baid.

Yug Baid: And the second question was, depreciation went up 12% Q-on-Q to INR 4.87 crore, but H1 CAPEX was only INR 3.76 crore. What was the capitalized in Q2? And what is the depreciation run rate for H2 and FY '28?

Sunil Mundra: One minute. Our CFO Mr. R. K. Prasad might answer.

Raj Kishore Prasad: Yes, sir, we have done some capitalization during six months in Q1 and Q2 also. So, depreciation this quarter has gone up. In Q1 it was 4.44 and Q2 it is 4.88. So that will remain 4.87 quarterly.

Sunil Mundra: Yes.

Yug Baid: And the third question was in June you had guided consolidated debt of INR 100 crores to INR 110 crores. So what is the gross debt at 30 September, like the split between long-term and working capital and between NCL and NBPL?

Sunil Mundra: Yes, this is as on 30th September, consolidated gross debt is INR 115.91 crore. Yes, the consolidated debt as on 30th September '26 is INR 115.91 crores.

Yug Baid: So the next question is, the gelatin prices are expected to rise, and there is a lag before you pass that on.

Sunil Mundra: Yes.

Yug Baid: So, okay. That's it from my side.

Moderator: Next question is from the line of Love Gupta from Counter Cyclical Investments. Please go ahead.

Love Gupta: So, firstly, I wanted to ask about the revenue and PAT run rate for our subsidiary Natural Biogenex for Q3. And how do we see that moving forward from there?

Sunil Mundra: Revenue and PAT for Q3 for API operations will remain pretty much about the same range of about INR 4-5 crores because right now, as I mentioned in my opening remark, we have changed our focus from rather than selling it to in Indian market at loss, we are focusing more on CMO, where we have been discussing with several parties, and revenues will materialize once we have more such CMO contracts.

Secondly, we are more focusing on regulatory filings. So therefore, revenue and PAT in Q3 will remain somewhat similar to that of Q2.

Love Gupta: And what is the timeline for breakeven in this business?

Sunil Mundra: Cash breakeven we are expecting in FY '28 itself and revenue breakeven in FY '29.

Love Gupta: Sir, what is the breakeven level, cash breakeven level, if I may ask?

Sunil Mundra: Cash breakeven in terms of revenue?

Love Gupta: Yes.

Sunil Mundra: I would say cash breakeven would be in the range of about INR 120 crores top line revenue.

Love Gupta: And lastly, if you could give any guidance or any direction on FY '27 and FY '28 consolidated revenue and PAT?

Sunil Mundra: Consolidated revenue for '28, '28.

Love Gupta: '27 and '28.

Sunil Mundra: In the capsules, we could do about INR 200 crore.

Love Gupta: For '28?

Sunil Mundra: FY '27-'28 you are asking, or FY '27? '27 is the current year.

Love Gupta: Both, sir, both, '27 and '28.

Sunil Mundra: FY '27, the revised consolidated revenue probably will do about between INR 205 crores to INR 210 crores. And revised consolidated EBITDA will be about INR 10 crores to INR 12 crores.

Love Gupta: And for FY '28?

Sunil Mundra: FY '28, this could go up to about INR 280 crore, and revised EBITDA could be about INR 60 crores. No, capsule business would be say 230. Plus here consolidated EBITDA, EBITDA would be, we are saying the cash income, roughly about INR 35 crores.

Moderator: Next question is from the line of Sanchita Sood from RoboCapital. Please go ahead.

Sanchita Sood: I just wanted to know what kind of EBITDA margins can we do on consolidated level in FY '27 and FY '28?

Sunil Mundra: On consolidated basis, the EBITDA margins in our capsule business are in the range of 16% at the moment, 14% to 16%, which can go up to 17% as well. Whereas an API business, it is on negative side now at the moment. So consolidated basis, we are doing roughly around in terms of percentage, it would be like about 4% to 5%. Now, you are talking about, you wanted me to give the projection of the next year also?

Sanchita Sood: Yes, sir, please.

Sunil Mundra: Next, I just mentioned to my previous question of Love Gupta, that this could be about roughly around INR 32 crores on a top line of about INR 280 crores.

Sanchita Sood: And sir, I also wanted to know, recently, there was a warrant issue that was done. So, what was the reason for raising? And how will the money be utilized?

Sunil Mundra: The warrant and stocks have been issued to promoters. It is just to shore up the working capital and also to look forward for any kind of inorganic acquisition opportunities that may arise.

