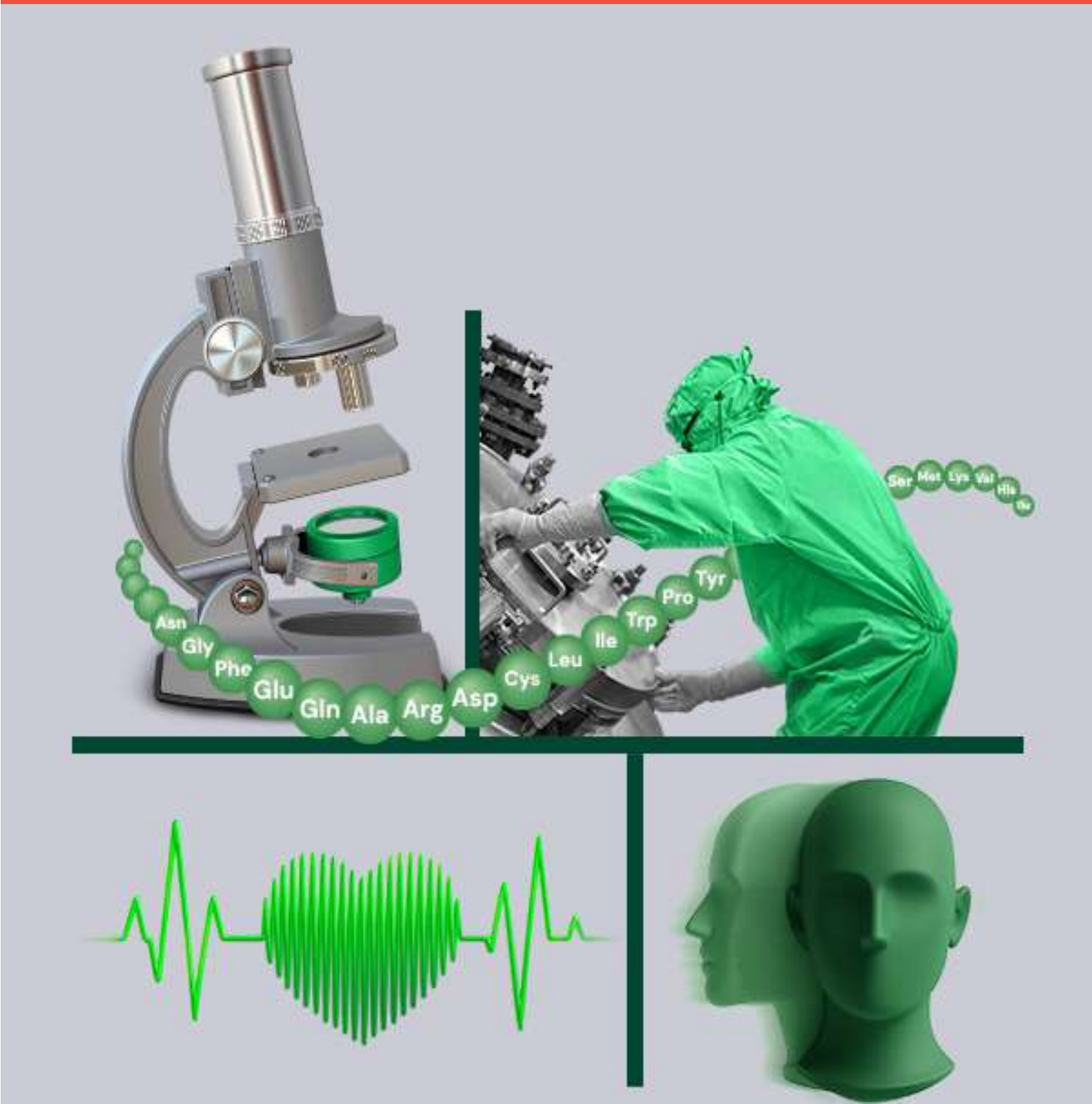
September 2025

Initiating Coverage

Neuland Laboratories

Promising Growth Panorama



Shrikant Akolkar
Shrikant.Akolkar@nuvama.com

Aashita Jain
Aashita.Jain@nuvama.com

Gaurav Lakhotia
Lakhotia.Gaurav@nuvama.com

Nuvama Institutional Equities

NEULAND LABS

INITIATING COVERAGE

KEY DATA

Rating	BUY
Sector relative	Outperformer
Price (INR)	14,500
12 month price target (INR)	17,700
52 Week High/Low	18,100/10,060
Market cap (INR bn/USD bn)	184/2.1
Free float (%)	67.3
Avg. daily value traded (INR mn)	1,401.0

SHAREHOLDING PATTERN

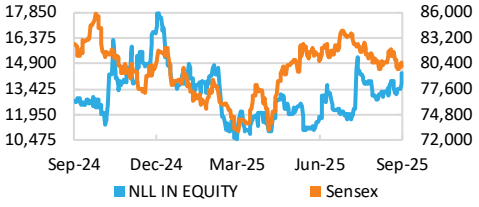
	Jun-25	Mar-25	Dec-24
Promoter	32.68%	32.68%	32.68%
FII	21.69%	22.11%	23.86%
DII	11.57%	10.97%	9.08%
Pledge	0%	0%	0%

FINANCIALS

(INR mn)

Year to March	FY25A	FY26E	FY27E	FY28E
Revenue	14,768	17,395	22,096	25,988
EBITDA	3,233	3,863	7,071	8,316
Adjusted profit	1,837	2,343	4,713	5,616
Diluted EPS (INR)	143.2	182.6	367.4	437.7
EPS growth (%)	(38.8)	27.5	101.2	19.1
RoAE (%)	7.6	14.3	23.6	22.4
P/E (x)	101.3	79.4	39.5	33.1
EV/EBITDA (x)	56.6	47.4	25.6	21.3
Dividend yield (%)	0.1	0.1	0	0

PRICE PERFORMANCE



Promising growth panorama

Founded in 1984, Neuland is a fast-growing player in the complex contract manufacturing industry. We project 1.8x revenue growth over FY25–28E with the high-margin CMS segment contributing ~64% to revenue led by ramp-ups in existing molecules and addition of two new molecules. A pipeline of projects under clinical trials and a peptide facility under construction lend visibility beyond FY28E.

We think Neuland's growth would take off in H2FY26E due to the recent capacity expansion at unit III. We reckon in a revenue/EBITDA/PAT CAGR of 21%/37%/45% over FY25–28E; initiating coverage at 'BUY' with a TP of INR17,700, valuing the stock at 44x Sep-27E EPS (in line with peer average).

Contract Manufacturing Solutions (CMS): 2.6x growth over FY25–28E

Neuland's CMS business is poised for 2.6x growth over FY25–28E driven by ramp-up in Bempedoic acid and Xanomeline, and addition of two products. We believe Neuland has scaled up Bempedoic acid manufacturing capacity from 50T to 150T, which can potentially triple Bempedoic acid revenue to USD75mn at peak utilisation. Growth in Bempedoic acid would be driven by label expansion and product approvals in key markets such as Japan, Canada, Israel and Australia and New Zealand (ANZ). We also think that growth in BMS's Cobenfy should aid Neuland improve its performance in Xanomeline, for which Neuland is presently an exclusive supplier.

Unit III expansion: Key growth lever till FY28E

Neuland expanded its capacity from 901KL in FY24 to 1,175KL in FY25 led mainly by the 231KL expansion at unit III to 536KL. We believe utilisation at unit III is < 40%, implying its ~350KL capacity is underutilised, which provides growth visibility till FY28E. We reckon Neuland can achieve peak net asset turnover of 2.5–3x against FY25 asset turnover of 2.3x, implying strong revenue growth potential till FY28E.

Peptides: Next leg of growth post-FY28E

Neuland has peptide manufacturing infrastructure for mg-to-multi-KG production quantities; it has invested INR2.5bn at unit I to scale up reactor capacity from 0.5KL to 6.37KL by FY27E to manufacture clinical and commercial stage peptides. At INR2.5bn capex, peptides would make up ~20% of its FY27E gross block, indicating a large investment by Neuland, which could benefit it over long term.

