Sai Life Sciences Limited
Q3 FY25 Earnings Conference Call

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MANAGEMENT: MR. KRISHNA KANUMURI – MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER
MR. SIVA CHITTOR – CHIEF FINANCIAL OFFICER

Moderator: Ladies and gentlemen, good day, and welcome to the Sai Life Sciences Q3 FY '25 Earnings Conference Call.

As a reminder, all participants' line will be in listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Siddesh Chawan from EY. Thank you, and over to you, sir.

Siddesh Chawan: Thank you, Sejal. Good evening to all the participants on this call.

Before we proceed with 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 risk that could cause future result performance or achievements to differ significantly from what it is expressed or implied by such forward-looking statements. Please note that we have mailed the results and the same are available on the Company's website. In case if 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 Mr. Krishna Kanumuri – Managing Director and Chief Executive Officer, and Mr. Siva Chittor – Chief Financial Officer.

We will start the call with a brief overview of the Company and quarter gone by and then conduct a Q&A session.

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

Krishna Kanumuri: Thank you, Siddesh. Good evening, everyone. Thank you for joining us today. It's my pleasure to welcome you to the first conference call from Sai as a public Company. It's a great experience for us. We are really excited about the progress we have made. I want to share our performance for the last quarter and give you an overview of our strategy going forward.

But before we begin, I really want to thank all our investors and shareholders who participated in the IPO and made this place the trust in us. And we take this very seriously. And we are really focused on building long-term value for all investors.

A special thanks to our bankers, legal counsels and all stakeholders who played a critical role in guiding us through this process.

Most importantly, I want to extend my heartfelt gratitude to the entire Sai Life Sciences team. Their dedication and hard work have been instrumental in shaping the Company into what it is today.

And let me start with a brief introduction of the Company:

Sai Life Sciences was founded in 1999 with a vision to be a trusted partner to global pharmaceutical and biotech innovators. Our journey began in Hyderabad, India, where our founder of Dr. K. Ranga Raju recognized an opportunity to create a world-class research and manufacturing organization rooted in scientific excellence and operations efficiency.

From day one, we have been focused on accelerating the journey of molecules from discovery to the market by providing best-in-class Contract Research Development and Manufacturing (CRDMO) services. Over the years, we evolved from being a Chemistry service provider into an integrated, end-to-end solution provider, catering to the leading innovators from U.S., UK, EU and Japan.

A key strength of Sai Life Sciences is the culture and the team. Our culture is based on a high level of transparency, focused on fundamentals and building empowered teams. We have one of the most experienced senior leadership teams in the CDMO industry, with over 25 years of average experience of fully integrated global teams across India, U.S. and UK, which brings diverse experiences and a foundational scientific team we have dealt over the years and further strengthening our ability to serve clients with industry expertise. This deep sector knowledge combined with our relations, relentless focus on innovation has positioned us as a preferred partner for global pharmaceutical companies.

Today we serve 300+ active customers, including 18 of the top 25 global pharmaceutical companies. We have an impeccable track record of 100% successful regulatory inspections across both our R&D and manufacturing facilities, including approvals from USFDA and PMDA.

One of our early milestones was establishing a cutting-edge R&D centre in Hyderabad which became the foundation for innovation-driven approach. This phase of development was focused on process research and early clinical supplies. Soon after, we strategically expanded to Bidar, setting up a large-scale manufacturing facility designed to handle and deliver complex, innovative clinical and commercial APIs.

In 2020, we established our ‘Centres of Excellence’ in Manchester, UK for Process Chemistry, and Discovery Biology at Cambridge, USA, allowing us to better serve customers closer to the innovation hubs and significantly expand our scientific team. These facilities enable our customers to have face-to-face interactions with the Sai scientists and to accelerate the pace of tech-transfer to India and getting new programs started. The expansion reflects our commitment to being a global, integrated CRDMO partner and not just an outsourced service provider.

Today, Sai Life Sciences is at the forefront of India’s rise in the global pharmaceutical clinical landscape. We supply over 31 commercial molecules and have a strong development pipeline

of life-saving medicines across diverse therapeutic areas, oncology, metabolic diseases, CNS disorders, inflammation, antivirals, and rare diseases.

While I have set the narrative on an overall basis for who we are, I would like to focus on a few pointers for investors and analysts to understand our market positioning and aspirations.

We are one of the few companies that is globally competitive across the full range of integrated services by discovery, development to commercial manufacturing. The most successful companies in the CDMO sector over the last two decades have been WuXi and Pharmaron. The key to their success has been the ability to offer high-quality services at scale across the drug discovery development and commercialization journey.