Sanchita Sood: And so I believe in the last call, you had given the guidance of around INR 70 crores to INR 80 crores revenue for API in FY '27. But considering all the delays and our current run rate, what is the new guidance for API specifically this year?

Sunil Mundra: So, actually, here the strategy has been changed not because of the delay. It is majorly because of the viability issues in the domestic market. Since this is a new plant, exports are slow to come by till we get the approvals from regulatory bodies like WHO GMP, then from filing CEP and DMF. Till that time, we have to sustain on domestic market.

Domestic market also, most of the customers who are in the generic segment, so there we have been losing money due to unhealthy dumping from Chinese suppliers. So therefore, we decided to relook at our strategy. Therefore, this INR 70 crore to INR 80 crore of revenue that we had forecast is going to take a dip, and we are now forecasting something about INR 12 crores to INR 15 crores.

Sanchita Sood: And sir, is there any revenue outlook that you have for FY '29? What would be your aspiration in the long term?

Sunil Mundra: Our aspiration is to have this plant regulatory certified in FY '29 Q1 by US FDA and EU GMP in maybe Q2, Q3. Then go for exports into the regulated markets with reasonable profit margins. And our target is that in FY '29 or FY '30, I would rather say, about INR 250 crores of top-line revenue with about 20% EBITDA margin.

Sanchita Sood: That's all from my end.

Moderator: Next question is from the line of Naman Jain, an individual investor. Please go ahead.

Naman Jain: I have some questions. First is on the 7 COP filings, which molecules and which importing countries are they for? Which revenue called COP bag scale generated in FY '28? And what premium price do you expect over the domestic generic market you sell in today?

Sunil Mundra: Naman, I don't think it will be prudent for me to disclose the names of the molecules this thing. But along with the DMF, we are going to file CEP. The kind of rate difference between delta between the domestic Indian price and the Europe and the U.S. prices are significant. I would say, Europe prices are at least about, I would say, 30% to 40% higher than the Indian price, and European prices are at least about 60% to 70% higher than the Indian price.

Naman Jain: Next question is, are the 16 DMFs and the CEP molecules for the 4 standardized APIs and their salt for new molecules? What will be the cost of each of these filings?

Sunil Mundra: No, no, they are not new molecules. They are all molecules which are already we are doing, and we have the licenses with us in our domestic market. We are doing that. These are the molecules out of which we are prioritizing in the order of what is the best opportunity to sell, which are the most saleable products. That is how the order will be decided. And your question was that how much is the cost of filing?

Naman Jain: Yes.

Sunil Mundra: Filing cost will be around for DMF CEP would be around something like for us about INR 50 lakh.

Moderator: Next question is from the line of Shikha, individual investor. Please go ahead.

Shikha: So, this will be another year of loss. As a shareholder, I would like one answer. In which quarter do you expect the consolidated company to report the profit before tax?

Sunil Mundra: Which quarter consolidated profit? No, we are already reporting profit, right? Consolidated, capsules we are doing. Okay, so when do you think that both will get paid?

Shikha: Financial year?

Raj Kishore Prasad: '28-'29.

Sunil Mundra: Maybe in Q1 of FY '28 we should be able to, Q1 of FY '29, '28-'29 financial year.

Shikha: All right. And there is a PE investor in Natural Biogenex with a clawback linked to FY '29 numbers. Given the delays, what are the FY '29 targets in their agreement? And if they are missed, what happens to the promoters? And does it affect Natural Capsules' shareholders through dilution at the subsidiary or any obligation on the parent?

Sunil Mundra: The clawback targets for INR 250 crores of top line and 20% EBITDA, that was meant for FY '29. Now keeping in mind all the delays and due to delay in implementation of the project, getting the permission from the Pollution Control Board, the investors have decided to extend it now informally. Formally they have yet to communicate, but informally they have indicated that they would extend it.

Your next part of the question was that what would be the implication of NCL? Yes, clawback gives 5% more equity to the company and overall, all the shareholders will be getting 5% higher if you achieve that.

Shikha: And the API business needs regulatory and professional depth. Are there any plans to add independent directors with pharma regulatory experience to the board? Is the new API CEO's pay linked to the milestones?

Sunil Mundra: Yes, so regulatory independent directors, yes, people from pharma industry. We had earlier Mr. Pramod Kasat who was having a finance background but was on Board of several pharma companies. Of course, he had resigned. So now, we are looking for independent directors from pharma industry related background, and we will be shortly putting them on the board. Your next question was on?

