Sai Life Sciences Limited

Q1 FY'26 Earnings Conference Call

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MR. SIVA CHITTOR – DIRECTOR AND CHIEF FINANCIAL OFFICER

Moderator: Ladies and gentlemen, good day and welcome to the Sai Life Sciences Limited Q1 FY'26 Earnings Conference Call.

As a reminder, all participants' 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.

I now hand the conference over to Mr. Diwakar Pingle. Thank you and over to you, sir.

Diwakar Pingle: Thank you so much. Good evening, good morning to all the participants in this call.

Before we proceed on the call, let me remind you that the discussion may contain forward-looking statements that may involve known or unknown risks, uncertainties, and other factors. It must be viewed in conjunction with our business risks that could cause future result performance or achievement to differ significantly from what is expressed or implied in such forward-looking statements. Please note that we have mailed the results and the same is available in the Company's website. In case you have not received the same, you can write to us and we will be happy to send the same over to you.

To take us through the results and answer your questions today, we have the top Management of Sai Life Sciences Limited represented by Krishna Kanumuri – Managing Director and Chief Executive Officer, and Mr. Siva Chittor – Director and Chief Financial Officer.

We will start the call with a brief overview of the quarter gone past and then conduct the Q&A session. With that said, I will now hand over the call to Krishna. Over to you, Krishna.

Krishna Kanumuri: Thanks, Diwakar**.** Good evening, everyone. Thank you for joining us today.

We are pleased to share that FY'26 has commenced on a robust footing, with Q1 performance reflecting strong momentum across Discovery, Development, and Commercial Manufacturing. This growth is a result of deep partnerships we have nurtured with global pharma innovators, underpinned by scientific rigor, operational excellence, and our ability to scale with speed.

The revenue for the quarter grew 77% year-over-year, supported by broad-based growth across businesses, particularly CDMO, which grew by 113% year-over-year. This growth has translated to strong profitability with EBITDA increasing by 305% year-over-year, with margins expanding significantly.

Beyond the numbers, we continue to make significant strategic progress.

We expanded our Integrated Discovery platform, with the launch of state-of-the-art biology facility at our Hyderabad campus. This will enhance our ability to support complex targets and deepen our role in large, integrated programs. Looking ahead, we are commencing work to add

two new production blocks by the second half of next year, to further scale up operations and support future growth. And we have also just started building a new Process R&D block, which will nearly double our Process R&D capabilities, and add clinical-scale peptide capabilities, as well as early-phase formulation capabilities.

We are also on track to add about 30% extra space in Discovery at the end of the fiscal year. So, we are adding capacities across, and this will really enable us to support both clinical and commercial supply programs, aligned with the increasing scale and complexity of molecules we work on. Talent continues to be a core of our delivery engine. We have on boarded over 250 scientists and technical professionals during the quarter, expanding our team's depth and bringing in capabilities aligned with new modalities and next-gen science.

I am pleased to share that during the quarter, we successfully completed 11 client and regulatory audits across our sites, further reinforcing our consistent track record of quality and compliance. Our digital-first mindset, integrated quality systems continue to be a key differentiator for us. As part of our going green initiative, we have expanded our Go Green Plus initiative with DHL, furthering our commitment to greener logistics.

As we look ahead, we are closely monitoring the changes in the macro environment and remain confident of the long-term trajectory of our business. We remain sharply focused on scaling responsibly, investing ahead of demand, and strengthening our scientific depth to serve the evolving needs of our global clients.

With continued expansion of infrastructure, keeping our talent, and increasing traction across modalities like peptides and ADCs, we are well-positioned for sustained profitable growth.

With that, I would now like to hand this over to Siva Chittor, our CFO, who will provide an update on our financial performance.

Siva Chittor: Thanks, Krishna, and good evening, everyone. Thank you for joining us today for our Q1 FY'26 earnings call.

We are excited to share our financial performance for the quarter, which underscores the strength of our business fundamentals and the progress on our long-term priorities.

