Sai Life Sciences Limited

Q4 FY26 Earnings Conference Call

May 15, 2026

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MODERATOR: **MR. DIWAKAR PINGLE – EY**

Moderator: Ladies and gentlemen, good day and welcome to Sai Life Sciences Limited Q4FY26 Earnings Conference Call. As a reminder, all participants 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 star then zero on a touch tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Diwakar Pingle from E&Y. Thank you and over to you sir.

Diwakar Pingle: Thank you, Yusuf. Good evening to all the participants on this call, and good morning if you're logging in from the West. Before we proceed to 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 achievements to differ significantly from what is expressed or implied by such forward-looking statements.

Please note that we have mailed the results and the presentation, and the same are available on 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, represented by Krishna Kanumuri, Managing Director and Chief Executive Officer, and Siva Chittor, Whole-time Director and Chief Financial Officer.

We will start the call with a brief overview of the quarter and the full year gone past, which will be followed by Siva focusing on the financials, and then we'll go over the Q&A session. With that said, I'll now hand over the call to Krishna Kanumuri. Over to you Krishna.

Krishna Kanumuri: Good evening, and thank you all for joining us today. We are pleased to report that Sai Life Sciences has delivered a strong performance in FY26 with overall revenue growth of 29%, EBITDA growth of 56%, and PAT growth of 109%. Both our CRO and CDMO segments registered healthy growth despite operating in an environment characterized by geopolitical uncertainty, supply chain disruptions, evolving regulatory expectations.

This performance underscores the strength of our integrated CRDMO platform and our increasing relevance to global innovator companies. A key highlight of our growth continues to be increasing contribution from large pharma in FY26. The revenue contribution from our 19 pharma clients went up from 28% FY22 to 49% this FY26. We are increasingly seeing a trend of large pharma moving to consolidate the full life cycle from early development to commercial manufacturing, similar to trends witnessed in China.

Our CDMO strategy remains firmly anchored on deepening engagement with large pharma clients. As you are aware, Sai Life Sciences today works with 19 of the top 25 global pharma companies. We believe that this foundation gives us a strong platform to build our growth on. We continue to build a strong pipeline of commercial molecules with the tally standing at 34 commercial molecules, 11 in Phase III pre-registration, and about 155 in earlier stages of development.

Importantly, we are also seeing strong traction in our dedicated development R&D team model with large pharma, an initiative we started scaling last year. We believe this model will fundamentally

reshape how we partner with large pharma towards a larger, more customized and longer duration programs.

On the CRO side, our Integrated Discovery strategy continues to gain momentum, particularly with biotech customers. Our CRO revenue mix between pharma and biotech stands at 48% versus 52%. We're also seeing increasing cross-selling opportunities with our CDMO large pharma customers, reinforcing the strength of our integrated model.

A key differentiator for us is our focus on automation and scale in DMPK and biology, enabling us to handle large integrated programs for our clients. At the same time, we are investing in next-generation technologies, particularly in ADCs, where we are seeing significant interest and program inflow from large pharma.

Let me touch upon a few broader industry trends shaping our strategy. First, evolving regulatory landscape, particularly the FDA's push towards newer approach methodologies is expected to reshape discovery workflows over the next several years. While animal testing will continue to remain relevant for complex toxicology and global regulatory environments, we expect increasing demand for biology-heavy discovery services, including in-vitro biology, human cell-based assays and organoids. We believe Sai is well-positioned to capitalize on this shift, and we continue to invest in these areas.

Second, biotech funding has shown encouraging signs of recovery with year-to-date funding up 52% year-over-year, and April 2026 funding reaching $10.6 billion, up over 4% year-over-year. IPO activity has also strengthened significantly. While funding remains somewhat constrained at larger late-stage biotech companies, this trend still supports overall CRDMO demand, particularly through increased outsourcing and program progression.

Third, we are closely monitoring the evolving global trade environment, including potential tariff-related developments. Encouragingly, we are seeing large pharma increasingly structure deals in a way that mitigate tariff exposure.

We also remain mindful of near-term challenges. Ongoing geopolitical tensions, including the Middle East situation are impacting input costs and disrupting logistics of supply chains. Despite this, our customer conversations and visibility give us confidence as we enter FY27. We continue to believe that our growth will be led by pharma, driven by increasing outsourcing intensity, movement of biotech assets into pharma pipelines, and strategic long-term partnerships.

As we scale, a few priorities remain central to our approach science-led capacity expansion rather than purely reactor-led growth; continued product and pipeline diversification, especially in CDMO given the inherent variability in product life cycles; careful management of customer concentration. In FY26, top 10 customers contributed 54%; top 5, 37%; and top 1, 12% of revenues.

Our top customer engagement spans multiple services, reducing concentration risk at any service level. Given the momentum we have seen through FY26 and the nature of customer discussions underway, we are entering an increased investment cycle to support future growth opportunities.

Our current estimate for investments in FY27 is in the range of INR1,100 crores to INR1,300 crores. Importantly, these investments are being undertaken either with clear demand visibility or through active strategic conversation with the large pharma customers.