Shikha: Is the new API CEO's pay linked to the milestones?

Sunil Mundra: Yes, obviously it is linked to this KRA.

Shikha: And sir, in the filings, press release, or PPT, can you start reporting milestone tracker covering WHO GMP, the COPP filings, the DMF and CEP filings contract manufacturing, etc.? That would let us judge progress on facts rather than guidance,

Sunil Mundra: Right. We will try and do that, ma'am.

Shikha: Thank you for the answers and all the best for the next quarters.

Moderator: Next question is from the line of Neeraj Jain, individual investor. Please go ahead.

Neeraj Jain: Sir, my first question is, in the commentary you have mentioned that the new API CEO is closing loss-making lines and accounts. Could you describe the API business you want to have in FY '29?

Sunil Mundra: Yes, for example, the loss-making API lines which were closed were like we were selling hydrocortisone, we were selling dexamethasone and dexasodium phosphate, and these kind of APIs we were making with at least N-4 steps, that is the 4 or 5 steps of chemistry and 1 step of fermentation. Unfortunately, they were not making any profit. They were losing money at the RMC level itself. So the new CEO decided that we should not lose money on this, rather work towards improvement in terms of possibility of improving the yield and trying to get the regulatory approvals whereby we can get better quality of customers and also start regulatory business where our selling price can go up. So in FY '29, we expect, yes, your second question was?

Neeraj Jain: The API business you want to have by FY '29, in FY '29?

Sunil Mundra: They already mentioned that FY '30 we want to achieve about INR 250 crore of business. By maybe FY '29 could be about INR 150 crores to INR 170 crores.

Neeraj Jain: And sir, what share would come from own steroids and what share from contract manufacturing and how much from domestic generics versus regulated market customers?

Sunil Mundra: I would say, majorly domestic business would be very restricted business, about 20% to 30% to 25%. Exports will be forming major part of it in terms of our sales of API about 50% to 55%, and balance CMO capacity utilization could be about 30%.

Neeraj Jain: So next question is, on capsules, gelatin has run about 90% utilization for years, and the HPMC lines are now gelatin as well. So, you are close to full. Is there a plan to add capacity, either new high-speed lines or the overseas or domestic facility mentioned in the growth driver slide? How would that be funded alongside API's need?

Sunil Mundra: See, capsule capacity utilization has always been around 90% plus only, all over throughout our history, because those lines are meant to be on a continuous running basis. Now your next part of the question was that how we are seeing the growth opportunity in capsule segment. So, at the moment we are not looking at any immediate return other than one more line of HPMC convertible into gelatin, which is coming on board here. So there is the last line which was planned as part of the last expansion, which will add on to the revenue here. So beyond that, so far there is no concrete proposal in front of the Board.

Neeraj Jain: Sir, next is, in June you said you may be the only company outside China making this steroids end-to-end from phytosterol. And that the company in the U.S. and Japan were eager to tie up

with you. How have any of those discussions turned into supply arrangements, letter of intent, or qualification batches, or anything that is materialized from those discussions?

Sunil Mundra: Yes, those discussions are ongoing. We are very keen to develop the Japanese and the U.S. contracts, where in Japan we had an LOI with us, but the important part of it is that we have to get the facility approved for export to those markets. For U.S., we need FDA DMF to be filed, and for Japan, we either need to Korea or to Japan PMDA approval. So, we are working on those factors as well, and we are trying to see how soon this can be realized.

Neeraj Jain: So, Natural Capsules today is really 2 businesses. The steady capsule business is earning around 14% to 15% EBITDA margins, like this is funding a pre-profit API subsidiary. So, how much more capital does API need before it stands on its own?

Sunil Mundra: API division will need capital. Maybe it will require fresh infusion of equity or raising maybe a little more debt, maybe concessional debt. We are talking to Government of India. We have applied for BIRAC and DBT funding. We are also talking to some government institutions in foreign countries where concessional rate of debt could be raised and equity could be brought in. It will require capital to the extent of maybe we are planning to put up, say, sterile block, which would require some more CAPEX, and to sustain the cash burn in maybe another 12 to 14 months. Maybe for that period we think that this CAPEX, and we will be doing some fresh equity as well.

Neeraj Jain: So just a last question. So is contract manufacturing a bridge until your own products fill the plant or a permanent part of the model?