CMS expansion pivots for long-term growth; initiate at 'BUY'

Neuland's non-linear growth is evolving with new products, capex and capabilities. Management typically prioritises long-term growth over short-term gains, and we argue Neuland is nearing an inflection point for growth and profitability. Given its strong CMS portfolio and capacity additions, we project Neuland would clock a revenue/EBITDA/PAT CAGR of 21%/37%/45% over FY25–28E. The stock is trading at 39x/33x FY27E/FY28E EPS. We value Neuland at 44x Sep-27E EPS, in line with peer average; initiating at '**BUY**' **with a TP of INR17,700**. **Key risks:** product and customer concentration, product destocking, litigation of innovators' products and regulatory.

Shrikant Akolkar
Shrikant.Akolkar@nuvama.com

Aashita Jain
Aashita.Jain@nuvama.com

Gaurav Lakhotia
lakhotia.gaurav@nuvama.com

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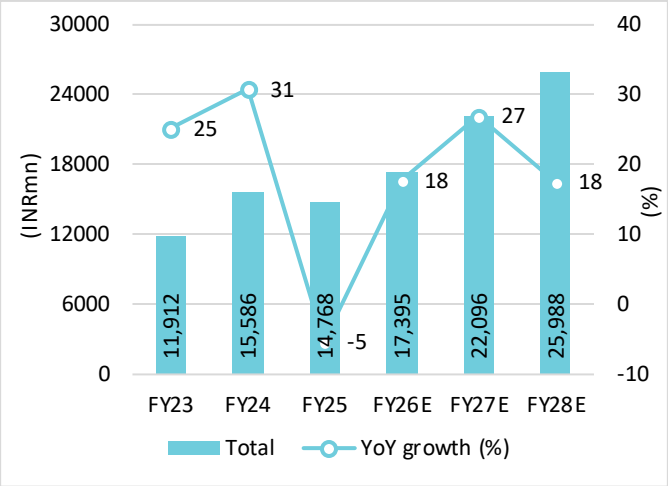
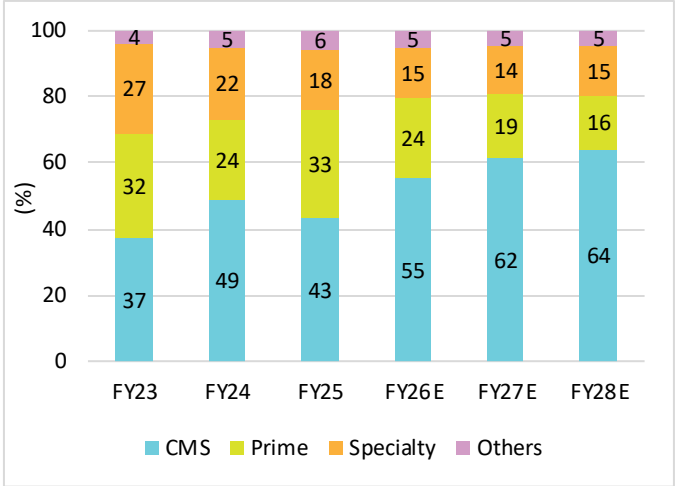
Story in Charts

Exhibit 1: Revenue CAGR of 21% over FY25–28E



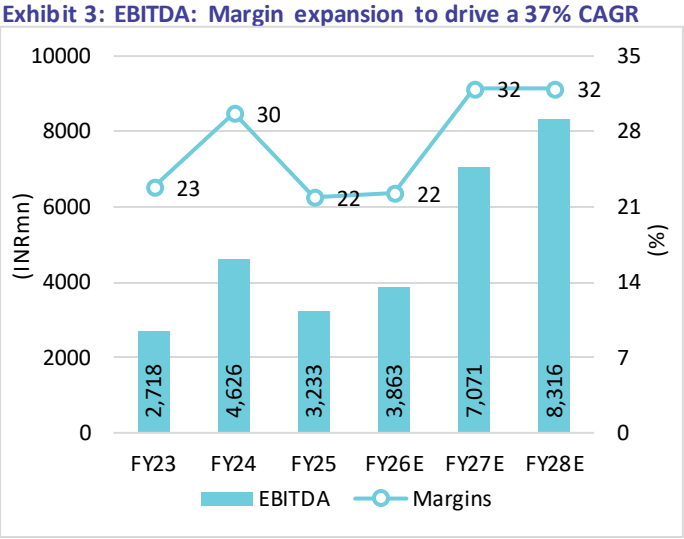
Source: Company, Nuvama Research

Exhibit 2: CMS contribution set to rise to 64% by FY28E



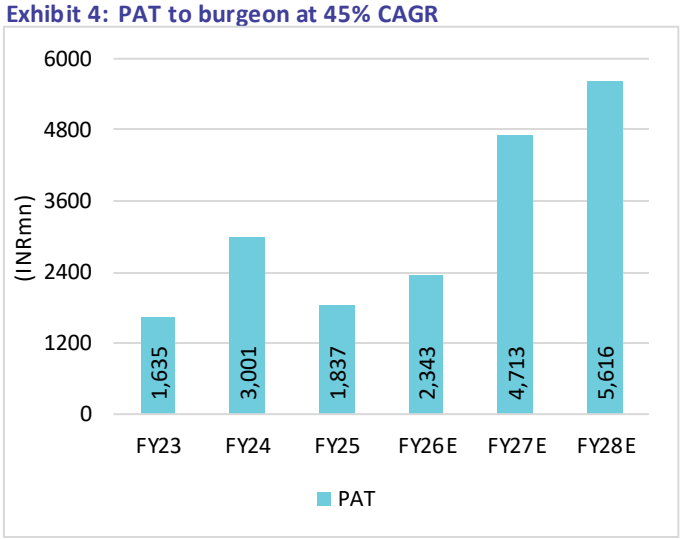
Source: Company, Nuvama Research

Exhibit 3: EBITDA: Margin expansion to drive a 37% CAGR



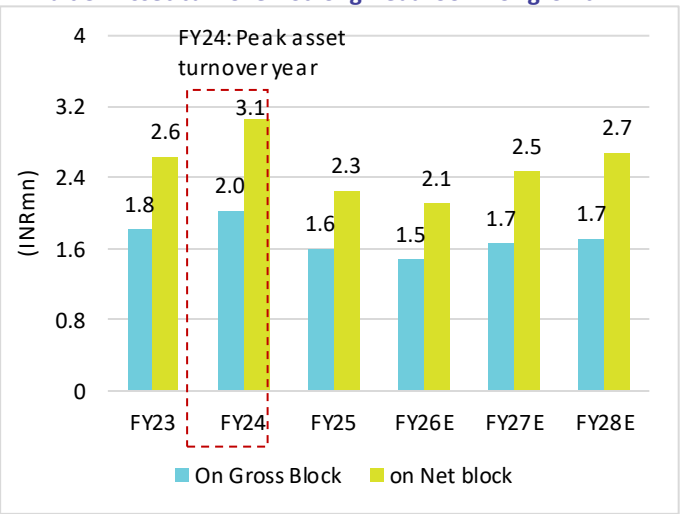
Source: Company, Nuvama Research

Exhibit 4: PAT to burgeon at 45% CAGR



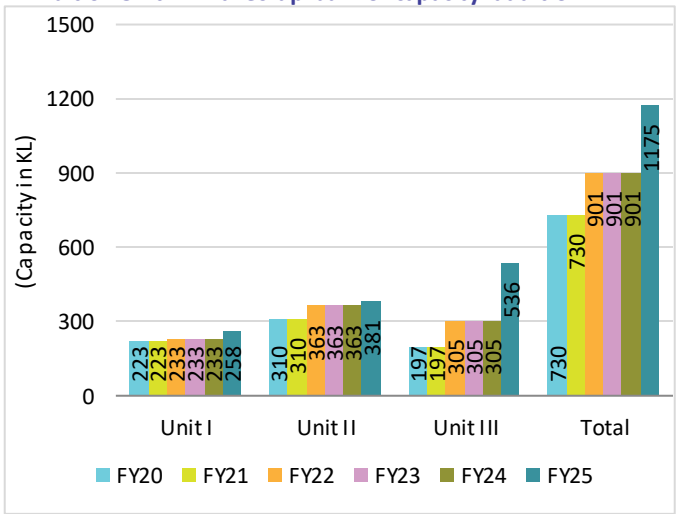
Source: Company, Nuvama Research

Exhibit 5: Asset turnover: Strong headroom for growth



Source: Company, Nuvama Research

Exhibit 6: Unit III makes up bulk of capacity addition



Source: Company, Nuvama Research

Financial Statements

Income Statement (INR mn)