Finally, on the digital and AI transformation, we are investing in capabilities that improve productivity, speed and transparency across the organization. We believe this will be an important lever in enhancing competitiveness and narrowing productivity gaps across the industry. At the same time, adoption of AI within the CRDMO sector must be carefully balance customer confidentiality and data security considerations. Over the next 18 months, 24 months, we expect AI and digital to become increasingly embedded not only in enabling functions, but also across core scientific and development workflows.

As we enter FY27, long-term opportunity for the CRDMO sector remains very robust and our integrated model with strong pharma relationships and technology investments position us well for sustained growth. We would like to reiterate our stated aspirations of maintaining revenue growth of 15% to 20% while maintaining EBITDA margins in the 28% to 30% range over a three-year period. Just a pointer, given some of our new capacities and investment progressively coming on stream during the year, we expect the second half of FY27 to be stronger than the first half.

With that, I will now hand it over to our CFO, Siva to talk through the financial performance.

Siva Chittor: Thank you, Krishna. Let me begin by reiterating that fiscal '26 has been a year of strong financial performance and disciplined execution. We delivered a revenue growth of 29%, an EBITDA growth of 56% and a PAT growth of over 100%. This growth was supported by balanced contribution from both the CRO and the CDMO businesses alongside continued operational efficiency.

The CRO and the CDMO business for the year demonstrated a healthy growth rate, 24% for CRO and 33% for the CDMO business. Our revenue contribution from the top 19 out of the 25 global large pharma companies increased to 49% in FY26 as compared to 28% in FY22, demonstrating the steady deepening of our strategic relationship.

Our revenue mix continued to evolve in line with strategy with increasing contribution from pharma clients across both segments. While the overall revenue growth in fiscal '26 was 29% as compared to 16% in FY25.

The year fiscal '26 witnessed a relatively even distribution of revenues with the split between H1 and H2 being 48% and 52%, respectively, as compared to 40% and 60% in fiscal '25. In addition, Q4 in fiscal '25 was skewed at 34% of the total revenues as compared to 27% in fiscal '26.

As we've often stated, the CRDMO sector is inherently characterized by a degree of quarterly lumpiness, particularly as projects transition across different stages. While this will lead to periodic fluctuations in revenue and margin, as Krishna mentioned, the long-term opportunity for the CRDMO sector remains robust, and our integrated model with strong pharma relationships and technology investment position us well for sustained growth. We remain confident in our ability to sustain our long-term revenue growth guidance of 15% to 20% and the EBITDA range of 28% to 30%.

As we enter fiscal '27, a key focus area for us is to invest in proactive capacity creation aligned with customer demand. In fiscal '26, we incurred a capex of INR633 crores against the budgeted spend of INR700 crores. For fiscal '27, we expect capex in the range of INR1,100 crores to 1,300 crores, split between CDMO at 65% and CRO at 35%. We expect to fund the capex through a mix of internal accruals and debt.

Our capex allocation will be split across capacity expansion, capability and technology. 75% of the capex will go towards capacity expansion and the balance towards capability and AI and technology. At the same time, while we've put these numbers of INR1,100 crores to 1,300 crores, we will continue to calibrate the pace and the phasing of these investments in line with the evolving business environment and closely align the spend with our customer's strategic priorities and demand visibility. Importantly, our approach to capex remains science-led as Krishna mentioned, rather than capacity-heavy, ensuring flexibility and higher long-term returns.

During the year, we navigated external headwinds including increases in input costs and higher logistics cost, and shipment delays arising from evolving geopolitical environment, which are still continuing. At this point, we do expect some short-term impact on our cost structure. We have approached our customers for appropriate cost revisions in certain areas. However, we believe that the recovery of these increases may not always be contemporaneous with the incurrence of costs. We continue to manage these challenges through operational efficiency, strategic sourcing initiatives, disciplined execution and ongoing engagement with our customers.

In closing, I want to reiterate that we remain committed to disciplined growth, prudent capital allocation and margin resilience. Our balance sheet remains well-positioned to support the next phase of expansion, both in terms of debt and in terms of internal accruals that we are projecting. Near-term volatility can persist, our medium to long-term outlook remains strong.

With this, we'll be happy to take your questions.

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

Binay Singh: Hi, team. Thanks for the opportunity. My first question will be on the capex announcement that you shared. We've seen a very sharp increase in capex from INR200 crores or so that we did two years back to now taking it up to INR1,300 crores. Could you talk a little bit about what is giving us the confidence for this level of jump in capex? And is there any one-off project that you're doing next year, which is leading to this, or this becomes our new level of capex? Could you share thoughts on these points?

Krishna Kanumuri: Binay, if you look at what we had indicated as capex couple of years back, it was based on what we thought the demand was. But if you look at the last 18 months or so, we've been getting more involved with customers across the value chain. And as we work with them closely, they're giving a better sense of what they would like us to look like, and what volume they could potentially come in our direction on the discovery side.

And CDMO side, as we are getting into more integrated collaborations, really being development partners, we're having greater visibility in terms of pipelines rather than waiting for RFPs to come

through. So, I think given what customers are telling us, where we have to go in terms of technology, in terms of better visibility of what they have in the pipeline and what potentially can come our way.

And what they want us to see in terms of other technologies coming in is building next-generation technologies, ADC development, for changes in peptide development, in terms of high-throughput screening and biology to do more integrated programs, and in terms of the level of data exchange they need between us and them, and also just the visibility in terms of not only what they are giving us for development in pipeline, we're seeing a lot more of the programs than we have in the past, and that will give us better sense of what likely will translate probably 12 months - 15 months down the road to commercial manufacturing.