We are pleased to report that our revenue for Q1 FY'26 reached Rs. 496 crores, a remarkable 77% increase compared to Rs. 218 crores in Q1 FY'25. This growth was primarily driven by strong performance in our CDMO business, which recorded Rs. 314 crores, an impressive 113% growth from Rs. 148 crores in the same quarter last year. Additionally, we also saw solid growth in our CRO business with revenues of Rs. 182 crores. This represents a 38% increase from the Rs. 132 crores in Q1 FY'25. This overall revenue growth was fueled by continued traction in our fully integrated delivery model and deeper engagement with our global clients. The growth in the CDMO business is attributable to increased revenues in certain commercial products and

growth in the early phase R&D revenues with pharma companies. The CRO business continues to grow on the back of Integrated Discovery programs. While we expect a strong start to the fiscal year to provide some momentum for the rest of the year, we would like to reiterate that the CDMO business by nature tends to be lumpy and is better reviewed on a longer term basis. Our EBITDA for the quarter stood at Rs. 125 crores, an increase of 305% year-on-year compared to Rs. 31 crores in Q1 FY'25. This impressive growth in EBITDA has resulted in an expanded margin of 25%, reflecting a year-on-year improvement of 14% in EBITDA. This enhancement in margins is attributed to operating leverage, scale efficiencies, and improved productivity across our sites. As we have stated in our previous calls, we believe that this business can be scaled to achieve 28%-30% margins as our revenues grow and our results for this quarter show a positive movement towards that goal.

We are also pleased to report a positive turnaround of our profitability. Our PAT for Q1 FY'26 stood at Rs. 60 crores, a significant improvement as compared to a loss of Rs. 13 crores in Q1 FY'25. During the quarter, we invested Rs. 134 crores towards capital expenditure. This is in line with our planned investments to expand capacity and enhance our capability. We believe these investments are critical as we focus on supporting next generation and emerging modalities, including peptides, ADCs, and oligonucleotides. Our commitment to investing in new R&D infrastructure and process development capabilities positions us well to meet the evolving needs of our clients.

As we look ahead, we remain optimistic of our growth trajectory. With a strong foundation in place, we are focused on scaling execution, strengthening client partnership, and investing in technology and talent to deliver sustained performance and long-term value. We believe that our strategic investments and operational efficiencies will continue to drive our success in the coming quarter.

In conclusion, I would like to thank our dedicated team for their hard work and commitment without which all this would not have been possible, as well as our clients for their continued trust in us. We are excited about the opportunities that lie ahead and are confident in our ability to deliver exceptional services.

With this, I turn this around to questions.

Moderator: Thank you very much. We will now begin with the question-and-answer session. The first question is from the line of Dhara Shah from Morgan Stanley. Please go ahead.

Binay: Hi team, this is Binay. So, my question is, in the past we've talked about H2 being better than H1. Will that hold for this year also and for both the segments, CRO and CMC? So, that's the first question.

Siva Chittor: So, Binay, without getting into the specifics of the year, that's a general trend that we have seen across the years and we believe that trend will continue, but I am not giving any specific guidance for this year.

Binay: So, there is nothing in a way that is lumpy in this quarter that will sort of break that trend down. So, that's the understanding we are trying to get.

Siva Chittor: There are no one-offs that have been accounted in Q1 as far as I can tell.

Binay: Great. And secondly, one of the lines in the presentation we've added that the strategic investments will double our overall capacity by FY'27. So, that is basically taking us to 900 KL, right? So, we are doubling versus FY'24 levels or so. Is that the right understanding?

Krishna Kanumuri: No, I think, Abhinay, we are talking about two doublings. We are doubling our process R&D capacity by next year and manufacturing capacity will go up by 80% by 2027. So, both are actually going up.

Siva Chittor: The base reference number for the manufacturing is 1,200.

Krishna Kanumuri: Between 1,200 and 1,300.

Abhinay: Okay. And within that, we are also saying that, we will be diversifying our footprint and reducing concentration risk. So, could you elaborate a little bit more on that? Is it more with new customers that you are going to work in the big pharma side? Is your share of new modalities which you've called out in this presentation, that is increasing? Any few qualitative points on that? Thanks.

