Management Discussion

Keshav Bhutada - Executive Director and Chief Executive Officer, Shilpa Medicare Ltd
That I would like to start briefing you segment by segment. First, I will start briefing with API business. In API, I am happy to inform that we delivered highest ever quarterly revenue in our history, and we remain confident on continuing momentum in upcoming quarters. In total, we have 25+ NC CDMO client programs in which we expect 4 programs to commercialize in next 18 to 24 months of our partners. We remain on track to complete more than 15 new oncology generic products in FY27. On CapEx front, we are on track to commission our one of the largest peptide manufacturing integrated capacity by end of FY27.

And going forward, our focus will continue to remain on high gross margin business, mainly peptide oncology APIs and CDMO. With that, I'll start briefing on formulation division. In formulation division, we grew more than 50% year on year. Our India business grew 2.5 times H1 YOY basis, led by Norioducia, a novel first-in-class treatment for NAFLD. And we are proud to be a company first time in world to launch this in patients. Now it has been a year of launch and we have had zero recalls on the product and we have seen some excellent results in the patients.

We are also working on extrapolating this product into additional indications which will help us in growing this product in years to come. 3 complex 5-5-B2 products in formulation division currently are commercialized and we have almost 5+ complex 5-5B2s, which are under advanced stages of development, which we will be commercializing in next 2 to 3 years. 3 important upcoming launches in FY28: enzalutamide, abrexin, and rotigotine patch are on track for FY28 launch, and we remain confident with launch of all these 3 products we have- we can have good growth.

In current quarter, we have completed semaglutide GLP-1 oral tablet EB batches- sorry, injectable EB batches. And we are on track to submit in Europe and ROW markets. And also, apart from that, one of the complex transdermal patch products which we have already partnered for Europe market, we have completed exhibit batches in current quarter and we are planning to file this product in FY28. Apart from above, we have strong complex and differentiated pipeline and details are already given in investor presentation.

On unicyclic therapeutics, where Shilpa is having exclusive integrated API and formulation manufacturing partnership, our partner has already filed the NDA with one more additional site, and he has received a revised PDUFA date of March 2027. Now coming to biologics division, biologics is now a real business focus and no longer an asset under monetization. It contributes today 12% of our revenue with portfolio of 7 biosimilars whose molecules average sales is more than US$10 billion in global sales.

In FY27, 2 of our biosimilars will be entering into human studies for Europe and ROW market, with molecule having global market of more than $10 billion in sales. We have strong opportunity to out-license all 7 active biosimilar to license in global markets in years to come. On new biological entity partnership programs with Alveolus Bio and MapTree Biologics, which is already given in the investor presentation, both the programs will be entering into Phase 1 human studies in FY27, which is one of a very important milestone for us in our new biological entity journey.

CDMO will be remaining one of our strongest and fastest growing segment in biologics, and it has a strong future growth opportunity with current 6+ active programs in which Phase 1 supplies for 3 biosimilar- 3 biologics program for our client will complete in FY27. Our first ADC biosimilar will also enter human studies in FY28, with cumulative mix of biosimilar, CDMO, And NB Biologics, we will-

we are confident to continue to grow in our biologics journey. Coming to recombinant human albumin, which is a new biological entity, first-in-class program developed by Shilpa.

Our global Phase 3 protocol was approved by CDSCO and EMA, and we are targeting IMPD submission in Europe in second half of FY27. So let me sum up the case in one sentence. Shilpa today is a profitable, deleveraged, multi-engine specialty pharma company sitting on built capacity with a dense pipeline of differentiated launches in front of it. And we as a company remain confident on monetizing all our investments. Thank you.

Alpesh Dalal - Chief Financial Officer, Shilpa Medicare Ltd
Yes, good evening everyone. Uh, Alpesh Dalal here, and a warm welcome to all of you to our 2nd quarter financial '27 results call. Let me briefly take you through the financial performance of the company. I'm pleased to report that we have delivered our highest ever quarterly revenues with quarterly revenues of, uh, Rs 538 crore, reflecting a robust growth of 35% year on year. And revenue for the first half was, uh, were Rs 1,007 crores, growing at 44% year on year. This is the first time in our history that our half-yearly revenues have crossed Rs 1,000 crore mark.

And this performance was driven by strong performance across all our verticals. Alongside record revenue, we also reported our highest ever quarterly, uh, quarterly EBITDA at Rs 151 crores, up 37% year on year, with EBITDA margin at 28%. EBITDA for the first half of FY27 was Rs 290 crores, growing at 40%, with EBITDA margin of 29%. Our operating PBT, which is, uh, before share of profit from JVs and associates and before exceptional items, was, uh, Rs 104 crores for the quarter and Rs 202 crores for the half year.