The pharma industry is getting increasingly competitive with time-to-market being one of the key success factors. All things being equal, innovators want to work with companies offering a broader range of services as it reduces the time and effort that is needed to transition between development stages, eliminating the need to break faster. We admit from a scale standpoint, we have a way to go. At foundational level and at scientific level, we are now able to compete qualitatively globally on all these areas.

Over the last decade, we have built a very long-standing relationship with large pharma innovators and the biotech ecosystem which has become a strong mode for us as we strive to grow the business by increasing both the breadth and depth of our services and these relationships. And we are seeing tremendous traction and see strong momentum because of relentless pursuit of this strategy and by making strategic investments in both people and infrastructure at the appropriate time.

The second aspect is the CRDMO business itself is inherently lumpy in nature. You are basically working through a complete product development cycle. You are not dealing with a mature product or two. This can give rise to short-term spikes in our financials. These are about new products being launched in markets through the cycle, Phase 1, Phase-2, or multiple phases based on critical data.

So, it's a long lead cycle business, and we would urge all analysts and investors to analyze us from a 3 to 5 year horizon perspective, as opposed to focus on short-term results which could then lead to questions topmost the mind of most investors. How do they look at our future as we go forward?

While we adopted a policy of not giving specific guidance on any parameters, the long-term aspirations will go up to CAGR 15-20% when you consider 3 to 5 year blocks and ensure that margins continue improving as we move on this path.

Siva will speak a bit more on the financials in his prepared remarks, but I felt it was very important to set this marker. So, we can focus on the direction of business as we meet at the next conference call.

Now turning to our performance for Q3, '25:

We are pleased to report healthy performance this quarter, driven by our focus on expanding capacity, embracing cutting-edge technologies and meeting evolving needs of the industry. This quarter we delivered 15% year-over-year growth, with our CDMO and CRO businesses contributing 60% and 40% total revenue, respectively.

Our EBITDA grew by 19% year-over-year, with a margin expansion of 110 basis points, while the PAT grew by 29% year-over-year, supported by operational efficiencies and strong order pipeline. Again, Siva will dwell deeper into financials, but I am just stating the top line numbers.

What gives me confidence for this business as we move forward? I like to enumerate a few areas where we believe our model and expertise will play out. A broader set of offerings, as mentioned earlier, we are not a one-trick pony. And hence our broader sales funnel enables us to bringing customers at different points of the development journey. And we are able to cross-sell more effectively because of our multiple service offerings.

And with supply chain diversification post-COVID, everybody is actively looking at credible sources outside of China. And India only has 5% of the global market. So, we have enough room for significant growth in the coming decade easily.

Long standing relationships, while I have spoken about this initially, this remains a premium strength. We worked with 18 of the 25 big pharma companies. And these relationships have been cultivated over the years. With this as a base customers, we have expanded the service needs across multiple modalities. Our ability to meet these diverse demands and get products to market is a value proposition few Indian companies offer.

Sustainability remains the key pillar for our long-term vision. We continue to integrate responsible practices across our operations focusing on energy efficiency, digital transformation and innovation in sustainable manufacturing.

Our investment in renewable energy, including a 2.7 megawatt wind turbine, has significantly increased the use of green energy at our Bidar facility to 89% in FY '24. We remain committed to reduce our environmental footprint, enhancing workplace safety, fostering an inclusive workforce, while delivering long-term value to our stakeholders.

In closing, we firmly believe that India is entering a golden era in the global pharmaceutical innovation. Historically, only a few companies have successfully scaled as integrated players. But over the next decade, India is set to emerge as a major player in the global innovation ecosystem with the ability to match China's scale while maintaining the cost efficiencies.

India presents a compelling alternative for global pharma companies seeking long-term partnerships. Looking ahead, we are confident in our ability to build on the momentum we have established. We are committed to further enhancing our technological capabilities,

investing in infrastructure and expanding the global footprint. We are excited about the road ahead and remain focused on driving long-term value for all our stakeholders.

With that, I would like to hand over the call to Siva Chittor, our CFO, who will provide an update on our financial performance for Q3, '25.

Siva Chittor: Thank you, Krishna. Thank you everyone for joining us today. I am pleased to share our Q3 FY '25 Financial Performance. This reflects our continued business momentum, our operational discipline and strong customer relationship.

The small molecule outsourcing business remains robust, with both the CRO and CDMO segments meeting anticipated growth trends. Revenue growth across both segments reflects increased business from existing customers and products as well as new collaborations.

This quarter, our revenue from operations grew to 440 crores, a 15% increase compared to the 384 crores in Q3 FY '24. This growth was on account of continued momentum across the CDMO and the CRO business which account for 60 and 40% of the total revenue approximately.

Margin improvement remains a key focus with multiple operational efficiency activities underway. For Q3 FY '25, our EBITDA margin increased to 28%, up from 27% in Q3 FY '24. This steady margin improvement reflects enhanced operational productivity, operating leverage, and cost control initiatives that we had undertaken during the year.