So, it's just better visibility, a better engagement with our customers across both diversity of areas to invest in, like, a new area was we were not very sure about what formulation would look like, but we're seeing a greater need for formulation developments early on. And so there's a lot more new things we're getting from customers as we engage more and more with them.

What is extremely clear is companies want to develop strategic partners in India at this point, and they want to see who will be relevant in next five years, and they want to see partners who can understand, work with them and build along with them, and that's how we're playing this game at this point. So, we have a lot of conviction behind these investments.

Binay Singh: One thing I notice in your presentation, you've added one more large pharma customer, earlier you were working with 18 of 25, now it is 19. And did I hear you correctly in the opening remarks you said that you are now have a dedicated research tie-up for large pharma?

Krishna Kanumuri: No. That's not what we're talking about. What we're talking about is what pharma has done. So, if you look in the past, pharma never gave us late-phase opportunities for outsourcing and process development. They generally used to give us lateral tech transfers. So, over the last couple of years, several large pharma have started getting into FTE agreements for late-stage and mid-stage development.

This is not a dedicated facility or anything of that kind, it's just that these are dedicated FTEs we are running for large pharma between our global sites both in India and Manchester, which has greater visibility into doing development, so they're mid and late-stage assets. And that's what we mean by that, as opposed to a dedicated center, they're dedicated FTE teams working on development. I hope that clarifies that.

Binay Singh: That's very clear. And lastly, could you comment a little bit about where the capacity will go with this capex? And that's it from my side. Thanks.

Siva Chittor: The capacities that we are adding today, our current capacities will take us to around 1,150 KL capacity that we had mentioned as far as the Bidar capacity expansion is concerned. What we are doing, a lot of this is actually going towards; one, our investments in discovery; second, there is investments in development phase that is adding to our cost numbers.

If you remember last year, we had mentioned to you that we had started the plan for going from 700 KL to 1,150 KL, and we said that the FY26 capex would only take into account capex that will be incurred in that fiscal year, while both the plants will not get completed, a majority of the capex will

also fall in this year. So, capacity expansion, as I mentioned earlier, out of the INR1,100 crores to INR1,300 crores capex direction that we have provided, 75% of that will actually go and satisfy capacity requirements, 25% will be for capability.

Moderator: Thank you. Next question is from the line of Amey Chalke from JM Financial. Please go ahead.

Amey Chalke: Thank you for giving the opportunity, and congrats to the management on good numbers. So, the first question I have, the CDMO segment has delivered more than 30% growth during FY26. So, what would be the outlook for '27, '28?

While answering that, there are two data points from the PPT. One is we have added two large pharma customers on the commercial supply side, as well as our commercial products have gone up from 30 to 34 from the last quarter. So how these two, three opportunities on the commercial side in terms of the scale, as well as in what areas these commercial opportunities are? Thank you so much.

Siva Chittor: Thanks. So, Amey, on the CDMO side, as stated earlier, including the last conference call, we had mentioned there are three new products that have actually gone commercial, and we've added one more product since then, which makes it 34. So, some of them, at least a couple of them will see production and commercial revenue starting this year.

Other question, Amey, you asked about is how is the growth prospect? I think, we believe that the CDMO, as we start this fiscal year, based on the visibility, we believe the growth will be strong and we're confident about a good financial year at this point in time.

Amey Chalke: Sure. And the second question I have on the margin front. You have given the guidance that we will aim to maintain margins in 28% to 30% range, but there are two headwinds for the margins. One is the RM cost inflation, which could be there next year, as well as the capex, which is getting commercialized at the end of the year or the second half of the year. So, how should we look at the next year particularly in terms of the margin? Thank you.

Siva Chittor: Our stated aspirational margin is to remain around the 28%, 30% and I'll tell you two reasons for it. One, with pharma generally there's an open-book pricing and from what we've seen, and we've seen this across the Chinese companies operating at much larger scale, the margins tend to remain between the 25% to 30%, which is what we've seen and our pricing with pharma indicates that a 28% to 30% is much more comfortable from a pharma pricing perspective.

The second thing, I think, will there be an operating leverage as we scale up? Yes, but there's also capacity coming in and there's going to be some amount of inefficiency as we scale up new capacity, which would then add cost into the equation. So that is also something that we need to take care of and that's why we're giving you an aspirational guidance of 28% to 30%. I know we've hit 30% this year, but we still want to give you with this guidance and this is consistent with what we've stated all through including last quarter.

Amey Chalke: Sure. The last question if I can squeeze in on the CRO side. This is the second year I believe where we have delivered 20% plus growth, and over these years the large pharma contribution or the big pharma contribution have consistently gone up. So, is this contribution going up, is it incidental because the biotech funding has slowed down, or is it also strategic in nature and should we expect this large big pharma contracts to keep driving our CRO business going ahead? Thank you so much.

Krishna Kanumuri: So, I think, they are actually both at play, right? One is strategic. I think large pharma is very clear that they want to build the India footprint. I think the large pharma business did not exist in India couple of years ago. There were only two, three large pharma who were actively doing med-chem in India, I would say as close as three years back. But now every large pharma is looking at coming to India to do discovery. So, this will be a structural trend for the next few years in terms of -- as they pick partners.