Our PAT for the quarter was Rs 79 crores and Rs 180 crores for first half of FY27. This reflects a growth of nearly 100% compared to the previous year. Previous half year, uh, you know, previous year's, uh, half, first half. On the CapEx front, we have spent, uh, Rs 252 crores in the first half of FY27, and this CapEx is primarily funded by our internal accruals. Few highlights on the balance sheet front: our net debt stands at Rs 612 crore, which has remained stable despite a significant increase in the CapEx program.

And, uh, our improved performance and positive operating leverage have also helped in improving our return ratios, with ROCE improving meaningfully to 13.3%, up from 9% in FY25. On an adjusted basis, this ROCE stood at 18.3%, and with improvement in business mix and higher operating leverage, we expect the ROCE to improve further in the coming quarters. Let me now walk you through the segmental performance. Our non-captive API business clocked a revenue of Rs 255 crore for the quarter, growing at 24% year on year, and it was Rs 200- it was Rs 470 crores for the first half of '27, FY27, a growth of 20% year on year.

The growth was on account of improved uptake of key products from our newly expanded capacities, coupled, coupled with steady performance in the specialty CDMO segment. Uh, our formulation revenues were, uh, uh, Rs 210 crores, growing over 50% year on year for the quarter, and Rs 407 crore for the first half of FY27, a growth of 70% year on year. Excluding licensing income, the base business reported robust revenue growth of 87% in the quarter, largely driven by complex, uh, finished dosage formulation portfolio in the EU region, supported by the US and ROW regions.

Moving to the biologics segment, the revenues were, uh, uh, Rs 65 crores, growing at 150% year on year for the quarter, and Rs 117 crores for the first half of FY27, growing at 92% year on year. The strong growth was driven by continued deal momentum towards licensing and partnership and

CDMO businesses. With that brief, uh, introduction, I would like to open the

Questions & Answers

Operator
Thank you. We will now begin the question and answer session. Anyone who wishes to ask a question may press star then 1 on the touchtone phone. Participants are requested to use only handsets while asking a question. The first question comes from the line of Parth Mehta from Valum Capital. Please go ahead. Hi, thank

Sumit Gupta - Analyst, Antique Stock Broking
You.

Operator
Please go ahead.

Sumit Gupta - Analyst, Antique Stock Broking
Yeah, yeah, hi team. Am I audible?

Operator
Yes, sir, you're audible. Please go ahead.

Sumit Gupta - Analyst, Antique Stock Broking
Yes. Hi team, congratulations on the good set of numbers. My first question was on the gross margins that sequentially and YOY there has been around 700 bps of decline in the gross margins. So how much of this, no, we would have been able to pass on the cost and what What is exactly that has led to the decline in the, uh, decline in the margins?

Keshav Bhutada - Executive Director and Chief Executive Officer, Shilpa Medicare Ltd
Yeah, thanks, sir. So on the gross margins, right, basically if you see for the quarter, API also has had a very strong performance. So when we have very big performance in API, when you compare API to formulation business, the gross margin in formulation business are much higher. That has led to a small decline in the gross margins.

Manish Mandari - Analyst
Hi, Keshav, this is Manish Mandari. Congratulations on the number, and also you insisted quite a lot on the multi-engine. I'm so glad to hear that. Keshav, my question is related to one news item on the expansion in the peptide business, a CapEx. Which I read in Economic Times. So is there anything which you can share about this with us?

Keshav Bhutada - Executive Director and Chief Executive Officer, Shilpa Medicare Ltd
Yeah, thank you. Thanks for your question. See, on peptide, I think as a company also, I have mentioned in previous investor calls also, we as a company are very focused on the peptide and we have been working in peptide segment for quite a long time. And seeing the upcoming opportunities in peptide in the GLP-1 space, in the CDMO space, in the CDMO HPAI space, Today we have 4 manufacturing lines in peptide and we are adding additional 2 manufacturing lines, and we are also keeping space for further expansion based on the business progress.

Okay, so overall peptide will remain our focus. And as I've already explained in my commentary also,

currently our first site of expansion where we are building one of the largest peptide manufacturing capacities of India, that will be commissioned by end of FY27.

Manish Mandari - Analyst
And my last question is related to the albumin. Your tentative dates would be FY '29 versus FY '30. So I'm struggling to get what should be the tentative range of size of revenues one should look forward in '29, maybe release, or '30, the first year of operation. To the- on the existing base to the full potential?