Profit before tax saw a significant increase of 35%, rising from 53 crores in Q3 FY 24 to 72 crores in '25. Our profit after tax rose to 54 crores in Q3 '25 from 40 crores in Q3 '24, which reflects a 36% growth. The improved profitability is primarily driven by strong revenue growth and cost management and stable finance costs.

Employee cost of the period increased by 9%, moving from 122 crores in Q3 FY '24 to 133 crores in Q3 FY '25, aligning with the increased billable headcount in relation to the discovery business. This increase also reflects our continued investment in talent and organizational growth, which is very critical for a business that is based on people and talent.

Finance costs remain relatively stable at 23 crores for Q3 FY '25 compared to 23 crores in the same quarter last year, indicating effective debt management and working capital. As of December 24, the Company had repaid 585 crores of debt out of the planned repayment of 720 crores of the IPO proceeds. The remaining debt was repaid in January and we expect a reduction in interest cost in the current quarter.

Our earnings per share increased from Rs. 2.2 in Q3 FY '24 to 2.9 in Q3 FY '25. This reflects a 32% year-on-year increase.

Now, coming to the nine months' performance:

Performance for the nine months ended December 31st, 2024, as compared to last year's same period, showed an overall increase in total income from 1,052 crores to 1,142 crores. This reflects 9% growth.

Our EBITDA margin rose to 24% compared to 17% in the same period last year. And this reflects a 700-basis point improvement.

Our profit before tax for the nine months grew significantly from 33 crores to 109 crores in '25. This reflects an increase of 228% and our profit after tax grew 207% to 82 crores from 27 crores in fiscal '24.

Gross margin for the period was around 73%, up from 69% in the previous period. Employee costs rose in line with our strategic investment in talent and the growth and discovery business increased from 364 crores in '24 to 398 crores in '25.

Operating cash flows to the 9 months ended December 24 was 246 crores. This represents 92% of the EBITDA for the period. The Company recorded a positive free cash flow of 21 crores during this period.

Capital expenditure for the 9 months ended December 24 was 300 crores. The Company added 100 KL to its manufacturing capacity in November and expects to add another 100 KL in Q1 FY '26.

Average capacity utilization for the nine months ended December 2024 was 65%. In addition to this manufacturing capacity addition, the Company expanded the discovery R&D capacity in Hyderabad by 15% to addition of lab spaces for chemistry and biology.

We believe that growth is on account of the long-term growth strategy that was initiated in 2019. And we remain committed to expanding capacities and enhancing technological capabilities to drive long-term growth. Our ongoing investments in digitization and automation are key to improving our operational efficiencies and positioning the business for sustained success.

As part of our strategic financial management, we are utilizing the proceeds from the IPO to repay debt, strengthen our balance sheet and reduce financial leverage. This proactive approach supports our long-term growth and operational flexibility.

Over the past five years, we have consistently invested in expanding capabilities, including advanced technology platforms, scientific expertise, and infrastructure enhancements. These investments are translating today into higher customer retention, an increasing share of projects and a growing pipeline of opportunities.

As alluded by Krishna, we will emphasize improving margin and we aspire to reach an EBITDA margin range of 28 to 30%. For the next four to five years, we aim for a revenue CAGR of around 15 to 20%.

That said, I would like to reiterate that the business has certain amount of lumpiness and quarterly swings. And hence, we would like the investors to look at a longer horizon to evaluate the Company.

Looking ahead, we remain confident in our long-term growth trajectory. The global pharmaceutical and biotech industry continues to shift towards outsourcing. This is driven by the need for innovation, efficiency, speed and scalability. With our established relationship, integrated capabilities, and track record of execution, we are well positioned to capitalize on this trend.

Additionally, we see strong demand across our CDMO business, as pharma and biotech companies seek cost-efficient, high-quality manufacturing solutions and supply chain diversification. The aging global population and increasing healthcare needs will continue to drive long-term demand for pharmaceutical innovation, creating significant opportunities for our business.

From a financial perspective, our focus will remain on maintaining revenue growth, optimizing margin and improving cash flow efficiency. We will continue to invest in expanding capacity, strengthening our talent base and enhancing operational efficiency. This, we believe, will drive sustainable and profitable growth.

To conclude, Q3 FY '25 was a robust quarter, marked by healthy top-line growth, improving profitability and a promising outlook for the future. Our integrated business model, strong customer relationship, and financial discipline position us for a long-term value creation. We remain committed to delivering sustained growth, enhancing shareholder value, and strengthening our market leadership.

Thank you. I would now like to open the floor for the Q&A session.