Krishna Kanumuri: We've continued the momentum, we've onboarded several new large pharma customers, as well as we have expanded our depth of collaboration with customers. So, I think this is based on not only basically the existing pipeline, but also the fact of a lot of new relationships which we have started and existing relationships which are getting much broader and deeper.

Moderator: Thank you. The next question is from the line of Karan Gupta from ACMIIL. Please go ahead.

Karan Gupta: One question regarding the revenue split. We are targeting that our CRO space will be close to 40% something or 50% something in the overall pie, considering the lumpiness in the CDMO, as we are also seeing the other peers that are quoting numbers. So, what's the target for the CRO to take ahead?

Siva Chittor: Sorry, you're not very clear, but I am assuming that your question is about the CRO CDMO split. Our broader guidance is somewhere around the two thirds to one thirds. In a quarter or in a year, there could be specific movements that could be slightly not matching the two third to one third, but broadly it remains in that territory.

Karan Gupta: Okay, so in the CDMO space, we are not seeing any demand scenario where the customers are maybe not expanding or not giving the orders. This kind of scenario, we are not expecting in the CDMO space.

Siva Chittor: Not at this time.

Karan Gupta: Okay. Any large customer contributing to the major portion of the CDMO?

Siva Chittor: We reported our client concentration and we do this on a full year basis. And I think the client concentration that we reported, I think top 10 customers is around 40% and we do this on a full year basis. We don't add these numbers every quarter because the quarterly numbers will not make sense. But we are generally a very diversified platform and that's what we believe in from a concentration perspective.

Moderator: Thank you. The next question is from the line of Divyaxa Agnihotri from HDFC Securities. Please go ahead.

Divyaxa Agnihotri: I just saw your customer split for your CRO business, which was around 38% for Big Pharma and 62% for Biotech. So, I just wanted to ask a question around the biotech funding environment. I know you give these numbers sort of annually, but where do you see sort of the funding environment shaping up in terms of the customers or in acquiring newer customers? So, are you moving towards Big Pharma? I want to understand the scenario from your end.

Krishna Kanumuri: I don't think there's any specific strategy to go after Big Pharma versus Biotech. We are engaged in the market. It depends on the market cycles, how they go. I think right now, obviously, Big Pharma is building a footprint in India for the long run. So, you will see probably more traction Big Pharma in the immediate term. So, I think Biotech funding is coming back, but it's really focused on more later stage assets, which are more on the CDMO side. And the amount of funding on the Discovery side definitely is coming back, but the level of investment is less. So, I think what you will see is biotech coming back, but not with very large contracts. They'll be coming to what they were doing probably 4-5 years back with maybe 20-30 FTE programs, not the 100-150 FTE programs they were before. At the end of the day, we basically sell to the whole market and everything goes through the cycle right now. So, we don't specifically target one customer or the other.

Moderator: Thank you. The next question is from the line of Madhav from Fidelity. Please go ahead.

Madhav: Hi. Good evening. Thank you so much for your time. First question was on the six molecules that you mentioned are in phase III or in the pre-registration phase. Could we get some color in terms of phase III readouts or when the client plans to launch if it's already in the pre-registration phase? Are there any such molecules which could be up for launch in FY'26 in the rest of the year?

Siva Chittor: So, we've had two of the phase III molecules that have provided a positive readout. At least, you know, the news reports suggest that there is a positive readout on phase III. They were slightly earlier in the year, a couple of months ago. We don't have a very specific date on when, once the phase III is done, they will have to assemble data which then they will have to go back and file with the FDA, which would then enable them to get approved. At this point in time, I don't have very specific information, but we've had movements on two products that are in phase III that have seen a positive readout.

Madhav: Okay. Got it. And any of them in the pre-registration side, like which are maybe already filed and due for launch? Is there any molecule in that sort of part of the pipeline as well?

Siva Chittor: There was one small molecule, I think that just got approved, but it's not a very large. At this point in time, it doesn't need to be a very large revenue, but it just moved very recently.

Madhav: Okay. Understood. Got it. And then in the presentation, you mentioned that the dedicated CRO client has seen 30% growth or 30% expansion in the business that we do with them. Could you give some more color in terms of like, has that already started showing up in the numbers for us or that comes through in the coming periods? And how large is this client within the CRO business? If you could give a broad sense, that would be helpful.