But also I think biotech is just going through a little bit of a slowdown as well on the new company formation, and we expect that to pick up in the next couple of years. So, I think secular trend you will probably see larger pharma coming in and filling the gap for the next couple of years, but biotech will come back in the next 24 months and give us secular growth. So, I think from that way the industry is well-positioned for both short and long-term as where we are right now.

And we're also at the early part of this big wave. People are just coming to chemistry, but eventually the whole goal right now is to be fully integrated. So, I think the opportunity is significant for us, because our integrated story is something we've invested in on the biology and DMPK front, which should probably give us an advantage in terms of being a preferred choice going forward.

Moderator: Thank you. Next question is from the line of Sajal Kapoor from Antifragile Thinking. Please go ahead.

Sajal Kapoor: Thank you, for giving me this opportunity. In emerging modalities, many outsourcing relationships begin in discovery, but don't necessarily translate into late-stage clinical or commercial manufacturing. So, I'm alluding to one of your other CRDM competitors in India, a Bangalore-based company. What precisely increases the probability that Sai retains a molecule across the life cycle, and where do you still see the highest leakage points today? That's my first question. Thank you.

Krishna Kanumuri: So, I think there's a difference in how we have been built versus other companies. If you look at where we have been built from day one, so we actually were a discovery company first, but then we took a gap in terms of discovery investment and went very heavy in terms of becoming a preferred commercial partner. And so as we become a preferred commercial partner, we also now in the last few years have become a preferred development partner.

So, we right now are working with companies in all three areas; discovery, development and commercial. And what is happening because we're integrated, there's a technology thing. So essentially what happens is when you're doing discovery, people are looking at newer technologies like ADCs, first-generation ADCs will be very different from next-generation ADCs. And so, whatever we're doing in discovery, the development teams also are doing development to reflect what their new generation ADCs look like, and what the technologies are.

So, because we are partners there as well and we are commercial partners, it's much easier for them because we're qualified by all three departments to work with them, whereas, other companies have not made that transition. Either they're very manufacturing heavy or discovery heavy, and they overlap a little bit on the discovery side, a little bit on the development side, but we're the only company really stitched all these together and we're approved by all three of these areas.

And that's the strength why we believe that we can retain a majority of the molecules, but that said, some molecules definitely leak out of us, because either we don't have specific capacity, people want

diversity, or they want to take the molecules in-house. But the chances of us retaining are higher than most other players at this point. That's how I would frame it.

Sajal Kapoor: Thank you, Krishna. That explains the whole scenario very well. So, thank you for that. My second question is, historically many CRDMO scale revenue faster than organizational capability, which eventually creates execution fragility.

So, in that context, as Sai increases integration across discovery, development and manufacturing, where do you believe complexity is compounding faster internally, or fastest internally, that is complexity is compounding fastest internally, and what are the leading indicators you monitor before those stresses show up in numbers or financially? Thank you.

Krishna Kanumuri: That's a very broad question, but again, unfortunately, we're at a point right now that we are getting into a very interesting part. We're scaling capacity, we're scaling technology, and we're getting deeper in relationships. So, I think what gives us the advantage to understand where the gaps are, because we are very deep in relationships and not doing one-offs, we get to have a much more visibility in terms of what we are doing from a performance standpoint.

I think, if you ask me where the key gap will be down the road, is really figuring out how AI plays a big role in terms of bridging the productivity gap vis-à-vis India and other geographies so to speak, and getting the right talent pool who's next-generation ready in terms of working in the digital space, because we believe AI is a great equalizer in terms of, one, is intellectual horsepower in terms of basically knowing what's going on everywhere, more rapid problem shooting.

So, I think we're putting all the tools in place so we have a much better view of how to scale up, where the gaps are, and be proactive in terms of scaling up at this point. So, the idea is there's no magic bullet here rather than having your ears to the ground, talking to your customers regularly, and this is a 24/7 business. It's about every customer, every product one day at a time, and that's how we are able to scale up. It's that's really how it works.

Siva, you want to add something to this?

Siva Chittor: So, to add to what Krishna said, the one advantage that we've seen, working with these large pharma companies gives you an edge. Because you work with them closely, they actually train you, they work with you, they teach you their thought processes, everything from setting up of a lab, setting up of experiments, how do you train, what kind of things to look at, how do you look at a problem. So, I think that gives us that ability to understand things. And what we are doing to reinforce and strengthen this, we have just taken this as part of our learning, we've created our own, what we call an internal Sai Academy that then reinforces this teaching not just to that team that is involved with any particular program to broad-base this across the organization.

This is now headed by a senior head of research from a large pharma who has now taken this full-time as an activity so that this can be a focus area for us. And that's how we make sure we keep at technology and science that keeps changing every day.

Krishna Kanumuri: And just kind of adding to that. One thing we keep talking about is that we are building a technology-led growth, so we really are focused on building the foundation, just not trying to over-index in one area, because we realize that if you over-index one area, then you're really not building the

foundation. So, we are very, very clear that we want to get the foundation right here and that's where we're spending most of our effort. Sorry, go ahead, if you had another question.

Sajal Kapoor: That's sensible, Krishna. Thank you for that. Just on that AI thing, I mean, is it homegrown capability, or is it something off-the-shelf that even the competitor can buy off the shelf? I mean, how do we plan to differentiate AI, so that it adds to the real advantage?