Year to March	FY25A	FY26E	FY27E	FY28E
Total operating income	14,768	17,395	22,096	25,988
Gross profit	8,892	10,833	14,142	16,632
Employee costs	2,720	3,319	3,314	3,898
R&D cost	0	0	0	0
Other expenses	1,311	1,587	1,768	2,079
EBITDA	3,233	3,863	7,071	8,316
Depreciation	655	797	906	1,029
Less: Interest expense	83	166	120	80
Add: Other income	205	214	240	280
Profit before tax	2,699	3,113	6,285	7,488
Prov for tax	862	770	1,571	1,872
Less: Exceptional item	(764)	0	0	0
Reported profit	1,073	2,343	4,713	5,616
Adjusted profit	1,837	2,343	4,713	5,616
Diluted shares o/s	13	13	13	13
Adjusted diluted EPS	143.2	182.6	367.4	437.7
DPS (INR)	14.0	12.0	0	0
Tax rate (%)	31.9	24.7	25.0	25.0

Balance Sheet (INR mn)

Year to March	FY25A	FY26E	FY27E	FY28E
Share capital	129	129	129	129
Reserves	15,119	17,462	22,175	27,791
Shareholders funds	15,248	17,591	22,304	27,920
Minority interest	0	0	0	0
Borrowings	1,360	1,055	1,338	1,675
Trade payables	2,522	2,621	2,724	3,204
Other liabs & prov	2,410	2,859	3,428	3,899
Total liabilities	21,799	24,399	30,091	37,014
Net block	6,537	8,241	8,934	9,706
Intangible assets	2,843	2,829	2,839	2,847
Capital WIP	446	522	663	780
Total fixed assets	9,826	11,592	12,436	13,332
Non current inv	15	17	22	26
Cash/cash equivalent	2,588	2,113	4,735	8,723
Sundry debtors	3,157	3,813	4,843	5,696
Loans & advances	22	35	44	52
Other assets	5,627	6,236	7,327	8,428
Total assets	21,799	24,399	30,091	37,014

Important Ratios (%)

Year to March	FY25A	FY26E	FY27E	FY28E
EBITDA margin (%)	21.9	22.2	32.0	32.0
Net profit margin (%)	12.4	13.5	21.3	21.6
Revenue growth (% YoY)	(5.2)	17.8	27.0	17.6
EBITDA growth (% YoY)	(30.1)	19.5	83.1	17.6
Adj. profit growth (%)	(38.8)	27.5	101.2	19.1

Free Cash Flow (INR mn)

Year to March	FY25A	FY26E	FY27E	FY28E
Reported profit	1,073	2,343	4,713	5,616
Add: Depreciation	655	797	906	1,029
Interest (net of tax)	(23)	166	120	80
Others	1,638	770	1,571	1,872
Less: Changes in WC	578	193	(1,554)	(1,089)
Operating cash flow	3,174	3,498	4,186	5,636
Less: Capex	(2,065)	(2,513)	(1,750)	(1,925)
Free cash flow	1,109	986	2,436	3,711

Assumptions (%)

Year to March	FY25A	FY26E	FY27E	FY28E
GDP (YoY %)	6.0	6.2	6.2	6.2
Repo rate (%)	6.0	5.0	5.0	5.0
USD/INR (average)	84.0	82.0	82.0	82.0

Key Ratios

Year to March	FY25A	FY26E	FY27E	FY28E
RoE (%)	7.6	14.3	23.6	22.4
RoCE (%)	18.4	18.6	30.3	28.4
Inventory days	229	227	216	218
Receivable days	85	73	71	74
Payable days	138	143	123	116
Working cap (% sales)	31.2	30.6	30.7	30.0
Gross debt/equity (x)	0.1	0.1	0.1	0.1
Net debt/equity (x)	(0.1)	(0.1)	(0.2)	(0.3)
Interest coverage (x)	31.1	18.5	51.4	91.1

Valuation Metrics

Year to March	FY25A	FY26E	FY27E	FY28E
Diluted P/E (x)	101.3	79.4	39.5	33.1
Price/BV (x)	12.2	10.6	8.3	6.7
EV/EBITDA (x)	56.6	47.4	25.6	21.3
Dividend yield (%)	0.1	0.1	0	0

Valuation Drivers

Year to March	FY25A	FY26E	FY27E	FY28E
EPS growth (%)	(38.8)	27.5	101.2	19.1
RoE (%)	7.6	14.3	23.6	22.4
EBITDA growth (%)	(30.1)	19.5	83.1	17.6
Payout ratio (%)	16.7	6.6	0	0

Source: Company and Nuvama estimates

Investment Rationale

CMS business to surge 2.6x over FY25–28E

- Capacity expansion at unit III ahead of time offers growth visibility over FY26–28E.
- Capacity creation is likely amid demand visibility for key CMS products and potentially two new product additions.
- Typically, the company has delivered 2.5–3x net asset turnover; hence, current capacity can comfortably take care of growth till FY28E.

After delivering 2x revenue growth over FY20–24, Neuland faced a growth challenge in FY25 and in Q1FY26 due to operational issues and demand for CMS products. This is, however, a temporary challenge, and we think Neuland's revenue is set jump 1.7x over FY25–28E on the back of:

i) capacity addition at unit III; and

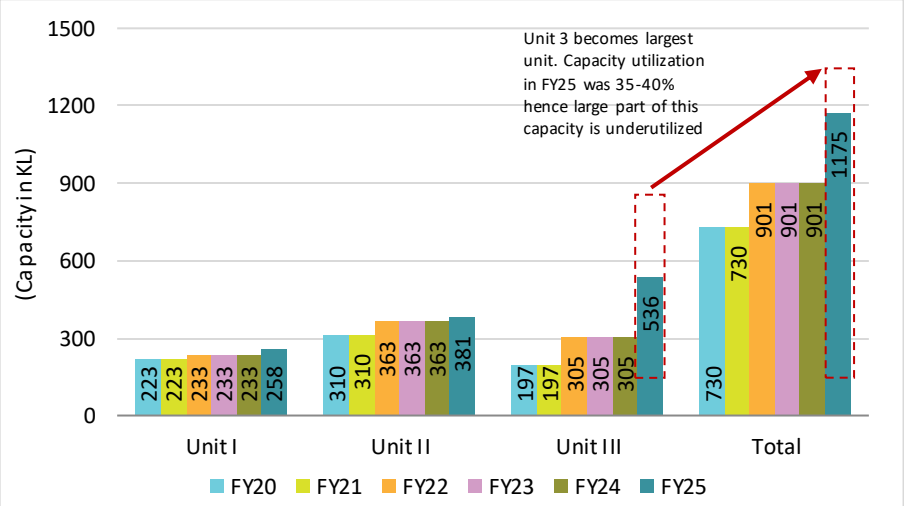
ii) growth in the CMS business.

The capacity at unit III was already commissioned in August. The company generally creates capacity ahead of time and only when the customer is willing to partner. Therefore, we believe unit III provides enough headroom for Neuland to grow its CMS business. Additionally, unit III is already in operations; hence, the new capacity added should not lead to major opex and can deliver operating leverage very soon.

Unit III: Underutilised for now, but a latent driver for growth

Neuland added a total of 231KL capacity at unit III over FY24 and in Aug-25. The current reactor capacity at unit III is 536KL, making it Neuland's largest manufacturing unit. Additionally, the unit's capacity utilisation was under 40% in FY25, implying ~350KL of capacity is ready to be utilised. This provides a potent growth driver for the next three years.