Moderator: Thank you very much. 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, and congratulations for a good set of numbers, and best wishes for the journey ahead. My first question will be on the biotech funding in U.S. One of your peers talked about the pace of recovery being more gradual than they anticipated. Thus, the discovery business revenues were slower than what they were expecting a few quarters back. How is the demand environment that we are seeing?

Krishna Kanumuri: The discovery business, if you look at it, it's in a different cycle at this point. If I just have to go back and take a step back, a lot of money is coming into biotech, but it's going into later phase programs. A number of new Company startups have not really started yet. You will probably see the new Company formation start right after some consolidation happens.

So, we are seeing a lot of consolidation right now. And the consolidated entities are raising money. And these companies are expanding. But the new Company creation definitely has

slowed down. Time frame is hard to judge. It's your guess as good as mine in terms of when new Company formation is going to start. But the demand from the larger players has been pretty robust at this point.

Binay Singh: Right. So, in light of that, like, when we look at seasonality from the limited data that we have, typically Quarter 4 is the strongest for the Company. Would that still hold with the visibility that you have today?

Siva Chittor: Yes, broadly, without giving a specific guidance, Binay, I think Quarter 4 has generally been the strongest quarter that we have had. And Quarter 3 and Quarter 4 relatively, H2 is generally stronger than H1, which is, you know, it's the case with most of the CDMO business across, and we also believe that it will be the same way.

Binay Singh: And lastly, just on capacity and CAPEX, I saw the comment that you made about 65% utilization rate of capacity. That would be as of, so in a way, the November facility would only be available for one month. So, the actual utilization rate that you would have in this quarter would have, in a way, come down. So, do you think, do you expect any adverse impact of that on margins?

Siva Chittor: I don't believe so, Binay. I think the second set of capacity, because we believe that there are products that are ready to go into this facility. Not that they will all be at the 65-70%, but we don't believe that this will impact the margin, you know, significantly.

Binay Singh: That's good to know. And lastly, just on CAPEX, we have done around 300 crores in the nine month. If you could give some guidance for the full-year number and for next year.

Siva Chittor: I think based on how deliveries and how, you know, things reaches our side, this expenditure is based on how we book our numbers. We probably expect to add another 100 to 125 crores in this current quarter.

Binay Singh: And how to think about it for next year?

Siva Chittor: We are working on much more details and as we kind of finalize our plans, we will come back to you with some more specific items.

Krishna Kanumuri: Just to give you a perspective, Binay, a little bit about what we have done so far is, we have completed some land acquisition in the last quarter. We have doubled the land area we have available for our research centre in Hyderabad. We have bought land for another site in Hyderabad for manufacturing. And we also bought a lot of ground in Bidar to expand our footprint there.

Right now, we are in detailed planning stage, both from a revenue guidance standpoint and investment across all three areas of our business: discovery, CMC, and development. We expect we will have significant investment, not investment, but increase in capacity across all

three areas based on the demand we are seeing right now from our customers. And we will update you as soon as we make a little bit more clarity on the numbers.

Binay Singh: Great, team. That's encouraging to know. I will come back in the queue. Thanks.

Moderator: Thank you. Before we take the next question, a reminder to all the participants that you may press "*" and "1" to ask a question. The next question is from the line of Alankar Garude from Kotak Institutional Equities. Please go ahead.

Alankar Garude: Hi, good evening, everyone, and thank you for the opportunity. So, firstly, can you comment on the visibility for the CRO segment in particular, given that the funding environment is not fully back yet?

Siva Chittor: Alankar, what we are seeing, and I think based on the whole integrated discovery strategy that we had put in place, we are seeing a reasonable trend in terms of growth. And that is kind of reflected in our numbers for this year. I believe that the funding situation is not 100% back to where it probably was during the COVID period. And I don't believe that we will get to the COVID period funding.

But our understanding of what we are seeing is that there is a reasonable amount of traction in the business. That said, one of the increased focus for us as a Company is to kind of add increased, you know, traction with the large pharma customers, which has also helped us kind of take care of any specific shorter term funding related issues.

Alankar Garude: Understood. The second one is more on the, I mean, both on CRO and CDMO, actually. Qualitatively, possible to provide some color on the number of RFPs as well as the number of client audits, which you have been seeing over the last one? Specifically within that, is there any change in these RFPs as well as client audits given the delay in the Biosecure Act?

Krishna Kanumuri: Alankar, we don't really focus too much on RFPs per se. We focus much more on customer visits and what we are seeing. But what I can definitely say is that from the pharma standpoint, nothing has changed. I think pharma has made a long-term decision to kind of diversify from China. It's just a question of customer concentration. I think this deleveraging started back in post-COVID.