Alpesh Dalal - Chief Financial Officer, Shilpa Medicare Ltd
Yeah. Hi, Manish. Harpeet here. Manish, unfortunately, we do not provide any revenue guidance or any revenue indication. The program is well on its way, and it's a fairly decent opportunity that we are seeing. As and when we reach those milestones, I think it would be much better to discuss at that point in time.

Manish Mandari - Analyst
Sure, I appreciate that. Thank you.

Operator
Thank you. The next question is from the line of Gaurav Shukla. Please go ahead.

Sumit Gupta - Analyst, Antique Stock Broking
I'm audible, sir?

Operator
Yes, Mr. Shukla, you're audible. Please go ahead.

Sumit Gupta - Analyst, Antique Stock Broking
Thank you, sir, for giving me a chance, and congratulations for very good set of numbers. Sir, I want to ask about what is the planned manufacturing capacity for peptide and what utilization level does management expect over the next 2 years?

Keshav Bhutada - Executive Director and Chief Executive Officer, Shilpa Medicare Ltd
Yeah, thanks, Gaurav, for your query. See, on the manufacturing capacity, what we are building, it can manufacture peptides at a tonnage capacity, yearly tonnage volume, okay? And coming to how much utilization will happen, see, it is a- it depends purely on our customers' uptake. So it, I, it will not be a right time for me to comment, but in the next year, second half, right, I think that will be a right time for me to comment on that. But we have some visibility of programs which, where we, we are confident that there will be requirement of some volumes.

So accordingly, the capacities are planned.

Sumit Gupta - Analyst, Antique Stock Broking
Okay, sir. And our 4 biosimilar programs, nivolumab and premobilizumab and daratumumab, [Foreign Speech] which are closest to regulatory approval nivolumab

Keshav Bhutada - Executive Director and Chief Executive Officer, Shilpa Medicare Ltd
Nivolumab

Sumit Gupta - Analyst, Antique Stock Broking
And when time timelines sars

Keshav Bhutada - Executive Director and Chief Executive Officer, Shilpa Medicare Ltd
Ending so there are two different things see when it comes to India market already we have one biosimilar in end market which is adalimumab and second product Coming to export market, which is Europe and ROW market, there our first product will be nivolumab. And the nivolumab product we are planning to file in Europe market in next year.

Sumit Gupta - Analyst, Antique Stock Broking
Next year. Thank you, sir. Thanks a lot, sir.

Keshav Bhutada - Executive Director and Chief Executive Officer, Shilpa Medicare Ltd
Thank you.

Operator
Thank you. A reminder to participants to limit their questions to 2 per participant. The next question is from the line of Shrikant Akolkar from Novama. Please go ahead.

Shrikant Akolkar - Analyst, Novama Wealth
Hi, good afternoon, and thanks for taking my question. I have a question on peptides. So you have said that you have got the order book visibility. Is it possible for the company to take a moment and talk about the capacity in terms of gross block or maybe the kiloliters that we have put in? And then when we say that we have got a revenue visibility, In FY27, what kind of opportunities are these? Is it a generic opportunity? You also said semaglutide DMF has been filed. So is it semaglutide or innovative products?

That will be the first question.

Keshav Bhutada - Executive Director and Chief Executive Officer, Shilpa Medicare Ltd
So, Srikanth, thanks for your question. I think the peptide capacity what we are building is a mix- is for mix of CDMO and GLP-1 and HPAPI. Okay, it's a mix of all. So how- what opportunity will translate into what value, I think that is something which I already mentioned will be told in next year second half. But I can tell you it's one of the largest peptide capacities which we are trying to build.

Shrikant Akolkar - Analyst, Novama Wealth
Understood. And, uh, when we say that we want order visibility, then how many projects, peptide projects we have, how many of them will be commercial next year? Anything on that?

Keshav Bhutada - Executive Director and Chief Executive Officer, Shilpa Medicare Ltd
So as I already mentioned, uh, when I did not say that we have already orders in hand, but yeah, there is an indication from the customer according to which we have planned this capacity. And how much of this will translate into actual order and how much will be in the actual business, we will be able to give you more visibility next year.

Shrikant Akolkar - Analyst, Novama Wealth
Understood, understood, no problem. And now on the CDMO side, we got 6 late-stage programs and we- the presentation says that we also are going to start supplies in Europe in the second half. So how should we think of the CDMO prospects in FY28? Anything on that? Uh, additionally, uh, if-

is it possible to, uh, give some description of the late-stage programs, uh, that we want to do?