Exhibit 7: Neuland's growing capacity at unit III



Source: Company, Nuvama Research

Growing pipeline and reputation: Upshot of a well-thought strategy

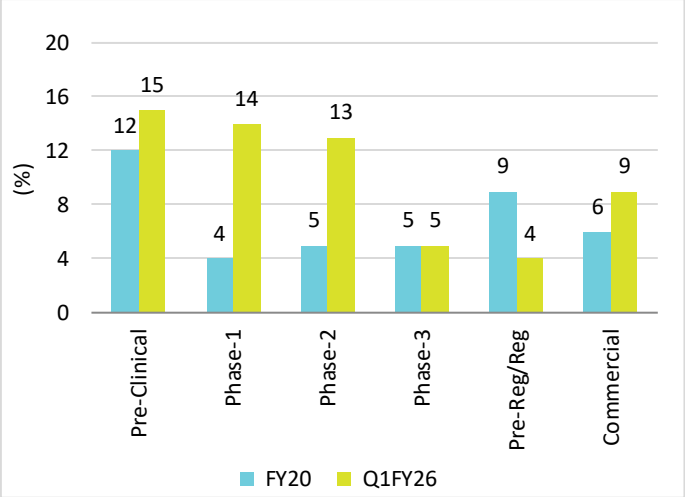
The central idea of Neuland's management is to: i) prioritise long-term growth over short-term gains; ii) focus on quality of business and customers; and iii) deal in technologically differentiated products with barriers to entry. This seems to work well for the company as its CMS project pipeline has been growing meaningfully, with focus on drugs in clinical development.

Neuland has total of 98 projects in the CMS business in Q1FY26. While the company makes both APIs and intermediates, the number of API projects have gone from 41 in FY20 to 60 in Q1FY26. At the same time, the number of intermediate projects have grown from 35 to 38 in Q1FY26, indicating a meaningful shift from intermediates (low price) to APIs (high price).

Additionally, we observe good traction in early-stage projects, which helps it to be part of the supply chain in the beginning as well as be part of the innovation. As Neuland gets registered as an API manufacturer, it can enjoy benefits due to high longevity and stickiness of the molecule.

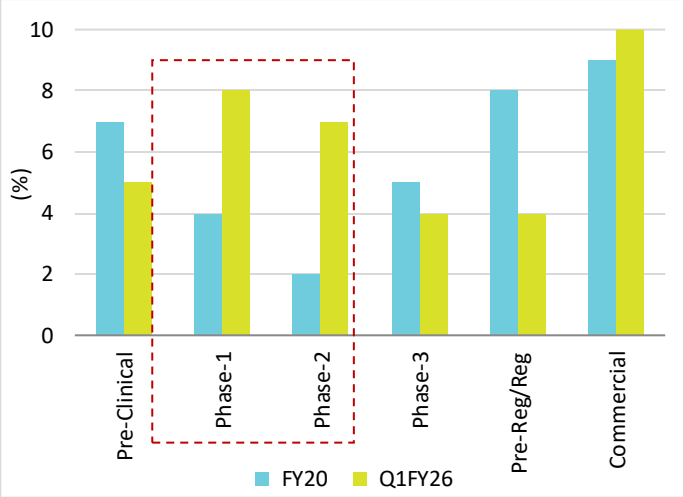
The company is also seeing customers reverting with more projects in their pipeline, which implies more confidence from clients, repeat business and increase in wallet share with existing clients.

Exhibit 8: Growth across API projects across stages



Source: Company, Nuvama Research

Exhibit 9: Increase in early-stage intermediate projects



Source: Company, Nuvama Research

Previously Neuland largely worked with small-to-mid scale pharma companies, but it is now increasingly engaging with larger companies such as BMS (exclusive supplier of Xanomeline API). As Xanomeline supplies grow, we think Neuland's reputation would grow snowball. This may help it win new projects from BMS and add new customers. With the expanded capacity, we think Neuland may also be able to add more reputable customers in the future.

Neuland has also built a deep relationship with PureTech Health, which has ongoing clinical programs and also acted as incubator for biotech start-ups. Cobenfy (earlier KarXT) was one such program incubated at PureTech under Karuna Therapeautics, but was later acquired by BMS for USD14bn. LYT-100 Deupirfenidone is another product under PureTech that may be potential candidate for M&A in the future. Neuland may benefit if PureTech continues to work with it

Exhibit 10: PureTech's ongoing assets; we think Neuland is working on Deupirfenidone with PureTech

Drug candidate	Incubator	Stage of development	Potential indication
LYT-100 (Deupirfenidone)	Celea Therapeutics	Phase II	idiopathic pulmonary fibrosis
GlyphAllo (SPT-300)	Seaport Therapeutics	Phase II	Major depressive disorder (MDD)
GlyphAgo (SPT-320)	Seaport Therapeutics	Preclinical	Generalized anxiety disorder
Glyph2BLSD (SPT-348)	Seaport Therapeutics	discoery	Headache disorders, treatment-resistant depression
LYT-200	Gallop Oncology	Phase 1b	Hematological malignancies

Source: Nuvama Research

Bempedoic acid: ~3x ramp-up expected with capacity expansion

Neuland is a supplier of Bempedoic acid API to Esperion (innovator). We believe Neuland's supplies of this product were constrained in FY25 and in H1FY26 due to capacity. The company's FY25 annual report, however, highlights it has expanded capacity from 50T to 150T (we think this is for Bempedoic acid). This capacity is expected to be operational in H2FY26, which means revenue from Bempedoic acid is also expected to triple at peak utilisation. We reckon until now Neuland was making ~USD25mn of revenue from Bempedoic acid, which can grow to ~USD75mn in coming years—implying a substantial shift in the CMS product mix.

- **About Bempedoic acid: Only approved drug for statin-intolerant patients**

Bempedoic acid is an oral, non-statin medication developed by Esperion Therapeutics to lower low-density lipoprotein cholesterol (LDL-C) and reduce cardiovascular risk. The drug comes in two formulations Nexletol (bempedoic acid) and Nexlizet (bempedoic acid and ezetimibe). Both drugs are indicated for adults with cardiovascular risk reduction and expanded LDL-C in primary and secondary prevention patients.

These drugs are also recommended for statin-intolerant patients or those patients who are unable to achieve LDL-C goals with statins alone.

The drug got approval by the US FDA in 2020 and there was label expansion in 2023 and 2024. Bempedoic acid is the only approved drug for statin-intolerant patients as a primary prevention drug to reduce the cardiovascular risk.

Exhibit 11: Key regulatory milestones in Bempedoic acid (Nexletol and Nexlizet)

Month and year	Milestone
February 2020	Approved as an adjunct to diet and maximally tolerated statin therapy for the treatment of adults with heterozygous familial hypercholesterolemia (HeFH) or established atherosclerotic cardiovascular disease (ASCVD) that requires additional lowering of LDL-C.
December 2023	Label expansion that included primary hyperlipidemia as a qualifier for approved populations also removed requirement of maximally tolerated statin. (Link)
March 22, 2024	Broad label expansion and included cardiovascular risk reduction and expanded LDL-C lowering in primary and secondary prevention patients, with or without statins (Link).