Sunil Mundra: No, going forward, I think most of the Indian companies, pharma, biotech, everything, I think if you look at the CMO, CDMO, CRCDMO, everything forms a significant part of their revenue. So we also will follow the same strategy and have CMO division, CDMO division aggressively working, and our business development team will continuously look for these kind of opportunities.

Moderator: Next question is from the line of Mitansh Chheda, individual investor. Please go ahead.

Mitansh Chheda: So considering that regulatory approvals for the company's steroidal APIs may take time, have you explored utilizing its existing capacity to manufacture other fermentation-based products? And I wanted to understand what alternative product categories can be manufactured using the existing infrastructure, and would, would doing so require additional CAPEX?

Sunil Mundra: So you rightly said, regulatory business to take off will take time. In the meanwhile, we are, two things. One is, of course, the domestic profitable business to larger companies. That is what our target is, so that will be there. But a significant portion will go to contract manufacturing.

Your next part of the question is what alternative product line can be done. Fermentation can do any type of bioconversion or a classical fermentation, this thing. What it requires, a product to product, is a change of downstream equipment, and we are adding on more downstream equipment as and when required.

Similarly, synthesis is also a kind of a very generic facility where most of the requirements, special requirements, can be arranged without any major CAPEX.

Mitansh Chheda: So, which product have you decided besides the steroidal APIs?

Sunil Mundra: What are the type of APIs we want to get in? So, we are looking at the possibility of doing that because corticosteroid is a, I would say, kind of a potent, high potency APIs. So, drug department would insist on isolation for steroid manufacturing to other API manufacturing.

So right now, at this point of time, we are still thinking about manufacturing not the alternative segments of API, but to contract up to crude API or maybe intermediate level. In fermentation block, we have no such constraint. In fermentation, we can put up a clean room where we can do fermentation-based APIs or fermentation-based intermediates.

Mitansh Chheda: But what is stopping us from doing that? Because from my understanding, until we get the regulatory approvals, this will be a very low margin business. So, why don't we get into adjacent product categories?

Sunil Mundra: So, Mr. Chheda, for your information, in last 4 or 5 months, we have approached nearly 30 customers and have been holding discussions both in Europe, of course, in CPHI in Milan, and here in India again next week in CPHI in Delhi. We will be meeting a number of customers.

We are exploring all kinds of possible options, and very soon we will be starting multiple contracts. We already started one contract about 4 months back and that is on synthesis side. On fermentation side also, multiple discussions are on, and soon we will be seeing that.

Mitansh Chheda: In the Fermbox Bio contract, so there the issue was from our side or was it their product inefficiency?

Sunil Mundra: No, actually Fermbox had started 2 products, but they faced challenges in scaling up beyond 10 KL. They started with 1 KL, 10 KL. We had our next commercial production was 60 KL. So the anticipated yield did not come. It could be a combination of suitability of that particular equipment to this particular design what they proposed, or the parameters of that particular experiment or batch, or their product strain or whatever. It could be combination of many factors, but both of us are working on that, and they have gone back to their R&D lab to improve their process.

Mitansh Chheda: But the order, but the collaboration is not cancelled yet, right?

Sunil Mundra: Yes, it is still on. We are in discussion, and they had two products done here, and both the products are being having some challenges. They are trying to improve that.

Mitansh Chheda: Thank you for answering my questions.

Moderator: Next question is from the line of Keshav Garg from Counter Cyclical PMS. Please go ahead.

Keshav Garg: Sir, firstly, I wanted to congratulate you for cash breakeven on consolidated basis for the 2nd Quarter. Now sir, the thing is that, are we the projection that we have made regarding our subsidiary, so if everything goes as per the plan, what kind of PLI would we be eligible for?

Sunil Mundra: Keshav, thank you so much for your congratulations, and let me tell you that there is a very good news for that PLI, because government of India gave some 27 companies PLI licenses under the scheme of Bulk Drugs and Medical Devices. As per the latest information, only 4 or 5 companies could claim the PLI incentives due to various reasons.

So Government has, in last Cabinet meeting, extended the benefit of PLI for another 10 years till 2036, means this scheme was valid up to '29. So in the new scheme, it is going to be valid till 2036. They have taken decision for medical devices so far.

In case of bulk drugs, the matter is pending before the Cabinet committee. And very soon we are going to hear that a new scheme will be launched whereby all those allottees of these approvals who have completed the technology development and invested the money in the plant construction will be allowed to take the benefits right up to 2036.

So I am quite hopeful that company is not going to lose anything on the PLI. We can claim the whole PLI schemes because the exports are going to be covered. So once our full range of exports start, definitely we will be getting all the PLI benefits.