Keshav Bhutada - Executive Director and Chief Executive Officer, Shilpa Medicare Ltd
Yes, we are very bullish on CDMO as a segment, and, uh, of the total currently we have clearly mentioned in the investor presentation, we have 4 programs in late stage, okay, under registration, and 2 programs in Phase 3 of our partners. And of the 4 late-stage programs, we expect next year at least one of them to get commercialized, and subsequent year 3 of them to get commercialized. And each of them has a very significant opportunity for us because of the total 4 programs, 3 of the programs we are supplying API to our end customers, which will part- which will be a big part of their overall purchasing for the product.

Shrikant Akolkar - Analyst, Novama Wealth
Okay, uh, and lastly on recombinant albumin, uh, I know we are into- we're going to start Phase 3, but this is a different question. We are also, uh, providing sample of recombinant albumin for the, uh, for some of our clients who probably can become our, uh, client for non-therapeutic usage of the, uh, albumin. So, uh, so can, can you please talk about what kind of opportunity, uh, would this open up And where- what could be the timeline for this?

Keshav Bhutada - Executive Director and Chief Executive Officer, Shilpa Medicare Ltd
So, Shrikant, see, this excipient opportunity is a very long opportunity, and currently we are in very early stage of development with our customers. So I think here the more visibility on the revenue, how much it will scale to, we will have more visibility in next 2 years. So I think maybe in FY28 sometime we will be able to give more clear visibility on this.

Shrikant Akolkar - Analyst, Novama Wealth
Oh, understood. No problem. Thank you so much.

Keshav Bhutada - Executive Director and Chief Executive Officer, Shilpa Medicare Ltd
Thank you.

Operator
Thank you. The next question is from the line of Krishakansara from Boring AMC. Please go ahead.

Krisha Kansara - Analyst, Molecule Ventures
Hi, am I audible?

Operator
Yes, you're audible. Please go ahead.

Krisha Kansara - Analyst, Molecule Ventures
Yeah, yeah, thank you. Um, first of all, many congratulations to the entire team on a very good set of numbers. Um, my first question is on the newly launched, uh, Shilpa CDMA platform. Could you walk us through the rationale behind, you know, carving out a dedicated CDMO platform from the API business? Also, it would be helpful if you can specifically highlight certain milestones which the CDMO business has achieved over, let's say, past few years, which has given us the confidence to set it up as a standalone platform.

I'm asking this question more from a business standpoint and what Shilpa brings to the table. I'm expecting more of a qualitative answer. Thank you. I, I have another question. I'll read.

Keshav Bhutada - Executive Director and Chief Executive Officer, Shilpa Medicare Ltd
Yeah, Gracia, see, I think, uh, if you see, we as a company, we are a very integrated and one-stop solution if any partner programs come. And over years, among all our investment, if you see the kind of investments we have done- API, if we do, we do starting from KSM to final API. When we talk about peptide, we do amino acids, we do fermentation, and then we do final API. Of peptide. When we talk about biologics clone development to fill finish, when we talk about ADC, we make our own payload, linker, antibody, and conjugation.

So overall, when we are a one-stop solution for any of the partner, right, there are high chances of winning some good programs in every year. And if you see overall our journey, in today we have more than 25+ NC CDMO programs with our partner, which we have already given details in the investor presentation also. And we have tried this time to also mention how many of these are late stage, where at least we know that these are the products which are under registration, so that the more visibility can be given to the- our investors.

Krisha Kansara - Analyst, Molecule Ventures
Okay, so is it fair to assume that this platform was carved out in order to, you know, um, pitch ourselves in a better way to the CDMO clients?

Keshav Bhutada - Executive Director and Chief Executive Officer, Shilpa Medicare Ltd
Yes, you are right.

Krisha Kansara - Analyst, Molecule Ventures
Okay, okay. And, and the 50 million, um, peptide investment that you announced recently, um, so it, it is spread over how many years?

Keshav Bhutada - Executive Director and Chief Executive Officer, Shilpa Medicare Ltd
So, Krishna, it will all depend on the- it is all phased investment. It will all depend on our partner and our program uptake and everything. So this is something which will all depend on the kind of utilization which will happen in on our current investment which is already done. If there we have good utilization, then the further investments will be planned.

Krisha Kansara - Analyst, Molecule Ventures
Okay, okay. And, and just one last question on online Cetron. So, uh, firstly, congratulations on the SEC approval. Um, my question is, uh, how is the launch progressing? And, you know, um, who are the marketing partners that we have tied up with? If you can provide some insights into the launch strategy, that would be helpful. Thank you.

Keshav Bhutada - Executive Director and Chief Executive Officer, Shilpa Medicare Ltd
Yeah, so Krishna, on Ondansetron, once in India, once we get central approval, there are many procedures which we have to do- state approvals and license and permissions. So we expect the Ondansetron launch to happen in FY28 first half.