Source: Nuvama Research

- **Understanding Bempedoic acid's therapeutic indications**

1. Hypercholesterolemia

Hypercholesterolemia is a lipid disorder in which low-density lipoprotein (LDL – bad cholesterol) is too high. Hypercholesterolemia leads to fat collection in arteries (atherosclerosis), which puts person at higher risk of heart attack and stroke—the main reasons for cardiovascular disease. Hypercholesterolemia affects about one–third of US adults. Familial hypercholesterolemia is an autosomal dominant condition inherited from a single gene mutation. Treating genetic disorders causing hypercholesterolemia requires lifelong management and regular follow-up since curative treatments are not available at present. FH affects about one in 220 people

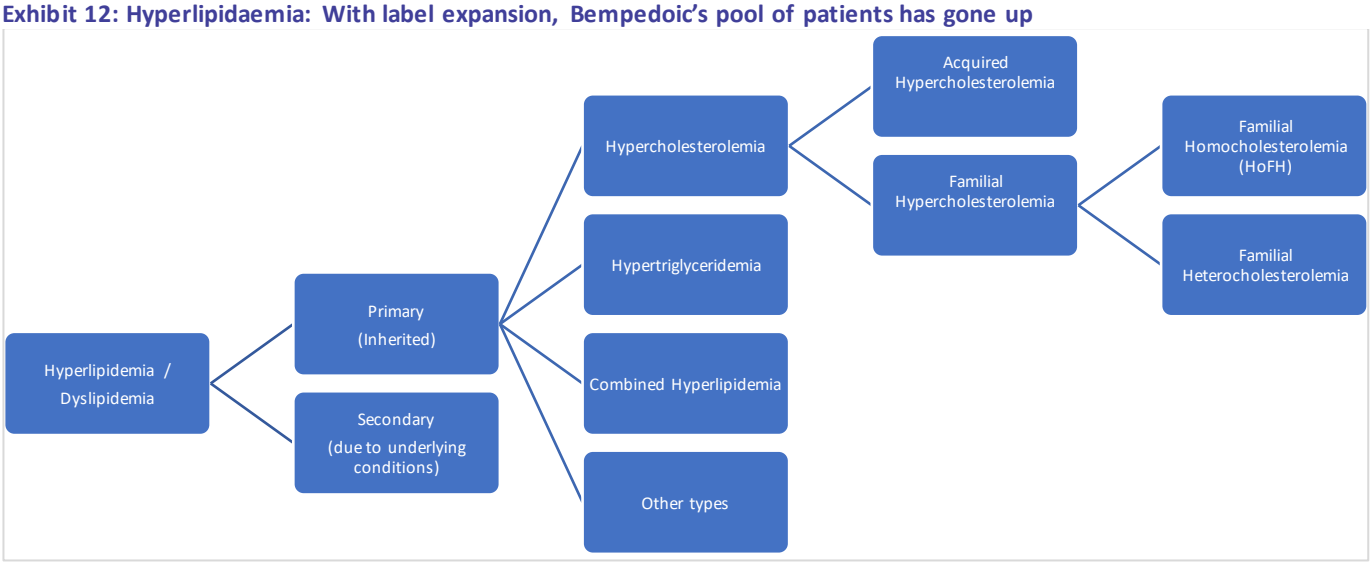
and increases the likelihood of a coronary heart disease at a younger age. Affected and untreated men and women have a 30–50% risk of a fatal or nonfatal cardiac event by ages 50 and 60, respectively.

2. Established AtheroSclerotic CardioVascular Disease (ASCVD)

Atherosclerosis is cardiac condition arising due to built-up of atheroma (i.e. fat, cholesterol and other substances) in the arteries limiting the blood flow and causing cardiovascular events such as myocardial infarction, ischemic stroke, unstable angina and death. There is a proven direct relationship between low-density lipoprotein cholesterol (LDL-C) and risk for ASCVD.

Atherosclerosis begins as lipid deposition in arteries, gradually progressing to plaque and then to thrombosis (inside artery). While it is a preventable or treatable chronic disease, it remains the greatest cause of disability and death throughout the world. Atherosclerosis is the leading cause of disease, disability and death in the United States as well as globally.

Exhibit 12: Hyperlipidaemia: With label expansion, Bempedoic's pool of patients has gone up



Source: Nuvama Research

- **Comparing Bempedoic acid with currently approved drugs**

Bempedoic acid reduces the LDL-C levels by 15–25% with low adverse effects. The combination of Bempedoic acid + Ezetimibe lowers LDL-C levels by ~35% in statin-intolerant patients with the risk of ASCVD. Bempedoic acid, whose efficacy is lower than PCSK9 inhibitors, has a better safety profile and is an oral drug. Meanwhile, Enlicitide Decanoate, Merck's oral drug, is a future competition due to its superior efficacy.

Exhibit 13: Bempedoic acid scores feebly against PCSK9, but has a better safety profile

Drug	Mechanism of action	Brand and company	LDL-C lowering (%)	Type of drug and delivery	Potential adverse effects
Ezetimibe	NPC1L1 inhibitor	Zetia (Organon), approved in 2002 but now generic	15-25	Small molecule - Oral	Upper respiratory tract infection (12-13%), Headache (6-8%)
Evolocumab	PCSK9 inhibitor	Repatha (Amgen) - Approved in 2015	~60	Injection - MAb	Nasopharyngitis (10.5%), Upper respiratory tract infection (9%)
Alirocumab	PCSK9 inhibitor	Praluent (Regeneron/Sanofi) Approved in 2015	~60	Injection - MAb	Nasopharyngitis (11%), Injection site reaction (7%)
Inclisiran	PCSK9 inhibitor	Leqvio (Novartis) - Approved in 2021	~50	Injection - Small molecule	Injection site reaction (8%), Arthralgia (5%)
Bempedoic acid	ATP-citrate lyase inhibitor	Nexletol (Esperion) - Approved in 2020	~20	Small molecule - Oral	Upper respiratory tract infection (4.5%), Muscle spasms (2.3%)
Bempedoic acid + Ezetimibe	ATP-citrate lyase inhibitor + NPC1L1 inhibitor	Nexlizet (Esperion) - Approved in 2020	~35	Small molecule - Oral	Upper respiratory tract infection (4.5%), Muscle spasms (3.6%)
Enlicitide Decanoate	PCSK9 inhibitor	Phase III	41-61 (phase II data)	Small molecule – Oral	Data not available

Source: AHA Journal, Nuvama Research

Among the treated high-risk patients, 50% of such individuals discontinue their statin therapy within six months and by fifth year only 20% adhere to it. Premature discontinuation of lipid-lowering therapy is associated with a rapid rise in risk for ASCVD events. This indicates a growth opportunity for Bempedoic acid.

- **Mapping the value chain of Bempedoic acid**

Esperion has tied up with several companies to create a global supply chain of this product. It has tied up with Neuland, Corden and Fareva (global unlisted CDMOs), Bluejet Healthcare (not rated) and Piramal Pharma (not rated) as CMOs while its marketing/distribution is mainly done by partners such as Daiichi Sankyo (Europe, already launched) and Otsuka (Japan). Esperion is also seeking supplementary approval for this drug in Canada. It also has plans to take the drug in Israel (approval expected in H1-2026) and Australia (approval expected in H2-2026).

Exhibit 14: Mapping the value chain of Bempedoic acid

Operation	Company	Country	Role
Manufacturing	Blue Jet Healthcare	India	CDMO partner for intermediate
	Neuland Labs	India	CDMO partner for API/ intermediate
	Piramal Pharma	India	CDMO partner for formulation
	Corden Pharma	US/Europe	API manufacturing
	Fareva La Vallee	France	CDMO partner (most likely for APIs)
Commercial	Esperion Therapeutics	US	Innovator and marketing
	HLS Therapeutics	Canada	Exclusive licensing and commercialization
	Daiichi Sankyo Europe	Europe, Asia, South America	Exclusive licensing, formulation manufacturing and commercialization
	Otsuka Pharmaceutical	Japan	Exclusive licensing and commercialization
	Neopharm	Israel	Exclusive commercialization
	CSL Seqirus	Australia and New Zealand	Distribution agreement