Siva Chittor: Not commenting on the individual clients because of given restrictions, but the expansion in terms of that 30% has already happened. It happened a month and a half ago. So, you will start seeing that flow through immediately.

Madhav: Okay. So, Q2 onwards, you see that benefit, right?

Siva Chittor: Yes.

Madhav: Okay. Understood. And just one last question goes on the, how is the sort of RFQ, RFP flow through from clients, especially for more mid-stage assets? Like, I remember from earlier interactions, we had indicated that we are seeing good client requests for late-stage molecules as well. So, how is that traction going for us?

Krishna Kanumuri: It's pretty healthy in terms of what we are seeing in terms of RFP coming in.

Madhav: Thank you. Thanks a lot.

Moderator: Thank you. The next question is from the line of Nikhil Mathur from HDFC Mutual Fund. Please go ahead.

Nikhil Mathur: Good evening, all. Many congratulations to the management for such great numbers. So, my first question is slightly higher level. Sai Life Sciences is doing phenomenally well. We are seeing it last quite a few quarters now. Also, we are seeing the industry overall, many of the companies are also doing pretty well in terms of new customer base, and that is starting to get

reflected in numbers as well. So, I just wanted to revisit the broader thoughts on the industry. What's happening? Is it really China Plus derisking that is kind of starting to play out, or Indian industry itself has gone to an extent, or they have built capabilities over the years, that irrespective of China Plus One or not, the companies are starting to win more contracts and are able to demonstrate better visibility in global CDMO space?

Krishna Kanumuri: Okay. I think to be very candid, right now, apples-to-apples, China is still significantly ahead of India. I don't think India has capability-wise yet caught up with China, both in scale or technology. That's just an honest fact, I think. But the reality is, China Plus One or not, I think diversification is real. The one issue which has come up in China, which is actually moving customers away, is IP issues have come up in China, primarily because China has become a competitor for them on the Discovery side. All the China deals, if you follow the news, the number of biotech deals China are doing have gone up. So, I think at least what we are hearing more and more is that the fear in China is the IP aspect of it. So, I think the Indian industry is set to benefit. I think Pharma is taking a long view that we will build these partnerships, and it's going to take years for us, at least a reasonable amount of time to build partnerships. So, they're going step-by-step to ensure that they have a reliable supply chain outside of China. They don't want to be too dependent on one country. So, I think this broad trend will continue because customers are investing in us, and the companies which are proactively working with them are set to benefit the most. That's the honest answer I can give you on this one.

Nikhil Mathur: Okay. So, the current road that your company is kind of on, the path on which your company is on, were you always fully confident, let's say 2-3 years back, that this growth will emanate, or something has changed in the last 12 months, which is kind of accelerating this growth?

Krishna Kanumuri: We've always been very confident. If you look at the investments we've made, it was in 2018-19 when we really changed our focus to really become a science-driven, high-end manufacturing and discovery company. And that thesis has played out well for us. And the reason I think we are winning business today, is because we've made investments ahead of time based on what we saw customers were looking for based on their existing partners. And as the market has opened up, we are probably a little bit ahead of the curve in terms of the depth of the team we have built, the way we are thinking about it, the systems we've built. I think that forward-looking approach has given us that little bit of an edge in terms of ability to scale up from here.

Nikhil Mathur: Slightly more micro questions now. I missed the capacity enhancement program. So, are you doubling the overall capacity, including manufacturing and research, by FY'27, FY'28? Or you mentioned that research is doubling and CDMO will go up in steps?

Krishna Kanumuri: No, actually, research is doubling. And we are adding, obviously, formulation services, early phase formulation, peptide capability in the research building, which we've already started working on. And manufacturing itself, we are adding two new blocks, which is double capacity. Probably the R&D is going to come up a little sooner, but end of next year, all this capacity should be online.

Nikhil Mathur: So, let's say till now, or in the past, like you mentioned that you have been trying to invest ahead of curve, so as to win orders. Can it be assumed that now your utilizations will be more matching the order book, in the sense that, given that you are at a particular scale now, there is visibility with multiple clients. So, now the capacity buildup is more in anticipation of the orders that you might see over the next 12-24 months?