Krisha Kansara - Analyst, Molecule Ventures
Right, uh, the discussions have started with the marketing partner. Yes. Okay, okay. Thank you. Thank

Keshav Bhutada - Executive Director and Chief Executive Officer, Shilpa Medicare Ltd
You.

Operator
Thank you. The next question is from the line of Aryan Mehta from Shravas Capital. Please go ahead.

Aryan Mehta - Analyst, Shravas Capital
Hi, congratulations on the good set. Uh, I had a question on this API specialty CDMO. So, uh, I think you mentioned there's one commercial NC that you're already supplying. So can you talk a little bit more about this? What kind of therapy area and how, how should we look at the revenue ramp over the next couple of years? And also, but on the same segment, the 2 Japanese programs, so what stage it is and what kind of- when will the commercial supply start?

Keshav Bhutada - Executive Director and Chief Executive Officer, Shilpa Medicare Ltd
So, Aryan, I think on the first question, what is the program for what indication and all, we are under confidentiality with our partners, so I'll not be able to disclose more on that. But that's an NCE program which our partner launched very recently, one year ago. And, uh, slowly year on year the volumes will grow. I think that is what we have current understanding. And on the Japanese program, yes, there are, uh, as we have already mentioned in the investor presentation, we have some Japanese CDMO programs also where we are currently manufacturing, uh, or supplying to our partner, uh, the registration batches quantities.

Aryan Mehta - Analyst, Shravas Capital
Sure, thanks. So, uh, how should we look at the growth in specialty CDMO? Because there's this commercial NC, there's Japanese programs, and then you also have a few launches next year. So that- what kind of growth can we expect from this segment?

Keshav Bhutada - Executive Director and Chief Executive Officer, Shilpa Medicare Ltd
So, Aryan, it will all depend on our partners and their uptake on every year. But what I can tell you is, by the- by seeing the kind of programs we have and kind of complexity where we have developed these programs for our partners, we have good growth possibility in every year. But how much it will be, I think that we don't give any forward-looking statements. So that I think I'll not be able to tell you.

Aryan Mehta - Analyst, Shravas Capital
Sure, sure. And lastly, on the biologics, so how should we look at this? So this quarter was really good numbers. So how should we look at this? So how much would be like a one-time milestone thing or licensing income and So just trying to understand how sustainable this kind of growth is.

Keshav Bhutada - Executive Director and Chief Executive Officer, Shilpa Medicare Ltd
See, biologics, as I think I have also mentioned in the previous investor calls also, biologics is something where we have been investing over years a lot, and it is now right time for us to actually see the light in the end market. And today we have only adalimumab in the end market which is commercially supplied. So every quarter, I think you will see a mix of CDMO revenue, biosimilar revenue, licensing revenue, all of that coming in. So we remain bullish on biologics as a segment.

Aryan Mehta - Analyst, Shravas Capital
Thank you. All the best.

Keshav Bhutada - Executive Director and Chief Executive Officer, Shilpa Medicare Ltd
Yeah, thank you.

Operator
Thank you. The next question is from the line of Atul Joby from Prosperity Wealth. Please go ahead.

Atul Joby - Analyst, Prosperity Wealth
Yeah, thank you for the opportunity. Firstly, how many new molecules are we planning to commercialize in the next 12 to 18 months? Also, can you give some idea on the potential opportunity size of this molecule? Is it of similar size to Nor-ADPA or bigger?

Keshav Bhutada - Executive Director and Chief Executive Officer, Shilpa Medicare Ltd
Yeah, so as I think, I think we have clearly mentioned these details in our investor presentation. In every segment-wise, we have clearly mentioned each product, what is the the status and when we are planning to launch. And also, if you see our investor presentation, we have mentioned one dedicated slide segment-wise where we see- where we have summarized the near-term opportunities. I think if you go through it, you will get a very fair understanding.

Atul Joby - Analyst, Prosperity Wealth
Okay, like, can you qualitatively comment on the opportunity side of the molecules, like compared to Nor-UDCA? Is it bigger?

Alpesh Dalal - Chief Financial Officer, Shilpa Medicare Ltd
So, so basically, you know, as we have been mentioning, we do not provide any specific guidance per se. But as Keshav mentioned, that, you know, if you look at the overall, uh, what we believe, where the opportunity lies, in which products, in which segment, that has been called out in the presentation. And we would urge you to go through the same. If there are any follow-on questions, you can then reach out to Mohnish separately.

Atul Joby - Analyst, Prosperity Wealth
Okay, thank you.

Operator
Thank you. The next question is from the line of Bhavika Singhvi. Please go ahead.