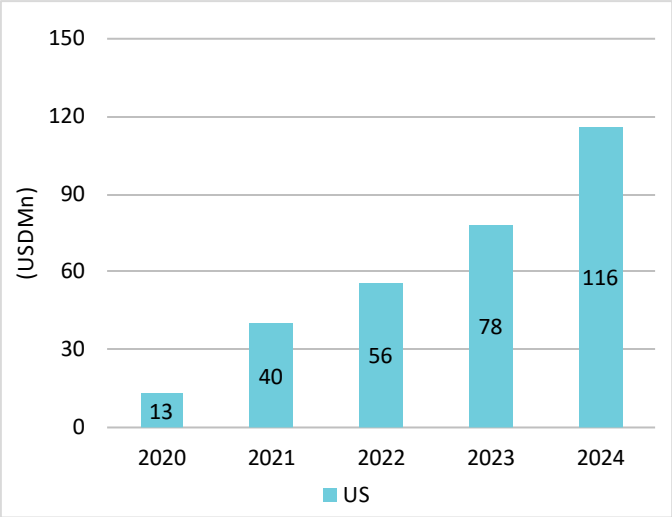
Source: Nuvama Research

- **Bempedoic acid's performance and future growth drivers**

US market: Aiming for growth via label expansion

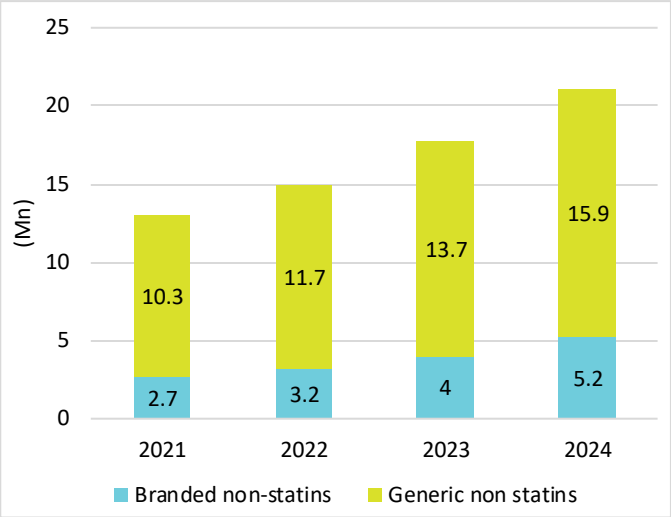
Esperion's US product sales from Bempedoic acid jumped 47% YoY to USD116mn in 2024 with the prescriber network growing from ~24,000 in 2023 to ~25,000 in 2025. The US has ~70% individuals not meeting their cholesterol goal, which is triggering ASCVD. Bempedoic acid's earlier indication had limited patient pool of ~27mn due to restriction to serve only statin-intolerant patients. With label expansion, the patient pool has more than doubled to ~70mn. Note that non-statin Rx volume is clocking a CAGR of 18% with branded non-statin Rx volume compounding at 24%.

Exhibit 15: Bempedoic acid product sales in US



Source: Nuvama Research

Exhibit 16: Non-statin therapies: Volume growth in US



Source: Nuvama Research

With the label expansion, Esperion expects to see consistent Rx growth in Bempedoic acid and has taken initiatives such as: i) field force expansion; ii) increasing doctor education programs; iii) favourable reimbursements and reduction in the prior authorisation requirements; iv) expanded payor coverage; and v) improving digital reach for patient education.

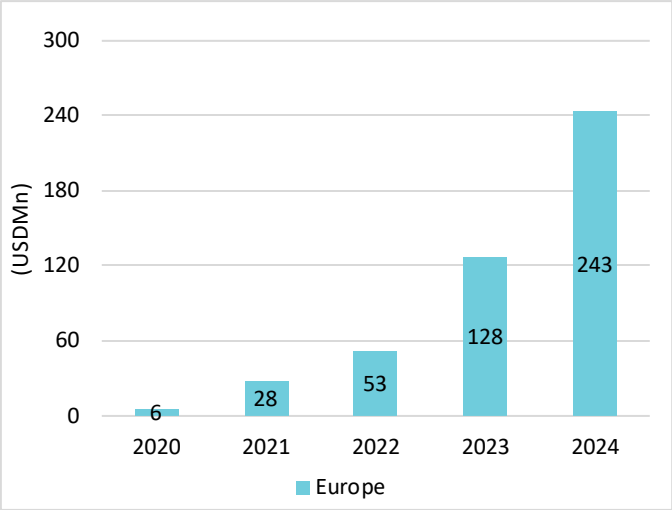
The company is also planning to launch a consumer TV advertisement campaign this year, which can further increase awareness of this drug among patients. In Sep-24, Esperion achieved formulary coverage at Optum, CVS and Humana, leading to expansion of the coverage and improving Prior Authorization processes. With the removal of pre-authorisation requirements at CVS and Aetna, approval rate for Bempedoic acid had moved up >90% by Q2-2025.

Additionally in 2025, the Bempedoic acid was recommended in *Guidelines for management of patients with Acute Coronary syndrome or ACS*. This can drive a further pickup in prescriptions going forward.

To further boost the Bempedoic acid Rx, Esperion is also developing a triple combination product in the US (bempedoic acid, ezetimibe and atorvastatin/rosuvastatin), which can lower LDL-cholesterol >60% and can match existing injectable therapies. The triple combination is expected to complete clinical requirements and commercialise this triple combination in 2027.

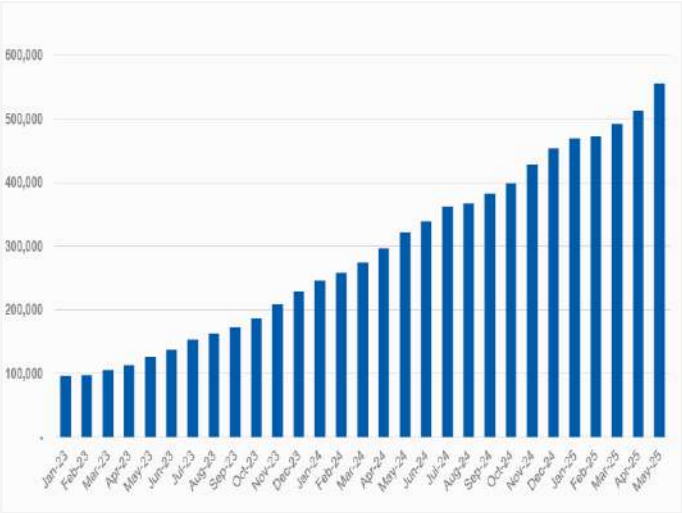
Europe: The number of Rx in Europe has surpassed the 0.5mn patient mark, a milestone.

Exhibit 17: Bempedoic acid growth in Europe…



Source: Nuvama Research

Exhibit 18: …led by consistent growth in volumes



Source: Nuvama Research

Other markets: Approvals would lead to next leg of growth in Bempedoic acid

Japan: Esperion's Japanese partner Otsuka has submitted Bempedoic acid in Japan, and approval is expected in H2-2025. The Japanese market is the world's third-largest cardiovascular prevention market and is hence a key market for the product.

Canada: Esperion has entered a commercialisation agreement with HLS Therapeutics in Canada. HLS has filed the drug in Canada, and it is under review. Marketing approval is expected in Q4 of 2025.

Israel: Neopharm has filed the drug for marketing approval in Israel, and approval is expected in H2-2026.

Australia and New Zealand (ANZ): CSL Seqirus filed the drug for marketing application in July 2025, and expects marketing approval in Q4 of 2026.

Cobenfy (Xanomeline and Trospium): An opportunity for a decade

Neuland Labs supplies Xanomeline API to BMS for Cobenfy, a schizophrenia drug launched in 2024 that is in a ramp-up phase. With existing US schizophrenia patients contending with side effects from current treatment, Cobenfy has strong growth potential in the US. It is also in Phase III trials for Alzheimer's and Bipolar-I. Cobenfy's peak sales could touch USD4–5bn, creating USD60–150mn in annual contract manufacturing revenue for BMS partners, including for Neuland Laboratories. Approval in Alzheimer's and Bipolar-I can increase this opportunity substantially in the future.

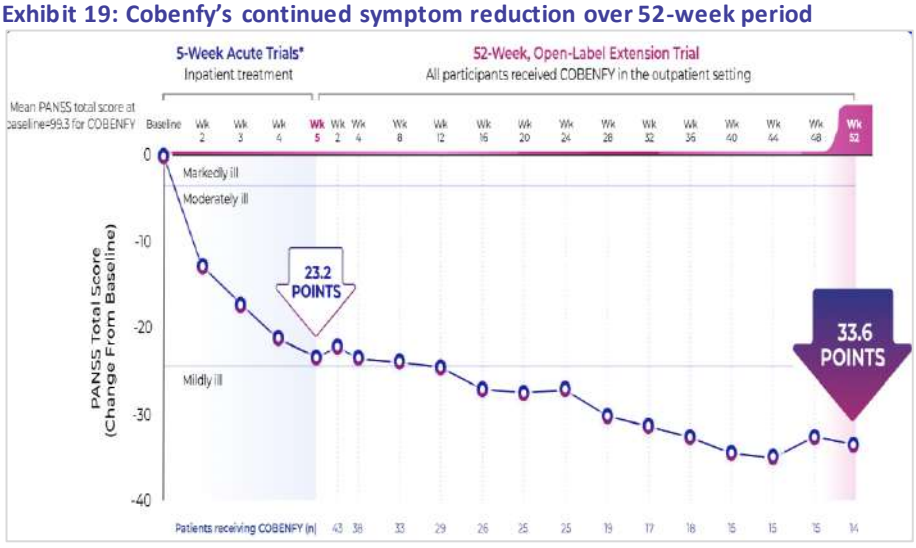
Bristol Myers Squibb's Cobenfy (Xanomeline and Trospium chloride, formerly KarXT)—developed by Karuna Therapeutics before its USD14bn acquisition by BMS—is a pivotal contract manufacturing opportunity for Neuland. Approved in Sep-24, Cobenfy is an oral, first-in-class dual M1/M4 muscarinic receptor agonist for treating schizophrenia in adults. It modulates muscarinic acetylcholine pathways in the brain to address symptoms.