Keshav Garg: So in the page number 21 of the presentation, we have mentioned that for FY '25 to '28, it was 20% incentive, then it was next year 15%, then next year 10%. So, this all has shifted forward.

Sunil Mundra: I think so. Still the complete details are not out, but the details are out for medical devices. We are expecting that exactly the same, since we did not even claim a single pie of PLI, I believe the same 6 years would be extended beyond '29. This is what we hear from the Department of Pharmaceuticals Ministry officials.

Keshav Garg: Now, sir, there are few other fermentation-based pharma companies like Biocon, and Gujarat Themis etc., or even Concord Biotech. Sir, have we tried to talk to them for maybe some kind of a joint venture? Because sir, we are new to this API or fermentation business. So the experienced players maybe they have already gone through that learning curve. So, are we thinking on those lines that if we induct a strategic partner on a joint venture basis, then possibly the ramp-up could happen faster?

Sunil Mundra: See, the agreement with Fermbox was in that direction only. Fermbox promoter was also an ex. He was having a company called Richcore, which he exited in the year '23 by selling it to Laurus Bio. So with that experience only, we tied up with them saying that their technologies are perfect and they would be able to scale up very quickly. But unfortunately, fermentation line, the initial setup takes more time for any bacterial strain or fungal strain to adjust to the new environment or new equipment. It takes time. So, probably I presume that Fermbox is also taking a little more time.

Now your other suggestion that why not we tie up with some of the large companies like Biocon, GTBL, or Concord? Yes, we are always in discussion with the multiple number of companies and multiple discussions are on. If not directly with them, their R&D, ex-R&D guy, R&D consultants who are out. And we are looking at products also because as I mentioned just a few minutes back, that in our fermentation block we can add on more APIs because that block doesn't manufacture any finished API from our steroid segment. So therefore, we are looking at the opportunity of adding on API in fermentation segment on our own as well.

Keshav Garg: And sir, like you mentioned that on a consolidated basis from Q1 FY '29, the company should be in a profit. But this, our subsidiary on an EBITDA level, when do you foresee it breaking even? Or what revenue level will our subsidiary break even at the EBITDA level and when do you expected to do so?

Sunil Mundra: Just a minute, one minute, one minute. 5 plus 5 interest depreciation is about 3. 8. 32. 32 minus that means depreciation interest were about 18 to 20. So, probably we need a revenue for EBITDA to have a neutral EBITDA margins of about INR 20 crores. We would think that EBITDA neutral probably somewhere in the Q4 of FY '28.

Keshav Garg: And at what revenue level INR 20 crore?

Sunil Mundra: I think, see, it is going to be combination of CMO as well as local product or maybe part of exposed to ROW market. The revenues could be in the range of about INR 120 crores to INR 150 crores.

Keshav Garg: So at INR 120 crore to INR 150 crore revenue level, the subsidiary is expected to break even at the EBITDA level?

Sunil Mundra: Yes.

Keshav Garg: And we are expecting this by Q1 FY '28?

Sunil Mundra: No, no, I said Q4 FY '28.

Keshav Garg: Q4 FY '28, understood, sir. Now, sir, our power and fuel expense last year FY '26 went from INR 16 crore in FY '25 to INR 23 crore in FY '26, which is a very significant number. So, why exactly

was there such a sharp jump? And sir, are we thinking of putting some solar or maybe going for open access for renewable power with CleanMax Energy and other such partners?

Sunil Mundra: Mr. Keshav, I would like to, first of all, inform that Natural Capsules at our Bangalore plant or capsule division, where we have already been accessing using 100% solar power, unfortunately this was under a scheme where the transmission charges were to be laid on us, and therefore the saving has contracted. Earlier anticipated saving of INR 2.20 is now merely about INR 0.60 because the government of Karnataka increased the transmission charges. Now we can't change that at the moment.

So, what we have done is, of course, in our Pondicherry plant, we still do not have any feasibility of taking private solar power or wind power until unless we generate within the Union Territory of Pondicherry. So, we are trying to identify a suitable partner who can do that, and then we can avail that.

Now coming to our API plant, I am happy to inform all the shareholders that from 1st November we have now tied up with a new solar project, which is within the vicinity, 100 kilometers of the plant, and it is at an 11 kV connection. So the net benefit is going to be over and above the Government of Karnataka's benefit, is almost about INR 2. So, this probably you will see a benefit about INR 1.5 crore reduction in power cost per annum from next year from the API division itself.