Krishna Kanumuri: We definitely have a lot more visibility than when we built in the past, because the past investments also were kind of changing our technology platforms. But now I think what we are seeing is much more visibility, and I think we are much more confident about utilization levels going forward.

Nikhil Mathur: Got it. And one final question. On the new modalities, the four new modalities that you talk about in your presentation, I would imagine that most of these work for you is in a Discovery stage or maybe some bit of on the development stage, I am not sure. How far are we from the first project or two projects that can be commercial in these new modalities? Is this 2 years out, 3 years out? When can be that inflection point for the company in terms of new modalities on the manufacturing side?

Krishna Kanumuri: There are four key modalities we are talking about. As far as oligonucleotides, we are close to commercial and we are fairly far ahead of a lot of people on the oligonucleotides side. For ADCs, we are working on late-phase asset today, which are actually commercial. Peptides are still very early. I think peptides probably will be very early in the clinical stage. Then we have lipids. We have been supplying lipids for a long period of time. So, we have the capabilities. We have a lot of clinical assets. When they go commercial, we don't know, but lipids, we've been working on since the last 7-8 years. Except for, I would say, pure ADC conjugation and peptides which are relatively early right now in the chain, I think most are commercial right now or in the next probably few quarters.

Nikhil Mathur: Okay. And whatever projects that you foresee going into commercial from your end, would the revenue per project be much higher than what a typical run rate is for small molecules that you have been doing till now?

Krishna Kanumuri: Hard to say. Every product has a different cycle in terms of volume. So, you can have the greatest modality, but if the volume is low, you cannot put a modality and volume together. It really depends on the product class and the target you're going after.

Moderator: Thank you. The next question is from the line of Binay from Morgan Stanley. Please go ahead.

Binay: Hi, team. Just two questions. One on the broader side. We've seen this news flow on most favored nation policy, letters going to like 17 big pharma. So, in that context, what will be your read through on R&D spend on outsourcing? Do you think it will be neutral for Indian CDMOs or it will be positive because cost cutting moves to low cost location or negative because some of the

research project gets pushed out? So, any initial thoughts on how big pharma and their plans and where India fits in into that?

Krishna Kanumuri: Look, it's almost impossible right now to figure out the geopolitical angle and what that means from a revenue standpoint for pharma. But purely from a CDMO standpoint, the fact of the matter is R&D is really going to be in Asia. I don't think there's any pressure to do R&D in the U.S. It's really about products. And if you really look at the net-net target for the U.S. administration, is to put whatever facilities which are in Ireland or Switzerland or other parts in Europe in the U.S. So, just as pharma companies are currently manufacturing using us as a supplier into Europe by using European facilities my anticipation is that we will similarly be supplying to U.S.-based facilities.

I don't think the fundamental dynamics will change in terms of the customer demand or what they will do. The geographies we supply to might change and how tariff is affected, what it is to early to comment at this point, early days. But I don't think the basic reshoring to the U.S. of pharma is going to make a significant difference in terms of the supply chain into there at this point. And R&D itself, I think, is still going to be overseas. So, I think there will be short term bumps, but long term in this time cycle, I am still fairly positive that there won't be a fundamental shake-up in what we see in Indian Pharma.

Binay: Thanks. And secondly, just on the financials, we had talked about interest costs coming down in the coming quarters. And we know this year, it seems like, CAPEX versus operating cash flow, there will be a sort of a negative gap. So, is it fair to assume that interest cost decline that we were talking about is largely now happened and is reflected in this quarter?

Siva Chittor: Yes.

Binay: Okay, great. Thanks.

Moderator: Thank you. The next question is from the line of Karan Gupta from ACMIIL. Please go ahead.

Karan Gupta: My question is regarding the CRO side. What kind of growth are we expecting from the CRO side over the next 2-3 years, we can notice from FY'23-'25 it is close to around 15%-17% as the CDMO is growing? But last 5 years we can see 35% you mentioned. So, what kind of growth we can expect for the CRO side for the next 2-3 years? Is it in line with the CDMO? Or it will grow much faster than that?