Cobenfy's dual-action mechanism includes: i) Xanomeline, which binds to muscarinic receptors to regulate cognition and behaviour while reducing dopamine production; ii) Trospium Chloride, which mitigates peripheral side effects such as movement disorders. The drug offers a favourable safety profile, avoiding common antipsychotic side effects such as extrapyramidal symptoms (EPS) and weight gain.

Schizophrenia, a severe mental disorder, disrupts thinking, emotions and behaviour, often causing hallucinations, delusions and disordered thinking that impair daily life. Lifelong treatment is essential for those affected.

Developing schizophrenia drugs is challenging due to variable patient responses, rigorous clinical trial designs, and the need to demonstrate significant improvements over existing antipsychotics.

Exhibit 19: Cobenfy's continued symptom reduction over 52-week period



Source: BMS, Nuvama Research

As per this data, Cobenfy outperforms other antipsychotics. Though the drug was associated with adverse events, there were no indications of EPS, weight gain or metabolic disorders. Clozapine, a gold standard in Treatment Resistant Schizophrenia (TRS), has a better LS mean PANSS reduction score (-15 to -20) against that of Cobenfy (-8.4 to -9.6). Cobenfy, however, has a comparable magnitude of symptom improvement with clozapine, but also has lower adverse event profile as per this note, and early experience of the physicians. LS mean PANSS is a score that measures severity of schizophrenia symptoms.

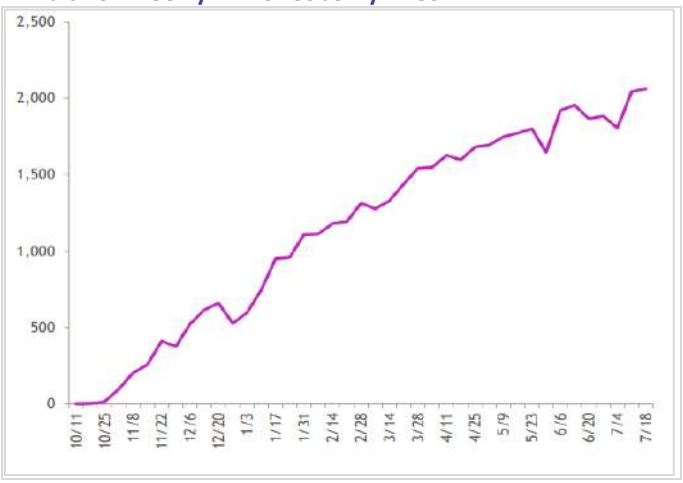
Understanding market opportunity for Cobenfy

The drug, launched in Oct-24, achieved US sales of USD82mn in the first nine months. It is expected to achieve broader commercial insurance coverage in H2-2025 and hence likely to see an improved pickup 2026 onwards. As many as ~1.6mn people are treated for schizophrenia in the US, of which a significant number of patients do not respond to currently available therapies and experience unacceptable side effects. This represents a large opportunity for the drug in the US. Additionally, note that the first- and second-generation antipsychotics only targeted the D2 receptors, which led to severe side effects, leading to ~75% patients discontinuing the treatment in the first 18 months. Cobenfy does not cause weight gain or extrapyramidal symptoms compared with placebo.

Additionally, Cobenfy is in Phase III trials in Alzheimer's disease and Biolar-I Disease. If approved, the target patient population for Cobenfy would increase from currently 1.6mn to 9mn. The drug failed the clinical trial for adjunctive therapy for schizophrenia; nevertheless, Cobenfy as monotherapy is expected to clock USD4–5bn in peak sales, creating USD60–150mn of annual contract manufacturing opportunity for BMS's manufacturing partners, including Neuland.

Neuland had set up commercial production capacity at its unit III. We suspect Divi's Laboratories ('BUY', read our recent update) is also likely to enter this product in the future. Additionally potential label expansion of Cobenfy in other neurological indications can create a substantial large opportunity for BMS and its manufacturing partners in the future.

Exhibit 20: Weekly TRx of Cobenfy in US



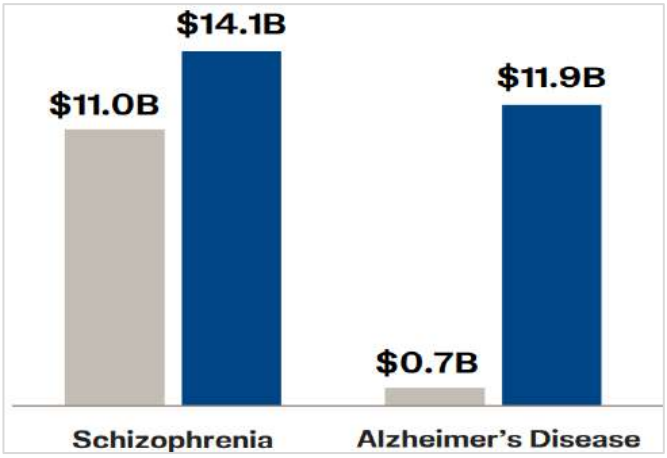
Source: BMS, Nuvama Research

Exhibit 21: Ongoing phase III trials of Cobenfy

Indication	Data readout expected	US Patient pool
Psychosis in Alzheimer's Disease (ADP)	Projected first data readout in 2H 2025 with subsequent data readouts in 2026	6m
Alzheimer's Disease Cognition (ADC)	Currently in recruitment stage with projected data readout in 2028	
Agitation Associated with Alzheimer's Disease (AAD)	Currently in recruitment stage with projected data readout in 2028/2029	
Manic Episodes in Bipolar-I Disease	Currently in recruitment stage with projected data readout in 2027	1.4mn

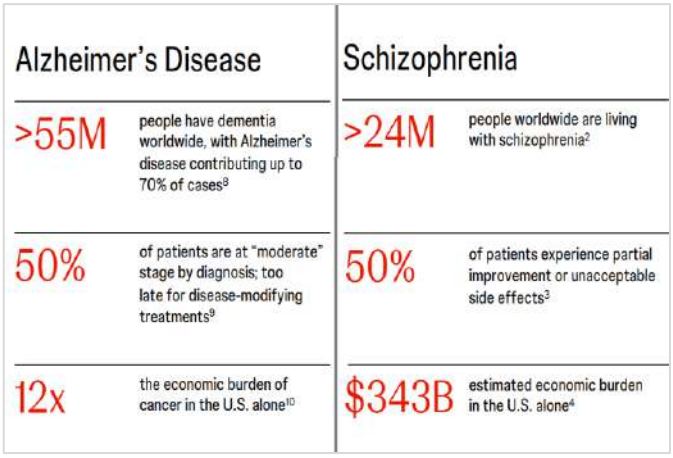
Source: Company, Nuvama Research

Exhibit 22: AD is a nascent market, ripe for growth



Source: J&J, Nuvama Research

Exhibit 23: Global pool for schizophrenia and AD patients



Source: Eli Lilly, Nuvama Research

Exhibit 24: Competition for Cobenfy likely to heat up after 2028

Sponsor	Drug name	Potential indication	Development stage
Neurocrine Biosciences	NBI-1117568	Schizophrenia and Bipolar Disorder	Phase III, m, (18.2-point reduction from baseline)
Newron Pharmaceuticals	Evenamide	Schizophrenia	Phase III, results expected by end of 2026
Abbvie	Emraclidine	Schizophrenia	Phase II
J&J	JNJ-8942	Bipolar Disorder	Phase II
J&J	Posdinemab	Alzheimer's disease	Phase II
Map LightRx	ML-007C-MA	Schizophrenia and Alzheimer's Dise	Phase II
Merck	MK-1167	Alzheimer's Disease	Phase II
Abbvie	Emraclidine	Alzheimer's Disease Psychosis	Phase I
NXERA	GPR52	Schizophrenia	Phase I
Biohaven Pharmaceuticals	BHV-8000	Alzheimer's Disease	Phase I

Source: Nuvama Research

Viloxazine (Qelbree): Potential new addition for Neuland

Viloxazine HCl (Qelbree) is likely to be a new addition to Neuland's portfolio as a second supplier. Qelbree is the first novel, non-stimulant ADHD drug approved in over 20 years. With USD243mn revenue in 2024, Qelbree is expected to grow to USD500–600mn. This could contribute USD10–15mn to Neuland's CMS business.