I think Biosecure probably just pushed it in the right direction. I think nobody seems to be going any slower. I think they are accelerating their plan, not accelerating their plan, but just to be very kind, Pharma came with a 5–10-year horizon. They haven't come and said, we are here today, I want you to perform tomorrow. They are really building these relationships slowly. So, I think, fundamentally, I think we are seeing that traction continue.

And what you are saying in terms of the Biosecure Act, biotech funding is more to blame rather than the Biosecure itself. I think any biotech with funding is looking at both China and India's options. So, we are not seeing any change in terms of people's strategy. It's the timing might change based on the funding environment.

Siva Chittor: Alankar, just to kind of go back to the prospectus that we had filed, even prior to Biosecure and post-COVID, if you look at our number of products that we have tech transferred from other geographies as a means of supply chain diversification, we have actually added more than 15 products that have moved from a different geography into Sai as part of supply chain diversification. And we continue to see a lot more traction in that area.

Alankar Garude: That's helpful, sir. And one bookkeeping question. You mentioned the split between CRO and CDMO for the nine months. Possible to share that for the third quarter as well?

Siva Chittor: I think it is almost, you know, reasonably similar, but I can come back to you with specific numbers, Alankar.

Alankar Garude: Fair enough, sir. That's it from my side. Thank you.

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. I think your comments on margins and growth are kind of pretty well understood, for me at least. The challenge I see is that if I assume a 400, 500 crore of CAPEX over the next three, four years, I don't find the asset turns to be improving quite meaningfully from where they are at currently. Given that the utilization is at 65%, I estimate that the asset turns on a full balance sheet basis will be 0.5 to 0.6x, and on a fixed asset turns basis will be 1.1x to 1.2x. So, any particular reason why asset turns are slightly on the lower side for a business which is also 40% into CRO?

Siva Chittor: So, Nikhil, I think even when we had given the numbers for fiscal 24, our asset turn, the net fixed asset turn excluding CWIP was around 1.2x. I would guess we would probably be around the same number at the end of the year, somewhere give or take. CRO does not necessarily mean lower expenditure.

I think what we need to understand is biology, the MPK, automations all call for huge expansion with respect to equipments and analytical instruments that we need to buy. So, I do not believe that just because it is discovery that the asset turn should be higher. And if you can look at the global trends and Indian peers in CRO, you will find that the asset turns are fairly similar.

Nikhil Mathur: Okay. So, just trying to understand the capital efficiency of the business, where does it settle at? Because margins are improving this year. I think, if let's say all goes well in 4Q and you close FY '25 with 24-25% margins and 65-67% utilization, which is what you have disclosed, the capital efficiency of the business or return on equity will be 9-10%. So, what are your thoughts over a 3-4 year period where this capital efficiency number can kind of settle at if there is no major levy available on the asset turn side?

Siva Chittor: I think our aspiration on the ROCE side, I am looking at more return on capital employed, is probably a mid to high teens over a 3-4 year period. That's really what we aspire to get to.

Nikhil Mathur: Okay. And for that to happen, a minimum 15% gross CAGR has to happen and that you are quite confident of in a 3-4 year timeframe. Is that the right way of looking at it?

Siva Chittor: That is the right way of looking at it. And that's really what we are, as we see today, we believe that that is something that is possible.

Nikhil Mathur: Okay, got it. Thank you so much.

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

Madhav: Good evening. My question is similar to the earlier participant's question. If you are investing about 400-450 crores in CAPEX this year, and you must maintain that run rate going ahead, that's just an assumption. If we are guiding 15-20% revenue growth, that would still mean that our assets would remain a bit underutilized. Is it fair to assume that we are being a bit conservative in our guidance that if some of the pipeline comes through, we can grow a bit faster? Is that how we should read it? Because otherwise, we are investing more than what we are guiding for in terms of growth. So, just try to connect the two and make a better understanding. Thank you.

Siva Chittor: So, Madhav, what we are guiding you is a 3-4 year period kind of a growth rate. The investment period for any asset to become productive is 18 to 24 months before they actually become productive even to do 1% utilization. And then at that point in time, you start utilizing the asset. So, there is obviously some bit of underutilization that is factored, and that's kind of the nature of the industry. Unfortunately, that's how the industry works.

If a customer does not see a facility up and running, a product is at a Phase-2, let's say, in clinical trial, it will be very difficult as a partner to kind of go ahead and actually capture that business. So, you are right about there is this phenomena in the industry. And that's why we are saying, and then look at the global trends. Go back and look at WuXi. Go back and look at Pharmaron. Look at anybody in the global sector, people who have been reasonably successful, considered very successful in the CRO/CDMO business. I think globally, the asset turns, the ROCE is all guided by factors of continuous investment. And if you do not invest in the shorter term, our overall growth rate over long term will suffer. While we will be able to continue to show a better ROCE, we will not be able to show growth and revenue on a consistent basis.