Siva Chittor: So, what we have presented and what we have told over the last couple of months, and I will reiterate that, I think we are not presenting a separate growth number for CRO versus the CDMO. What we are committing is a 3 to 5 year, 15% average growth rate. That's really what we are presenting and that's what we are focusing on. We are not presenting a separate data at this time.

Karan Gupta: Okay, because the thing is, the CDMO is very lumpy in nature. So, it's very hard to think about, as you're saying, 15%-16%. So, margin side, if you can give us a split between the two?

Siva Chittor: No, not really. I think our fundamental belief is that a steady state, maybe the CRO side will have a few bps more than the CDMO side on a steady state. But that's just the general model working. We are not presenting the splits in the numbers today.

Karan Gupta: Okay. So, few bps will be higher for the CRO side.

Siva Chittor: Yes.

Karan Gupta: Okay. And any new projects that you're not mentioning the CDMO side on the late stage 3 or commercial stage? Not mentioning this thing also?

Siva Chittor: We don't provide any molecule details of phase III or anything.

Karan Gupta: Okay. And just one last question. How are you seeing this CRO space going forward? Just talk about the CRO research side. What's the entry barrier in this space in India domestically? What are the players? How many players are in this space? If you can just give some color on that, I understand this space.

Siva Chittor: Karan, I think we don't generally comment about other businesses. I think there is enough data available in the public space for you to figure out who does the CRO business. I would only want to say that we have a very strong traction in the CRO business. Our revenue growth is what we have presented and we continue to believe that that business will grow. But I would stop short of commenting on others.

Karan Gupta: Okay. Thank you.

Moderator: Thank you. The next question is from the line of Rahul Jeevani from IIFL. Please go ahead.

Rahul Jeevani: Yes. Thanks for taking my question. Sir, on the CDMO manufacturing capacity expansion, last quarter, let's say we were at 600 kiloliters, which this quarter we have added around 90 kiloliter. And on top of that, we have announced another 200 kiloliter by third quarter of 2027. So, that would imply, let's say, a 50% kind of an increase versus FY'25 capacity. So, is that understanding correct? And why I am asking this is because at one point in time, you also indicated that the CDMO capacities actually are going to increase by 80% by FY'27.

Siva Chittor: I think what we meant, Rahul, is we are working on two production blocks with a total capacity of closer on 450 KL. So, if you take that from the capacity at the end of last year, which was around 600 KL, and then you add 550 KL, it will be more than 80%, close to 90% capacity addition. That's what we meant.

Rahul Jeevani: Okay. So, 450 KL addition on this 600 KL base of last year?

Krishna Kanumuri: 550 plus 600.

Rahul Jeevani: Okay, sure. And let's say of this 550 incremental, you have talked about plans for, let's say, 100 KL got commissioned. You are working on another 200 KL. So, the rest, when do you plan to start the commissioning?

Siva Chittor: So, we expect the 450 KL to be commissioned around the second half of FY'27, with some gap between each other, but 450 KL will get commissioned by the second half of FY'27.

Rahul Jeevani: Okay, sure, sir. Andon this CDMO pipeline, phase III pipeline, where we have six molecules now. If I remember the numbers correctly, this number used to be eight to ten phase three projects, let's say, last quarter or end of FY25. So, have a couple of projects gone into commercialization?

Siva Chittor: Couple have gone into commercialization, couple have dropped out.

Rahul Jeevani: Okay. So, the number was 10, which has come down to 6, or was it 8, which has come down to 6?

Siva Chittor: It is 10. I think there is a few movement in, few movement out. So, essentially net-net we moved couple to commercial. There are a couple of entries and there are a couple of, I can give you a detailed summary separately, but it's a list of addition and deletion.

Rahul Jeevani: Okay. Sure, sir. And, sir, you pointed out that the CDMO business obviously has this quarterly volatility. So, just to get some color around the fact that this quarter we saw very significant growth on the CDMO business. So, was there any inventory stocking related to, let's say, some of these early commercial projects which might taper off going forward? Or let's say we can work with this 1Q CDMO revenue as the base for growth going forward.