Lovleen Bagga - Analyst, Systematic
Yeah, uh, am I audible?

Operator
Bhavika, you're audible. However, there is a lot of background noise from your line.

Lovleen Bagga - Analyst, Systematic
Yeah, uh, so basically, uh, as you mentioned that we are in the line to do the peptide CapEx, and as per the news, like, uh, it is going to be around $450 million. So just wanted an understanding, like, how much CapEx we have already done on the peptide side and what are our current utilization in that. And also, like, uh, like Even though you can't give visibility right now, but in terms of asset turn, how we see the peptide business going forward once-

Keshav Bhutada - Executive Director and Chief Executive Officer, Shilpa Medicare Ltd
Yeah, I think we lost you, Bhavika. Moderator, you can hear us?

Operator
Yes, sir, we can hear you.

Keshav Bhutada - Executive Director and Chief Executive Officer, Shilpa Medicare Ltd
Bhavika, are you able

Operator
To hear us?

Alpesh Dalal - Chief Financial Officer, Shilpa Medicare Ltd
I think we have lost her line.

Keshav Bhutada - Executive Director and Chief Executive Officer, Shilpa Medicare Ltd
Maybe you can get her back on queue. Yeah,

Operator
Sure, sir. We move on to the next question. The next question is from the line of Amish Kanani. Please go ahead.

Amish Kanani - Analyst, Novice Investment Manager
Uh, yeah, hi sir. Uh, congrats on a good set of numbers. Uh, sir, uh, you know, all the products-wise, you know, very detailed, uh, you know, update in the presentation. Uh, so if you can just give us some sense of our planned preparedness, you know, uh, whether, you know, uh, one, you You know, one of the units is ready, you know, for the approval. And if you can also remind us of, you know, US FDA, you know, status, you know, what is the status there? If you can remind us that, because the only risk that I see is, you know, if there are some regulatory, you know, adverse thing that may happen on some of our plants.

So how well are we prepared? From a plan perspective, uh, you know, and approval perspective, sir.

Keshav Bhutada - Executive Director and Chief Executive Officer, Shilpa Medicare Ltd
So yeah, thanks for your question. See, I think first question on the regulatory status of Jarjela with US FDA, I think we have already mentioned in my previous calls also. Anything on US, our majorly we are getting it currently manufactured in contract manufacturing site because every year we will have hardly 2 to 3 US new products for registration batches or for commercial launch. That will remain our strategy going forward currently. And coming to current status with US FDA with Jarjela, there we have submitted- we are working with US FDA on the remediation measures, but that doesn't have any impact on our revenues or on our business plan for next 2 to 3 years.

I think that is our current status.

Alpesh Dalal - Chief Financial Officer, Shilpa Medicare Ltd
That's right. So there is zero risk to the revenue that we currently have. Uh, but I would also like to, uh, you know, highlight that apart from US FDA, all the other regulatory approvals we are regularly getting through. Recently, you know, the plant was reinspected by EU authorities and they have cleared it again. So there are no risks that we see to our revenues from Jat Chandra plant. As Keshav was mentioning, that the- as far as the US business is concerned We are- we have moved

most of our critical filings to, uh, to alternate sites, to our CMO partners.

So again, we do not see any risk over there.

Amish Kanani - Analyst, Novice Investment Manager
Okay. And this biologics plant at Dharwad, that's, uh, ready and approved, right? And, and fermentation unit, uh, it's mentioned, is sorted ready. So we, we should assume that, okay, it will be on track for the product launches as and when Yes. Okay, thanks and all the best, sir. Thank you.

Operator
Thank you. The next question is from the line of Sumit Gupta from Antique. Please go ahead.

Sumit Gupta - Analyst, Antique Stock Broking
Hello, am I audible? Yes,

Operator
Mr. Gupta, you're audible. Please go ahead.

Sumit Gupta - Analyst, Antique Stock Broking
Hi, good evening. So, I'm calling from the website of Antique for 2 questions.

Alpesh Dalal - Chief Financial Officer, Shilpa Medicare Ltd
Uh, Sumit, you are not very clear, but if I understand correctly, you are asking how much is the oncology growth, right? Yes, sir. Yeah. So see, basically, uh, you know, since Q1, we have made it clear that we have stopped providing bifurcation between onco, non-onco portfolios and all, and we look at the entire API portfolio, uh, for, you know, Non-captive purposes as a single block. So that's something that we will not be able to provide separately.

Sumit Gupta - Analyst, Antique Stock Broking
No, I understand that. It's just that any, any broadline number, if not number, then the qualitative aspect is also fine. How is the trend going on?