Keshav Garg: Sir, also under other current assets balance with customs and GST, it is INR 23 crore versus INR 24 crore in FY '25. Again, sir, this is a huge number that is stuck in with customs and GST. So, why is so much money stuck and any possibility of releasing this money?

Sunil Mundra: Actually, this money is the GST paid on all our CAPEX done at the API division. So about INR 200 crore what we have spent there, most of it is significant, a large portion of it towards the civil structure and all was capitalized. The rest of the GST is in the current account. This is claimable. Company will get back this GST. It is lying with the GST department.

The only challenge is, the only way we can claim this is by means of revenue, or rather than value addition in domestic market, thereby input to output, if there is any gap, that can be utilizing this one. So, this probably will come over a period of next 4 or 5 years. At the moment, we have no other means or channel of getting this money back. We have also been trying to explore this possibility, but the GST department has conveyed that there is no such possibility.

Keshav Garg: So, basically, the capsule division cannot claim this GST. The fermentation, the API business has to generate revenue and only then it can be claimed, that GST. Is that understanding correct?

Sunil Mundra: Yes, you are absolutely right, because they are those 2 separate entities.

Keshav Garg: And that too the fermentation business also, exports wouldn't count. The domestic sales can only claim that.

Sunil Mundra: Exactly.

Keshav Garg: So, I am sure you will not leave any stone unturned to make this API business work, sir. But in business, anything can happen. So I am just saying that worst case scenario, if things do not work out, so still what is the liability on the company? I mean, just assuming the worst case scenario, our consolidated debt is INR 117 crore. And our standalone EBITDA is INR 25 crore. So, we can very well service the consolidated debt also if things do not work out. So, is that understanding correct, or is there any further liability also?

Sunil Mundra: No, at the moment this is the borrowing. As I mentioned a few minutes back, that we might have to incur a little more. But we are working, our topmost priority is to get the equity infusion done. So for the exports market, we needed to put a sterile cleanroom for making injectable grade of APIs, which are more in demand in these corticosteroid range.

Like one of the major products of Symbiotec Pharma is hydrocortisone sodium succinate, methylprednisolone sodium succinate. These are the types of products which can be made only in sterile API cleanroom block. So we might have to invest some money on that, but our attempt will be to not borrow more and try to get the maximum equity infusion.

So, your other first part of the question was that are we able to service the debt? Yes, we have been servicing and we will service all the debt as well as the interest, even including the installment payments. Yes.

Keshav Garg: So if any thought on merger with the parent company so that we can save on huge tax because whatever the accumulated losses of the subsidiary can be set off against the profitable standalone business? So if we do that, then do we lose the PLI benefit going forward?

Sunil Mundra: I don't think PLI might get affected because PLI stands for a separate production block and separate site itself. PLI may not, but your suggestion can be discussed at our board level. In fact, we were thinking of delinking it from the main capsule company by distributing the shares of subsidiary company to all the shareholders of Natural Capsules. So, thereby Natural Capsules' performance and its future growth can also be taken care of, and subsidiary company will also be able to show the performance on its own.

Raj Kishore Prasad: That was another thought process going on.

Sunil Mundra: Yes.

Keshav Garg: But the bankers, would they be ready? Because until that business is profitable, today, the standalone business, the recourse is there, and we have given guarantee also. So, if we

demerge and if we still continue the guarantee, then the demerger really doesn't make sense because then the liability still is on the profitable business. So possibly, sir, it can be planned out that what is the tax saving in case of a merger. So, first, a merger could be made and the tax efficiencies can be squeezed out, and thereafter a demerger can be considered once the API business is on the threshold or even after breakeven at EBITDA level.

Sunil Mundra: I think, Keshav, your point is very well taken. I think it has got some merits. I think tax efficiency as well as the unlocking of the locked GST amounts, that both things can work out. We will consider it at Board level and then make a suitable decision.

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

Sunil Mundra: Thank you all for your questions and for your time this morning. I will leave you with 3 points. First, the capsule business is performing well and is funding the company. Second, the API business now has new leadership and a clear sequence of milestones ahead of it, from WHO GMP certification to the COPP filing, on March 27th to US DMF CEP filing from FY '28 onwards. But we know our credibility rests on meeting the dates we give you. We will report against these milestones every quarter as suggested by Shikha. And thank you for your patience and your continued support. If you have any further questions, please reach out to us or TIL Advisors. Thank you.

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