Madhav: No, that makes sense. And given that, if you just look at the, of course, we have only three years of data, even recently listed Company. It seems that, you know, we have stepped up on the CAPEX. If I look at FY '22, '23, '24, the combined CAPEX we would be doing this year is more than the last three years combined. So, basically, is that just qualitatively sign that some of the molecules in the pipeline are a bit more late stage, which could help in growth over a 2-3 year period? Is that how we should read it? I mean, is that how the Company management is thinking as well?

Siva Chittor: That is true. If you look at the commentary that we had provided at the DRHP Stage 2, I think what we had stated is that there has been a lot of molecules that even got tech transferred from China, something that we also alluded to earlier in the conversation. A lot of these molecules are now reaching a phase where they are independently scaling up and we are seeing capacities getting utilized.

I think what we are seeing from the way we look at the addition is not just the capitalization in the books, but more in terms of stating what we bought during the year. That is what I said, is 300 crores. The cash spend will be slightly lower, and that just depends on the timing and payment and everything else. But it is, you are right, there are molecules that are scaling up, and these will kind of get to more efficiency as these molecules kind of become bigger by themselves.

Krishna Kanumuri: Just adding a little bit, I think as we focus on commercial molecules, another trend which we have to look at, which is we are seeing very clearly, a lot of the development assets of large pharma are moving to India, especially beyond Phase 1 from China. So, we are seeing a significant increase of traction over the last couple of quarters in the number of compounds coming in just from development stage, which all will need plant capacity. So, we are seeing a new trend in terms of number of clinical trials likely to come in as well.

So, there is definitely a lot healthier pipeline coming in because of the global strategy, which also will hopefully lead to better utilization of the CAPEX as we move forward. But the only thing is we can't, right, so that's why we say we are doing the detailed planning along with forecasts because we have a lot more data in front of us. That's the best way I can answer it right now.

Madhav: No, that makes a lot of sense. Just one last follow-up question was, these molecules are kind of, you know, you are seeing an accelerated pipeline build-out is what I understand. Are more of these molecules versus the past, more in the later stage of the development cycle, like maybe Phase-2, Phase 3, where we are seeing, is that how we should understand?

Krishna Kanumuri: Actually, it's an interesting mix of other kind. I think we have always seen late phase because typically if you look at what used to happen, most of the molecules were developed in China as primary source. And they would come to India for secondary source. We used to see products generally later in the process.

But what we are seeing is that now today we are seeing both late phase, which are coming from China, but we are seeing a lot more of the Phase 1 to Phase 3 assets coming in, which are moving much earlier than they did post-COVID.

So, we are seeing a big pipeline of compounds coming much earlier. And that might be relatively key to us because we are very strong in development. That's a big area we are focused on. So, I think we are seeing a lot of traction on the development side as well of early pipeline coming from pharma, which was not the case before.

Madhav: And we are the primary supplier now versus being secondary. Is that a change as well that happened?

Krishna Kanumuri: It's hard to say at this point. It's too early to see where it's going to pan out.

Madhav: Thank you.

Moderator: The next question is from the line of Alok Dalal from Jefferies India Private Limited. Please go ahead.

Alok Dalal: Yes, good afternoon, and thank you for taking my questions. So, Krishna, just to understand, for the CDMO business, for next year, the driver will be these existing products, or is there some new filing which has happened and you can see incremental growth from that?

Krishna Kanumuri: Alok, there are some products from the existing pipeline which are growing, but there are also a lot of other products also we are working on right now, which obviously will contribute to it. But existing pipelines will contribute to a significant part of that growth from visibility we have at this point.

Alok Dalal: And within those existing, is it that you become a preferred supplier now versus a secondary supplier earlier?

Krishna Kanumuri: I don't have much data on that. I don't want to comment on that at this point. But it's just based on the maturing of molecules and growth of the molecules more than anything else.

Alok Dalal: Okay. And is there any molecule from the partner side which is expected to go off-patent?

Krishna Kanumuri: Not next year, no.

Alok Dalal: Okay. The second question is on the overseas sites, Boston and Manchester. Are they still a drag on profitability or you have seen a change here?

Siva Chittor: There has been a change. It's not probably at the most ideal point that we would like it to be, but there has been a very positive change in terms of how those businesses are functioning.

Alok Dalal: So, basically they are no longer a drag on profitability when you look at your third quarter or nine month number.

Siva Chittor: Correct.

Alok Dalal: Okay. And Siva, would you have the sales mix for 9 month FY '24, so same time last year? Would you have the sales mix between CDMO and CRO?

Siva Chittor: Give me a second, Alok. I don't have this readymade with me, but I can send that out to you.