Alpesh Dalal - Chief Financial Officer, Shilpa Medicare Ltd
Yeah, so, so basically we are seeing decent growth in that portfolio. It's not that, uh, you know, the growth is not there, obviously, because of the, uh, you know, the number of molecules which are there in specific therapeutic category compared to all the other categories. The growth rate over there is slightly lower than non-oncology, but both the portfolios have been growing fairly well as per our expectation.

Sumit Gupta - Analyst, Antique Stock Broking
Okay. And with respect to overall API division, how should we see this panning out over the next 2 to 3 quarters? Like, uh, this trend in 2Q, it was, uh, basically high contribution. How should we see it?

Keshav Bhutada - Executive Director and Chief Executive Officer, Shilpa Medicare Ltd
Sumit, sorry, we cannot hear you. I think there is lot of background noise. Maybe you, uh, yeah, the voice is getting scrambled up. Just go a little slowly, Sumit.

Alpesh Dalal - Chief Financial Officer, Shilpa Medicare Ltd
Is

Sumit Gupta - Analyst, Antique Stock Broking
It fine

Operator
Now? Hello? Mr. Gupta, please speak a little slower. Yes, please go a little slower.

Sumit Gupta - Analyst, Antique Stock Broking
Is it fine now?

Alpesh Dalal - Chief Financial Officer, Shilpa Medicare Ltd
Yes.

Sumit Gupta - Analyst, Antique Stock Broking
Okay, so I'm asking, uh, I just want to understand the trend of API business over the next 2 to 3 quarters. How should we see it? The contribution for this quarter was good. So overall, over the next 2 to 3 quarters or 4 quarters, how should we see it?

Keshav Bhutada - Executive Director and Chief Executive Officer, Shilpa Medicare Ltd
So, Sumit, I think as on date we don't give forward estimates, but the visibility is good.

Sumit Gupta - Analyst, Antique Stock Broking
Okay. And one more question on the routing part. In last, I think it has been delayed by around- basically it was going to get launched in, uh, FY27. Now it is moved to FY28. So first is, what's the reason for the delay? And second is, will it be launched in first half '28 or second half?

Keshav Bhutada - Executive Director and Chief Executive Officer, Shilpa Medicare Ltd
So rotigotine as a product, the launch got delayed by a couple of quarters, and the main reason was there was one variation approval with the European Agency for one of the raw materials, which took us additional 2 quarters. But it will- it is set to launch in first half of next year.

Sumit Gupta - Analyst, Antique Stock Broking
Thank you. All the best. Thank

Keshav Bhutada - Executive Director and Chief Executive Officer, Shilpa Medicare Ltd
You.

Operator
Thank you. The next question is from the line of Sheikh Ayaz, an individual investor. Please go ahead.

Sumit Gupta - Analyst, Antique Stock Broking
Uh, thank you very much. Uh, I'll just- actually, the question is answered, but I just want to ask in a different way. Uh, how would you see H2 would be in compared to H1?

Alpesh Dalal - Chief Financial Officer, Shilpa Medicare Ltd
Sorry, come back, uh, we didn't get your question.

Sumit Gupta - Analyst, Antique Stock Broking
Can you, can you give us some idea how the H2 of this year would be compared to H1?

Alpesh Dalal - Chief Financial Officer, Shilpa Medicare Ltd
Yeah, so see, basically, you know, uh, as we have been mentioning that we do not provide any forward guidance, but I think the way we are seeing the business is that it is on a good traction and we expect the momentum to continue.

Atul Joby - Analyst, Prosperity Wealth
Okay, thank you very much.

Alpesh Dalal - Chief Financial Officer, Shilpa Medicare Ltd
Thank you, Mr. Devas.

Operator
Thank you. The next question is from the line of Basant Kumar Bansal. Please go ahead.

Basant Kumar Bansal - Analyst
Yeah, good afternoon to you. Uh, my question is extension of this Question on gross margin. So I put it differently, uh, your raw material cost to sales ratio has gone up by almost 7%. So it was 28.65% last year, which has now gone up to 35.72%, which has brought down the gross margin. So can you explain that, what is this attributable to? Is it one of Or is it going to be like that only, or are you able to pass it on?

Keshav Bhutada - Executive Director and Chief Executive Officer, Shilpa Medicare Ltd
So, Basant, I think I mentioned in the previous- sorry, in the call to other member also. See, on the gross margin, your observation is right. The cost has gone up mainly, as I mentioned, because of more API sales. And in API, the raw material costs have gone up globally. So until the raw material prices will settle down, this will remain

Basant Kumar Bansal - Analyst
Okay, so you mean to say this is mainly into API segment? The other 2 segments, formulation and CDMO, are raw material cost is almost same?