Siva Chittor: So, as I mentioned earlier, there is no one-off, which includes any one-time launch related stocking. I won't comment on how you do the modeling for maybe in Q1.

Rahul Jeevani: Just the last one from my end. You indicated that you have onboarded 250 scientists during the quarter. So, if you can call out the total of scientists across both the CDMO and CRO business, Thank you.

Siva Chittor: I don't have that data, but we can add that and send it out separately.

Moderator: Thank you. The next question is on the line of Anandha Padmanabhan from PGIM AMC. Please go ahead.

Anandha Padmanabhan: Thank you for taking my question. Congratulations on a good set of numbers. Sir, I had two questions. One was on the capacity utilization. What is the capacity utilization at the end of Q1? And second thing, I wanted to have on clarity on the 550 KL additional capacity that you

mentioned in the earlier question. In the presentation, you're given that 200 KL will be coming by Q3 FY'27. And in the earlier statement, you said that 400 would be coming by in the second half of FY'27. Just wanted to get a better clarity on this aspect.

Siva Chittor: Sure. So, I think what we are saying is that the first production block will come on scene by Q3 FY'27. The other one will come towards the end of FY'27. That's why we said 450 will come towards second half of the year. That's what we said.

Anandha Padmanabhan: One will come in Q3, other will come probably towards the end of Q4. That's how one should understand this.

Siva Chittor: Yes.

Anandha Padmanabhan: Okay, fair enough.

Siva Chittor: On your first question on capacity utilization, our capacity utilization for the last quarter was around 77%.

Anandha Padmanabhan: And what is the peak capacity that you can typically go up to?

Siva Chittor: So, I think we brought 100 KL capacity end of Q1. So, it was not completely utilized. But I think 77% to 80% is probably full capacity. And the question, reason why I was giving you a slightly roundabout answer is that it all depends on the mix of projects, whether it's commercial or development. So, 70%-75% is a decently fully utilized plant.

Anandha Padmanabhan: Okay. So, with this 91 KL coming online at the end of Q1, the next capacity that will be coming would only be in the second half of FY'27. So, in the interim, is there a chance that you would have some issues of capacity in case you get better projects or higher growth visibility? How prepared would the company be to address that?

Siva Chittor: So, there are plans in place to kind of take that period. We are working through our internal capacity. We are using certain external agencies to kind of do some work that will kind of help us ride through any shortages of capacity. At this point in time, we don't believe that will be an impediment till the next capacity comes on.

Anandha Padmanabhan: Okay. And the Rs. 700 crores CAPEX that you mentioned is for the entire portfolio 550 KL new capacity that is going to come online, or that includes only the 91 KL plus 200 KL that you said that will come by FY'27?

Siva Chittor: So, it'll be portions of whatever, accounting-wise, gets accrued for the particular year. It's not only that. We are working on a Discovery capacity addition. We are working on process R&D capacity addition. We are adding peptides to element capability. A lot of them spread over more than one financial year and also more than one physical 12-month period. So, it is a combination of everything over a period.

Anandha Padmanabhan: Okay. So, the 700 crores CAPEX is for this year or 700 crores CAPEX would be for this entire capacity addition that would spread over two years?

Siva Chittor: 700 Crores CAPEX is for this year.

Anandha Padmanabhan: Okay. And you could have a similar number next year as well?

Siva Chittor: We haven't put a number down, but there will be CAPEX for the next year.

Anandha Padmanabhan: Okay. And typically on the manufacturing side, when you're working for new capacities, what is the typical asset turns that you typically work with when it reaches peak utilization?

Siva Chittor: Not distinguishing new versus old or incremental versus existing, but the way we look at it is our belief is that we will be able to do on a net basis between 1.2 to 1.4. That's broadly our internal metrics that we use to track ourselves.

Anandha Padmanabhan: Okay. Thank you, sir. That's all from my end. Thank you for answering my questions.

Moderator: Thank you. The next question is in the line of Madhav from Fidelity. Please go ahead.