Krishna Kanumuri: Look, I think it's a question of getting the framework ready for using AI, and there are a lot of tools coming in. One is obviously you want to use the tools available, and you have to understand we're going to be restricted in terms of what we can use of customer data. So how much internal data we can use is going to evolve. Right now, we have to depend on external sources, but it's not a question of just integrating AI, it's a question of what is the long-term strategy of how you integrate across the board. It has to be a fundamental shift, it cannot be I'm buying a single tool and this is what's going to work. It's not a single tool, it's a complete way of operation has to change.

And right now we don't know how it's going to evolve in terms of internal tools, what customers want from IP standpoint. It's early days, but the idea is to make ourselves digital-ready to be able to plug-and-play different tools as they come in, but our core processes themselves should be data-rich to give us the opportunity to evolve with as the tools evolves.

Moderator: Thank you. Next question is from the line of Girish Bakhru from OrbiMed. Please go ahead.

Girish Bakhru: Thanks for taking my question. Just on the Sajal's question, actually on the new modalities, Krishna, possible to give a ballpark figure you are targeting for revenue contribution from new modalities by say FY30, given they are right now sub-10%?

Krishna Kanumuri: Right now we're not in the position to give that information yet at this point. So, we're not that far along to be able to give projections of what that will be. But generally what happens if you really look at the trend of CROs just to be put in perspective. We tend to basically follow whichever way the pharma companies are going.

If you look at where pharma is going today, it's 50% pure small molecule, then the next 30% will be peptides, oligonucleotides and ADCs. So that's what they consider biologics, 80% is going to be covered there.

So, over a probably a five to seven year from now, you would see a similar mix in purely from, a not the Sai perspective, but anybody who plays in these areas, you tend to follow the customers from that standpoint. If you look at the way the market is -- that might flip, right, in two years people might think, no, peptides are useless, we go someplace else, but it's very hard for us to forecast what it looks like, because we are almost like we are following the customer, and that can switch anytime.

But the important part of being a CRO, in our opinion, is to be a fast follower, be close enough to be able to change the trend, but not be on the bleeding edge where you're left with the dead investment. So that's, kind of, how we look at it.

Girish Bakhru: Understood. And, of course, you've highlighted four of these key ones. Just one key question there, I mean, there are a lot of low-hanging fruits, but where do you think you will potentially take a high market share? Is it more peptides or you're doing right now fragments, you're limiting yourself to

amidites and oligos, ADC side also you said that you're evaluating clinical conjugation. So, which area do you think will be a possibly a big a focus area of these four and probably easy to do as well?

Krishna Kanumuri: Very hard to say at this point. I'd love to come and give you that, but I can't really give you the exact sequence how that's going to go. It's hard. Right now, honestly, we can't predict that at this point.

Girish Bakhru: But, is there any area where customers are asking you?

Siva Chittor: There's a lot of the in the pipeline, clinical molecules, so you never really know, which will go ahead, which will come down. So, there's going to be other things that will influence the number and the revenue, and that's why it's a little difficult to give you a specific growth rate or a number at the end of a particular period.

Girish Bakhru: Understood, understood. And just last one, I mean, this is probably more like an industry-wide question. We've seen so many companies talking about these new areas, but very few investments going into biologic manufacturing. Do you have any plans for that in future?

Krishna Kanumuri: Look, we evaluate all options and when we're ready to take a position, we'll kind of communicate, but obviously we're evaluating every market at this point. And, obviously, we're looking at all options and even if you look at biologics, you decide where to play. Again, we are constantly talking to customers to see where the demand is, where the gap is, and as our strategy evolves, we'll definitely inform you guys how we look at it.

Moderator: Thank you. Next question is from the line of Sidharth Negandhi from CWC. Please go ahead.

Sidharth Negandhi: Hi, thanks for the opportunity. Just wanted a couple of quick clarification. One, the new technology revenue salience went down from 7% to 4%, which means that in absolute terms also there is likely to have been sort of a decline on a year-on-year basis. If you could explain, what caused that, was there a one-off earlier, or was there any particular project that did not go through from one stage to the to the other, if you could give us some color on that?

The second one was you mentioned about some of the capex being on AI. If you could tell us what's the nature of that AI capex that you are putting up? That'll be helpful.

Siva Chittor: On the first question, I think we mentioned this even last time when we put up this number. A lot of the work on the new modalities are not commercial from our perspective; they are in clinical pipeline. So, when you work on clinical pipeline, you are going to have a campaign and then you're waiting for another campaign, and so there will always be that stream, and this is the primary reason why CDMO businesses have revenue streams. And so, it is primarily that and it's not about one-off this time or one-off last year.

The second question on AI, I think Krishna addressed, but I'll give you the thought process that we have with respect to AI. So, the way we are thinking about AI, we need to look at our productivity efficiency, and scientific output that can be improved by using AI as technology that can aid and enable a scientist who thinks faster. That's the whole purpose of this AI definition.

There are a few tools that are available from the market, but we're also building things within our overall system. We are defining an AI canvas as we speak. This is to make sure that the teams can

get as much assistance, automation, analytics, all pulled in one direction in one set of information that the chemist, the team leaders or the leadership team can actually use at any point in time to, kind of, look, analyse and present data.