Alok Dalal: Okay, fine. Okay, thank you so much. We will connect offline.

Moderator: Thank you. The next question is from the line of Rahil Shah from Crown Capital. Please go ahead.

Rahil Shah: Sir, when you mentioned in the early statements that you envisaged an EBITDA margin range of 20% to 30%. So, by when do you expect this starting to show on our P&L? Is it from next quarter you meant from slowly progressing from next year onwards?

Siva Chittor: I think the 28-30% steady state that we are saying, we will get there in the next 2 to 3 years. That's our stated objective.

Rahil Shah: So, this 27% or so which you did in the third quarter of this year, is that also sustainable for the next few quarters?

Siva Chittor: So, Rahil, here is the thing. I think the business inherently has some amount of seasonality. So, you know, quarters where your revenues are lower, your fixed cost kind of then impacts your operational efficiency and then EBITDA and profitability. So, to that extent, the second half of the year will have a sustainable number that you are seeing today and the first half, as we get more commercial products and revenue becomes much more steady state and linear, will actually get us to 28-30%, and that's why we are giving us a couple of years, 2-3 years that we are talking about.

Rahil Shah: Okay. And on the revenue front, when you mentioned this 15 to 20% CAGR, we can factor that in from the next year onwards, right, FY '26? Any outlook for this closing year?

Siva Chittor: I don't want to give you any specific guidance, but I think one of the participants asked this question about the first half being lighter than the second half and Q4 being heavier than Q3. I would like to reiterate that without actually giving you specific guidance.

Rahil Shah: Okay. No problem. Thank you, and all the best.

Moderator: Thank you. The next question is from the line of Radha Kothari from Archer Advisory. Please go ahead.

Radha Kothari: Thank you for the opportunity and congratulations to the management for the listing and the good results. Sir, just wanted to understand the employee cost. I was just going through your expense base and the employee cost in your Company is relatively very high as compared to the other listed CDMO peers. So, is there any one-off this or something has been, you know, preponed and that should be normalized going forward?

Siva Chittor: I think if you look at the mix of the business that we have, 40% of our business is the CRO business and the 60% is CDMO, and we have a very big piece even within the CDMO that kind of works towards development. And in this particular segment of the business, employee is the biggest capital that we actually employ from running this business and hence employee

costs of Sai cannot be directly compared to a pure play CMO, where employee costs are much lower.

Now having said that, we have invested over the last couple of years in terms of significantly enhancing our employee talent base. This was done during the period when we were actually looking at 15 tech transfers to augment our overall commercial pipeline. What we believe over the next two, three years, this will help us get better leverage. So, if you look at where we are, you know, in terms of margin, some of the improvements in margin that we are talking about will also come from the overall reduction of employee costs as a percentage of revenue.

Radha Kothari: This is very helpful, sir. Sir, just the whole industry, we are saying that in the recent past, we are very excited about the upcoming or the potential opportunities coming up in the states, especially in CDMO and mainly more on GLP-1 space. Are you also in line of pursuing those things? Do we have the capabilities for that? And have you seen any inquiries or the requests coming for this?

Krishna Kanumuri: Look, I think it's fair to say that there is a big shift in GLP-1 across all pharma companies. and anybody in CDMO business will see traction in the GLP-1 space. It could be peptides. It could be building blocks of peptides or even pure small molecules. We do have clinical assets in that space, but I won't comment beyond that, but I guess everybody will be involved in some form or fashion in the metabolic disease area.

Radha Kothari: Sir, just last question. Can you just provide your CAPEX? Because I believe that being in the CDMO, the CAPEX usually is very high. So, what are the CAPEX you have earmarked for this year and if possible you can throw some light on the next year's CAPEX as well?

Siva Chittor: So, for this year I think we have overall I think nine months we have said we have incurred 300 crores. We will probably get to another 100-125 crores for the remainder of the financial year. As far as fiscal 26 is concerned, we are working through this process and we will come back to you when our plans are finalized and we will give more details to everyone.

Radha Kothari: And would this be funded through internal accruals?

Siva Chittor: It would be funded a combination of internal accruals and debt.

Radha Kothari: Okay. Got it. Thank you very much, sir. Best of luck.

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

Rahul Jeewani: Sir, within the CDOMO business, can you also talk about how do you see commercialization playing out for your Phase 3 pipeline molecules? We had around 8 to 10 products in Phase 3. So, how many of those do you see getting commercialized from the next two to three year period and whatever your expectations are in terms of some of these Phase 3 products?

Siva Chittor: I think there is couple of products that are actually getting commercial by the end of this financial year, at least based on the PDUFA date that the regulator has given them. There is one large molecule that we are working on today that is in Phase 3. We expect that to kind of get to fiscal '26-'27 timeframe in terms of commercialization. We have a few other molecules, Rahul, but I am saying, you know, from an overall perspective, there is at least three, four molecules that we are seeing that will get commercialized over the next 2-3 year period.