Keshav Bhutada - Executive Director and Chief Executive Officer, Shilpa Medicare Ltd
No, we don't give any raw material cost segment-wise, but I have already given you a fair idea.

Basant Kumar Bansal - Analyst
Okay, okay, thank you. Thank

Keshav Bhutada - Executive Director and Chief Executive Officer, Shilpa Medicare Ltd
You.

Operator
Thank you. We will now take the last question from Lovleen Bagga from Systematic. Please go ahead. Hello. Yes, Lovleen, you're audible. Please go ahead.

Lovleen Bagga - Analyst, Systematic
Okay. Yeah, thanks for the opportunity and congratulations on a good set of numbers. So I have 3 questions. The first question is the service and licensing income was quite Quite high this quarter. So can you please break up as to what proportion will be attributable to licensing income? And is this fair to assume that the gross margin for this income is 100%?

Alpesh Dalal - Chief Financial Officer, Shilpa Medicare Ltd
So, uh, see, basically, you know, for service and license income, uh, there are costs that are incurred. Some of them are ahead of time, uh, you know, because we have develop the product. We do not get those revenues without developing a product. So there are R&D-related spends that have happened, maybe, you know, in the past. Some of them might also have been in the current period. So, uh, it is not fair to say that, you know, it is 100% or there is no cost attached to it. But is there, is there any COGS that is getting associated to that?

Probably not, because, you know, those are Service incomes that one gets. There is no attached underlying product or anything. So to that extent, it is- it doesn't have any COGS, but it does have certain expenses which are sitting in R&D and other expenses.

Lovleen Bagga - Analyst, Systematic
Okay. And can you also tell me that what proportion was attributable to licensing income?

Alpesh Dalal - Chief Financial Officer, Shilpa Medicare Ltd
No, we would not be able to provide that breakup to you, please.

Lovleen Bagga - Analyst, Systematic
Uh, okay. So, uh, also my second question is Europe sales was the highest, so did we book supplies for rotigotine patch or it was entirely attributable to nilotinib and axitinib?

Alpesh Dalal - Chief Financial Officer, Shilpa Medicare Ltd
Yeah, so we haven't launched rotigotine as yet. It has been our continuing business still, whatever was continuing. Then it's not just 2 products. But, uh, there are other products as well, but Rotigotine has not been launched.

Lovleen Bagga - Analyst, Systematic
Uh, can you give some color on any other generic players that have entered the market for nilotinib and axitinib?

Keshav Bhutada - Executive Director and Chief Executive Officer, Shilpa Medicare Ltd
Yeah, so coming to nilotinib, so axitinib, see, already when we launched day one, there were other generic players also. Okay, so axitinib, it was not that we were the only generic player. And coming to nilotinib, yes, some generic players have started coming in the market, but as I've mentioned in the previous investor calls also, nilotinib is a tender-based product. And in Europe, as tender- some tenders span for 2 years, some for 3 years, some for 1 year. So I- we don't see currently any big change in numbers because of nilotinib generic competition.

Lovleen Bagga - Analyst, Systematic
Okay, and just one last question. So your presentation says that you have 4 molecules under global registration. So would you be able to share the nature of these opportunities as to which therapies these molecules will cater, or the nature of customers?

Keshav Bhutada - Executive Director and Chief Executive Officer, Shilpa Medicare Ltd
Yeah, so see, on the therapy we don't disclose, as I mentioned, because these are our partner programs. We are not allowed to disclose disclose any such details, but what I can tell you, the nature of customers are a mix of big pharma and mid-pharma customers.

Lovleen Bagga - Analyst, Systematic
Uh, are there any biotechs also?

Keshav Bhutada - Executive Director and Chief Executive Officer, Shilpa Medicare Ltd
Yeah, when I say mid-pharma, they are all biotechs, right?

Lovleen Bagga - Analyst, Systematic
Okay, okay. Thank you, thank you so much.

Keshav Bhutada - Executive Director and Chief Executive Officer, Shilpa Medicare Ltd
Thank you, thank you,

Operator
Thank you. That was the last question. I would now like to hand the conference call over to Mr. Monish. Please go ahead.

Alpesh Dalal - Chief Financial Officer, Shilpa Medicare Ltd
Yes, hi. Thank you everyone for your time and questions on the call. If any of your questions are unanswered, you can write an email to me. I'll respond to that. Thank you.

Operator
Thank you. On behalf of Shilpa Medicare Limited, that concludes this conference call. Thank you for joining us, and you may now disconnect your lines.