We're also with respect to the partnerships that we have with some of the large pharma, we're also trying to integrate with their systems and their needs in terms of what data that we will transmit and send out. So that's the broad concept of the AI.

Sidharth Negandhi: Sure. Sir, you also mentioned about some AI capex. Is there any particular capex there, or did I mishear that?

Siva Chittor: So anything that we are building or tools that we are buying will be capex on that's the AI capex that I'm talking about.

Sidharth Negandhi: Got it. So intangible software and stuff, got it.

Siva Chittor: Yes.

Moderator: Thank you. Next question is from the line of Sanjay Kumar Elangovan from ithought PMS. Please go ahead.

Sanjay Kumar Elangovan: Hi. my first question on the capex. So the INR1,300 crores that we have earmarked for capex, but our cash flows will be somewhere around INR600 crores, INR700 crores. So, we'll have to take debt, right? So, how much debt are we planning to take to fund the capex and does this INR1,300 crores capex, is it only for the 1,150 KL brownfield expansion, or is it also for the greenfield that we'll be starting in the new land that we have acquired?

Siva Chittor: For INR1,100 crores to INR1,300 crores capex, I'm not going to give you the debt versus the cash flow number because that then means, I'm trying to give you a projection. Based on where we see this number ending for fiscal '27, our debt-to-EBITDA ratio will be fairly healthy, that's really what I believe.

And if I look at the capex spend itself, it will be for capacity also, including the 1,150 KL that we've talked about. As we mentioned, 225 KL of that 450 KL capex will only get done at the second half of this year. The other capex is going to be much longer duration, so most of the capex for the plants would actually happen in this year as opposed to last year, plus we're also adding capacity on the across development side, adding capacity in terms of fume cupboards, and analytical and chemistry equipment.

We're also increasing our discovery capability and biology capability both in terms of fume cupboards and equipment. So, this will all be there. There will be slightly smaller capex on the new site, that new site will probably start towards late this fiscal year and early next year is how I see that capex starting to grow.

Sanjay Kumar Elangovan: Okay. And second question, we've added four commercial molecules compared to the last quarter and five in the Phase III pre-registration phase. Can you highlight some of the high potential ones and the corresponding therapy areas? Do any of them involve new modalities?

Krishna Kanumuri: So, I think therapy areas are broad, so there are multiple things. When I say high potential, at least in my belief, there are at least three molecules that would show a good progress in this current financial year. We have started manufacturing and delivering or starting to deliver revenue in fiscal '27 on at least three of the molecules that we've currently added into that pipeline.

Of the four molecules, I will say three will have a pretty decent revenue growth in trajectory. The fourth one in our opinion will be a smaller one, but it was a fairly important capability to acquire and hence we've done this.

Sanjay Kumar Elangovan: Okay. Just a follow-up then. I think Krishna sir had indicated in a media interview that you might even look at acquiring new modalities or acquiring small pharma companies for the tech and for the new modalities. Anything that we're looking at?

Krishna Kanumuri: We are open to options all the time, we evaluate deals as and when they get presented from, the bankers. At this time, we don't have an announcement to make, but as I said earlier, we continue to evaluate multiple deals all the time.

Moderator: Thank you. Next question is from the line of Vileh Rai from KamayaKya Wealth Mangment. Please go ahead.

Vileh Rai: Hi, congratulations sir on great set of numbers. Sir, just one clarity on the capex side. You said 25% of capex is in capability. So, is it predominantly for our new modalities, and which is the key area that we are going to focus on?

Siva Chittor: It's not necessarily new modalities. This could be newer technique even for small molecule. For example, high-throughput experimentation is fairly new in terms of how things work, or a complete automation on a DMPK biology, which end-to-end gives you a different ability to do precision biology, and handle molecules at scale or volumes at scale. Those are the things. So, it is capabilities in both sides, both small molecule and some new modalities.

Vileh Rai: Sir, but this could also include the capex for ADCs and peptides?

Siva Chittor: If you go back to our conference calls in the last year, I think we had stated that the we are adding development capability on the peptide side, we probably will also add pilot scale. This is coming up this year. So, we started the capex last year, so peptides is definitely included in the capex that we're talking about this year. We're adding some capability on the ADC side, but that's more on the discovery side. We have some thoughts and we are working on the ADC on the development side, we will come back to you as soon as we are able to make a public announcement on that.

Vileh Rai: Okay. And just one last question. Even in the CRO business, we are seeing that pharma is constantly at a higher share of revenue compared to biotech companies. So, do you see this increasing in the coming years and how has been the pipeline, or how has been the development from a biotech companies?

Krishna Kanumuri: I think, we already answered early part of the call, right? It's just where the market dynamics are right now. I think biotech will always be a significant part of discovery. Long-term, I think the 50/50 ratio will hold. Short-term there might be a imbalance in terms of pharma, maybe the next couple of years, but long-term biotech still in the development engine for large pharma.

So, we do expect that balance to maintain at 50/50-ish long-term on the pharma versus biotech. It's just that the short-term you will see pharma probably drive the growth, longer term biotech will come back, but overall the pie should get larger in next couple of years. I hope that answers your question.

Moderator: Thank you. Next question is from the line of Viraj Shah from PGIM. Please go ahead.