Rahul Jeewani: Okay. And can you talk a bit more about this molecule in the large molecule category because historically we have focused on the small molecule segment. So, what kind of capabilities are we bringing to the table to scale up in the large molecule segment?

Krishna Kanumuri: I think he meant to have a large size of market, not the therapeutic molecule. So, I think Siva got that. We are talking about a large opportunity.

Siva Chittor: Oh, there is no large molecule. Sorry.

Rahul Jeewani: Okay. Sure, sir. No worries. And sir, with respect to this CAPEX, which we are undertaking of around 350-400 crore, apart from capacity expansion, what kind of incremental capabilities are we adding on to the business? So, at the time of the RHP, we were also talking about having an Amidites block investing in oligonucleotide. So, have you any traction in some of these niche capabilities or segments?

Krishna Kanumuri: Rahul, just going back to what we have stated is that there would be four areas we are going to focus on. One is peptides, which we are having reasonable traction with. Another one is Amidites, which we are part of several commercial products on Amidites. Another is ADCs, and the next one would be basically any kind of conjugation technologies going for peptide conjugation, prototype conjugation. These are all three areas of interest.

We have various conversations with multiple customers and opportunities going forward. And that's what we are evaluating of what we are going to prioritize and what we are going to do. But we have traction in all three areas, but we will prioritize it based on what is the most immediate need and what we can do most effectively.

Rahul Jeewani: And for all of these segments, we would have the requisite capacities in place to drive growth in some of these segments.

Krishna Kanumuri: We will have to, we are doing capacities on some scales, but we might have to enhance capacity depending on the demand situation coming up at this point. We have capabilities. Capacity will depend on the demand situation, but we have capabilities in all these areas.

Rahul Jeewani: Sure, sir. And one last question from my end. Can you also talk about how has the scale-up been with respect to the dedicated project which we had with Schrodinger on the CRO side? Thank you.

Krishna Kanumuri: I would just, it's going very well. We have expanded that collaboration. I will leave it at that, but it's going well and it's expanded.

Rahul Jeewani: Okay. So, you had around 75 scientists dedicated to that project. So, have you increased the number of scientists, if you can talk on that?

Krishna Kanumuri: I don't think I am at liberty to share how much it grew, but it has grown.

Rahul Jeewani: Okay, sure, sir. Thank you, sir.

Moderator: Thank you. The next follow-up question is from the line of Alankar Garude from Kotak Institutional Equities. Please go ahead.

Alankar Garude: Sir, if I look at our presentation, you have mentioned 31 commercial molecules in the current portfolio. If I remember correctly, that number used to be 38 molecules. Can you highlight the reason for this lower number in the current presentation?

Krishna Kanumuri: Alankar, it's 38 products going to 31 molecules. So, those couple might have two intermediates in there.

Alankar Garude: Okay, understood. The other one is, can you comment about the pricing of FTs? There have been reports for the last one year about China being more aggressive. Anything which we have seen at our end or you continue to see the pricing being more or less stable?

Krishna Kanumuri: China has been more aggressive. There is no question about it. They have priced more aggressively, but we have not dropped pricing. In fact, we continue to grow at the 2-3% increase annually for most customers, and we are sticking to our pricing at this point.

Alankar Garude: Understood, sir. Yes, that's it from my side. Thank you.

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

Siva Chittor: Thanks everyone for the call and for all your questions. We remain committed to providing long-term share of the value and if you have any specific questions, I think, you know, appreciate asking us any questions now or, you know, we would talk to you again in the next call.

Krishna Kanumuri: I am just kind of echoing Siva's comments. We actually feel very good about the business. A lot of opportunities coming our way. We continue to see business momentum, and we will keep you on the loop as we kind of evolve. Any questions, feel free to reach out to us.

Moderator: Thank you. On behalf of Sai Life Sciences, that concludes this conference. Thank you for joining us, and you may now disconnect your line.

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

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Sai Life Sciences is a leading global Contract Research, Development, and Manufacturing Organization (CRDMO) that partners with innovator pharmaceutical and biotech companies to accelerate the discovery, development, and commercialization of new medicines. Headquartered in Hyderabad, India, with a strong global presence, the company offers integrated solutions spanning medicinal chemistry, process development, clinical and commercial manufacturing, and advanced technology platforms. Sai Life Sciences is committed to delivering high-quality, cost-effective, and scalable solutions while upholding the highest standards of safety, compliance, and integrity. With a focus on innovation and operational excellence, the company continues to strengthen its capabilities to support emerging therapeutic modalities and meet the evolving needs of the life sciences industry.

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