Madhav: Thank you for the follow-up. Sir, a couple of more questions. One on the question where you said that the capacity announcements happening in the US is more shift from Europe to US. Is my understanding right that the kind of work that happens with these facilities is anyway more, let's say, fill-finish work or the last step formulations kind of work? And where the Indian companies, including Sai, we come in more of the intermediates and probably the API stage. Is that a fair understanding of how the supply chain works? So, even if there's more capacity expansion in the US, it doesn't really impact the kind of work that we do. Is that a fair way to think?

Krishna Kanumuri: That's a fair assumption.

Madhav: Okay. So, even if big pharma announces capacity in the US, I don't think there's going to be planning to do these advanced intermediates per se, right? I don't think that's in their CAPEX program. I know there's no specific right answer, but is there like a big picture?

Krishna Kanumuri: As far as we have conversations so far, every large pharma we've talked to has no intention of doing intermediates in-house. I think they're focusing on either late stage, GMP stages. Generally, if you look at most new products used to be tended anywhere from 15 stages to 30 stages. I think they're probably focusing on the last 4-5 stages at best, and source intermediates outside, and the final formulation they will do in the US.

Madhav: Correct. Exactly. So, in that sense, our time is not really impacted, right? That's what we just wanted to clarify.

Krishna Kanumuri: On paper right now doesn't look like it's impacted. It's just that we shift to change.

Madhav: Yes, exactly. Got it. And the second question was, we are doing a fairly large CAPEX this year, 700 crores. Just wanted to understand that when we decide to take like a large capital allocation decision like this, is it like, you know, with some visibility from the client for, let's say late-stage projects, which will come in the next few years, is that when we sort of decide to announce CAPEX? It could be obviously 2-3 years out, but is that how it usually works?

Krishna Kanumuri: It's a combination of two factors. It's a combination of existing products, which we see the volume will scale up, which we have, and in terms of a late-stage pipeline, this is based on existing forecasts, plus the number of clinical inquiries and the number of programs you're doing in development with a larger pharma collaborations. And what we see, they're going to be going forward as well. So, I would say right now, at least visibility is strong at this point. I don't know if it's always going to be the case, but this investment is based on a better visibility than we had done in the past.

Madhav: Understood. Thank you.

Moderator: Thank you. The next question is in the line of Vivek Agarwal from Citi. Please go ahead.

Vivek Agarwal: Hi, thanks for the question, sir. Congrats on the exceptional quarter. If you look at your earlier commentary, you indicated that a couple of products have moved into the commercial stage, right? So, is it the growth in this quarter has been driven by some impact of the products moving into the commercial stage, or is it that existing molecules that have helped in the growth in this quarter? Thanks.

Siva Chittor: A combination of both.

Vivek Agarwal: Okay. Sir, is it possible for you to quantify, for example, how much the growth that is coming from the new products?

Siva Chittor: No, we don't provide the data, for this kind of comparison.

Vivek Agarwal: No problem at all. Just one more question. You indicated that a couple of molecules that have also been dropped out, right? So, is it that the products have been failed into the late stage trials, etc.? Any particular reason for that?

Siva Chittor: So, it is a clinical trial failure. See, I think clinical trial failure is a chapter by itself. The CDMO is one cog in that whole wheel. There are multiple reasons and decision points. Whatever is available in the public data, we believe there are certain clinical trial related failure, but customers don't give you that kind of data because you don't access everything with respect to a molecule when you're working with a customer. There are enough things about everything from a patient selection to deciding their clinical endpoint, there are many things we are not part of.

So, at this time, we know that it was based on a clinical trial failure, but we don't know exactly why.

Vivek Agarwal: Understood. Thank you, sir. That's from my side.

Moderator: Thank you. As there are no further questions from the participants, I now hand the conference over to the management for closing comments.

Krishna Kanumuri: Thank you, everyone. Really appreciate you taking the time to attend the call today. And we continue to be bullish for the business and appreciate your support.

Siva Chittor: Thank you.

Vivek Agarwal: Thank you. On behalf of Sai Life Sciences Limited, Q1 FY'26 earnings call that concludes this conference. Thank you for joining us and you may now disconnect your lines.

(This transcript has been edited, without altering the content, to ensure clarity and improve readability.)