Viraj Shah: Hi, thank you for the opportunity. I just have one question. In your presentation, you have mentioned 15% to 20% revenue CAGR on a current revenue run rate of INR2,200 crores with expected capex of INR1,100 crores. So, fair to assume the asset turn would remain in the similar historical range as it was?

Siva Chittor: So, I would see a little bit of a dip before it comes back, because we are doubling down on our capex, that's really what we have stated. So, what we had committed and we continue to commit this is that our asset turn on a net basis, will be 1.2 times to 1.4 times, but that's a medium-term commitment. We would see some fluctuations, but we continue to remain committed to our steady-state 1.2 times to 1.4 times.

Krishna Kanumuri: Look, and I think the important aspect to understand is that no matter what capex you put in, it's going to take a two, three year cycle to get back to that scale. It's not like you put, it's going to be day one that revenue, so I think as such, we expect that as a long-term trend to maintain whatever we forecast, but obviously there'll be a two, three-year ramp-up period to get to there for any capex you put in.

Moderator: Thank you. Next question is from the line of Akshay from AK Investment. Please go ahead.

Akshay: Hi, sir. Thanks for the opportunity. Sir, my first question is generally the quarter four should be the strongest for our kind of business, right? So, in this quarter we have seen year-on-year growth of only let's say about 4%. So can you put some light on that? And then I will ask my follow-up question.

Siva Chittor: Yeah. Akshay, I think, I answered that question in my opening remarks. What I was mentioning to you was if you look at our fiscal '25 and this has been the general trend even for Sai, we had a 40% in the first six months, and a 60% revenue split in the second six months in fiscal '25, while in fiscal '26, even though we delivered close to a 30% growth, our revenues actually fell almost even. So, we were like 48/52.

So, it's not about and as we've always told you this business cannot be ascertained on a quarter-to-quarter basis. So difficult to say when a PO becomes due and when the PO gets delivered because this is not a business where you produce in anticipation, you produce only based on what the customer wants. So, it just depends on how the PO is.

Akshay: Okay, sir. And my second question is despite the heavy capex of anticipation of around INR1,100 crores to INR1,300 crores, so are we confident of maintaining 28% to 30% margin in this financial year and going forward?

Siva Chittor: So, Akshay, again, we've said this last year, we continue to state this this year. So, 28% to 30% is our steady-state aspiration, that's really what we committed and we actually committed we'll get there in two to three years' time frame, and we've gotten to 30% last year based on how we look at EBITDA, and I believe that we will continue to aim for that same number.

Moderator: Thank you. Next question is from the line of Avikshit Vijay from Global Consilient Research. Please go ahead.

Avikshit Vijay: Yeah. Hi, thank you for the opportunity. I had a couple of questions. So first one is we had set aside amount of INR1,100 crores to INR1,300 crores as capex. So when do we expect it to come live?

Siva Chittor: A typical plant takes somewhere around 18 months or so to complete construction. So, depending on what project, so for example, we've started the 700 KL to 1,150 KL capacity expansion sometime during middle of last year, we're expecting 225 KL to come this year and 225 KL next year.

So, similarly we had put up a capacity to double our process R&D capacity last year, so it will take anything will take around 12 months to 15 months' timeframe in terms of capacity, and capex will be incurred in part in one year and maybe the remainder will come in the second year. And these are all brownfield expansions within sites that are already developed. If it's greenfield sites, it's probably going to take you 24 months to 30 months.

Avikshit Vijay: Okay, yeah. That answers my question. And the second one is, is there a possibility that we could name some of our molecules and the end clientele?

Siva Chittor: We will not be able to do that due to confidentiality restriction.

Avikshit Vijay: Not even the clients if possible?

Krishna Kanumuri: Client is definitely not possible.

Moderator: Thank you. Next question is from the line of Alankar Garude from Kotak Institutional Equities. Please go ahead.

Alankar Garude: Hi, thank you for the opportunity. Sir, first question, apart from the four commercial molecules that you added in FY26, you also now have 11 Phase III or pre-registration molecules. Now, this number as of third quarter FY26 was around six. Now assuming there have not been any drop-offs or further additions, it seems that you've added about five incremental opportunities in Phase III or pre-registration. Can you elaborate, on which modalities would these be in, any technologies that you'd like to call out?

Siva Chittor: Most of these, Alankar, we've identified one that is already there on the new modality, which we said is currently undergoing validation. There is probably one more on new modality, but the rest of them are all small molecule. And some of it is coming from I think what Krishna was talking about. This whole integrated CDMO play that pharma wants to consolidate as they look at long-term outsourcing partners in India. So, customers who were probably not doing a lot of late-phase in India are looking to do some of those, which is also a result of some of these additions.

Alankar Garude: Got it. And out of these 11 molecules, sir, do you expect any to commercialize in FY28?

Siva Chittor: Alankar, right now too difficult, some of them have just moved, very difficult for us to predict, but as soon as we hear something we'll definitely come back and provide the information.

Alankar Garude: Fair enough, sir. The second question is what is your view on the impact of AI on drug discovery? You spoke about the investments, you spoke about the opportunities, but specifically on drug discovery, do you see that as a threat or an opportunity?

Krishna Kanumuri: So, we see it as an opportunity. I don't see it as threat. Siva, go ahead if you.

Siva Chittor: No, go ahead, Krishna, you finish, and then I'll add.

Krishna Kanumuri: Look, I think it's a, opportunity. I think end of the day the synthesis part does not change, and the AI moieties are much more complex to make than regular synthesis. Yes, you might make fewer molecules, but the resources needed to make the molecule are more than the past, and plus AI itself helps us be more efficient in terms of route design and better options.

So, I think net-net, I think my view of AI is going to be that you probably won't drop the R&D dollars, you probably will do more with less to have more targets. And I think everybody we've talked to so far has indicated that the design part is what is going to be affected the most, not the synthesis part. Synthesis part is going to be an important aspect of it. And I think AI for us is a net positive because the complexity of the molecules are higher, and we don't see R&D dollars dropping in terms of what they want to do on the AI front.

Moderator: Thank you. Next question is from the line of Bharat C Shah from BCS Capital Ideas Limited. Please go ahead.

Bharat C Shah: Hi. This has come right at the fag-end, I have another call to catch up in two minutes, so I'll be just brief. But I was intrigued by Krishna's statement about AI in terms of aiding the digital capability. I thought in specifically for pharma, AI probably would be a very potent research resource. I'm from a non-science background, but whatever I understand, pharma drug discovery is much more of serendipity, some hard work and some amount of luck, trying out zillions of molecules. And AI along with quantum computing can tremendously accelerate that process and make the drug discovery process smoother and much, much faster and far more efficient. So, I was bit intrigued by AI merely as a digital capability rather than the fundamental core capability of the CDMO-CRO organization?

Siva Chittor: There are two things. From our perspective, what we presented to you is what we can do without impacting confidentiality and IP of our customers. That is what we can do within AI. But if you look at AI on the drug discovery side, I think if you really look at AI today has been great at generating molecules. It gives you novel binding targets and things like that. But that's probably the least expensive part of drug discovery. If you really look at programs actually succeed or fail, and the bottlenecks is actually when they move from pre-clinical to clinical. There are many things that today success of these program actually hinge on judgment calls.

AI will get you efficiency, gains in enrolment and all that stuff, but there is so many things that the model today is not yet trained. I'm not saying five years, 10 years down the road how they will behave, but today it is attacking the probably the lower cost piece of the AI and the lower complexity part of AI. There is definitely software is giving you great output, workflow optimization, etcetera, but I think the whole development side or synthesizing a molecule that is, kind of, super complex, because AI has created things without a constraint is creating more work on that side. That's really what we're talking about.

Krishna Kanumuri: Yeah. And I just want to add a little bit to that. I think we're not saying about digitalization, okay, AI you're talking about quantum computing, yes, in terms of discovering what molecule to develop, right? But now you're synthesizing a molecule, scaling up the molecule. AI will help you design the molecule; synthesis route itself is better, it'll give you a better translation from lab to plant.

So, there's a lot more AI, which goes beyond digital. AI is inbuilt into everything, you have become a AI-native company. But what I say digital is getting to be enabled to handle AI is as in -- unless you get to the platform, you won't able to apply tools across the board. And AI is just not related to just discovery of new molecules; it's a question of increasing efficiency of scaling up every molecule as they go commercial and reducing that timeline.

So, I hope that is clear. We're not talking digitalization here. We already are complete digital company ahead of the curve. We're talking about how to take that data and increase your accuracy and speed in terms of scaling it up and what's the correlation between lab data to plant data and so forth. I hope that gives you a little more clarity as we're talking about this.

Moderator: Thank you. Next question is from8 the line of Gourav Bhama from JM Financial. Please go ahead.

Gourav Bhama: Yeah. Sir, thank you for the opportunity. First, I would like to begin with congratulating the company on the good set of annual numbers. I had a question regarding the CRO business. It's more of a bookkeeping kind of question. So, I just wanted to understand how many scientists do we have in the discovery or the CRO business, and what was the similar number in FY25?

Siva Chittor: We don't provide Discovery CMC scientist, we have scientists across discovery and CMC. I think, we've provided this number as part of our annual disclosure and you will see that number.

Gourav Bhama: Understood. And on the second question, I think you did answer it a bit earlier, but nonetheless, I'll confirm again. So, the INR1,100 crores to INR1,300 crores capex outlay, large part of it is going towards the 1,150 KL expansion plan, right? The 75% of this FY27 guidance?

Siva Chittor: It's not necessarily the 700 KL to 1,150 KL only. There are also capex that for discovery, R&D capability, fume cupboards, all of that stuff included.

Moderator: Ladies and gentlemen, we will take this as a last question for the day. I now hand the conference over to the management for the closing comments.

Siva Chittor: Thank you for the call. As we mentioned, as we enter fiscal '27, we believe the trend in terms of outsourcing with respect to the CRDMO remains very robust and we believe we are positioned well to capitalize on this growth.

Krishna, do you want to add something for closing comments?

Krishna Kanumuri: It's very exciting time, for India in general and for Sai as well. This multi-year trend and nothing has changed dramatically. India is set to become a strategic player in terms of the global supply chain over the next five years. So, I think the trend is good, and we're well set to benefit from this opportunity at this point.

Moderator: Thank you, sir. On behalf of Sai Life Sciences Limited, that concludes this conference. Thank you all 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.)