Qelbree (Viloxazine Hydrochloride) is a novel non-stimulant drug indicated in Attention Deficit Hyperactivity Disorder (ADHD), a neurodevelopmental condition. Viloxazine was first synthesised in 1974 and used as an antidepressant. Its potential in ADHD treatment was rediscovered by Supernus Pharmaceuticals in 2021. Qelbree is a first novel, non-stimulant option for adults with ADHD approved in 20 years. The drug received approval in pediatric patients in 2021 and for adult patients in 2022.

ADHD: A growing neurodevelopmental disorder in US

The US has ~16mn children, adolescents and adults suffering from ADHD. As per CDC, 11.4% of US children aged 3–17 have ever been diagnosed with ADHD in 2022. Additionally the estimates of ADHD diagnosis among US children have increased from ~8% in 2000 to >11% in 2022. The prevalence of ADHD is higher among older children (12–17 years). Furthermore, ~6% of US adults have current self-reported ADHD, with ~50% of them receiving the diagnosis after the age of 18. Individuals with an ADHD diagnosis are more likely to experience poor health outcomes such as obesity, chronic illness and accidental injury.

Therapy dynamics: Rx expanded at 5% CAGR over 2012–23

ADHD is treated differently than other disorders. Behaviour therapy (parent training) is the first line of treatment for children (<6 years) while medicine and behaviour therapy are recommended for children aged 6–11. Medication (stimulant / non stimulant) is recommended for adolescents aged 12–17.

The ADHD therapy has unmet medical requirement as: i) patient population itself is growing due to rising prevalence; and ii) one in two patients discontinue or change their medications for several reasons, including side effects. This is reflected in the 4.6% CAGR in the total Rx for ADHD over 2012–23 with Rx for non-stimulants clocking a 6.7% CAGR and gaining market share.

Exhibit 25: ADHD: Rx increase at ~5% CAGR, non-stimulants outpacing total Rx growth with older products retaining MS

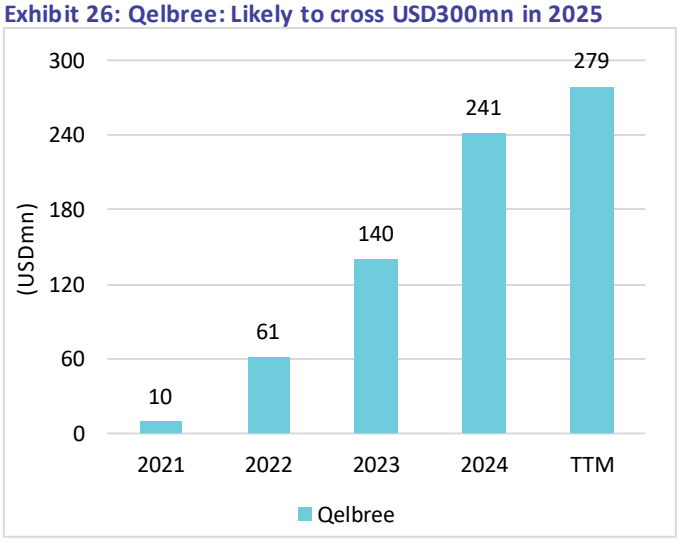
Rx in mn	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	CAGR
Total ADHD Rx	55.4	58.9	61.7	65.3	68.9	68.8	70.5	73.8	74.4	80.8	88.2	90.9	4.6%
Stimulants	50	54	57	60	63	63	65	67	68	73	80	81	4.4%
Non-Stimulants	5	5	5	5	5	5	6	6	7	7	9	10	6.7%
- Guanfacine	2.3	2.5	2.5	2.5	2.8	2.8	3.1	3.6	3.7	3.9	4.2	4.7	6.5%
- Atomoxetine	2.4	2.3	2.3	2.3	2.4	2.2	2.3	2.5	2.6	3.0	3.7	4.3	5.7%
- Clonidine	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.4	0.4	0.5	0.5	6.9%
- Viloxazine										0.0	0.3	0.6	

Source: IQVIA, Nuvama Research

Comparing clinical data for non-stimulants against Qelbree

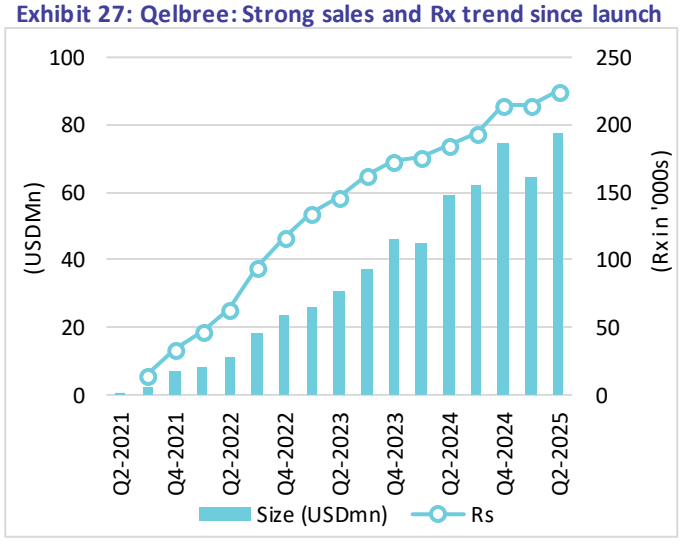
Guanfacine (Intuniv), Atomoxetine (Strattera), and Viloxazine (Qelbree) are non-stimulant medications used in the ADHD treatment. As per analysis in a paper, 87%/89% of adults/children taking Viloxazine reported a positive response compared with 13%/14% of adults/children taking Atomoxetine. As per a study, the response rate on Guanfacine and Clonidine is 55–60%, which is slightly higher than Atomoxetine. Overall, it seems that Viloxazine is better than Atomoxetine while no data is available to compare Viloxazine against Guanfacine. The generics of Strattera and Intuniv are already in the market, despite which Qelbree has been able to show a meaningful ramp-up, indicating the drug is accepted well by prescribers.

Exhibit 26: Qelbree: Likely to cross USD300mn in 2025



Source: Company, Nuvama Research

Exhibit 27: Qelbree: Strong sales and Rx trend since launch



Source: Company, Nuvama Research

Opportunity for Neuland

As per our understanding, Neuland has set up capacity to manufacture Viloxazine Hydrochloride. As the product is already commercial, Neuland would become a second supplier for this drug. Note that the drug has high dosage (max 400mg/day) and its treatment regimen is long term, indicating this is a high-volume but potentially a low-value product for manufacturers. Qelbree may become a USD500–600mn product for innovator and may add USD10–15mn in annual revenue for Neuland's CMS business.

Deuperfenidone: Deuterated compound to enter Phase III trials

Deupirfenidone, a deuterated drug from PureTech (also the innovator of Cobenfy), is currently in Phase 2b trials and has shown statistically significant benefits over Pirfenidone. Phase 3 initiation is expected by end-2025. Neuland is involved in its development, and we see this as a meaningful future revenue opportunity.

Deupirfenidone (LYT-100), a deuterated Pirfenidone, is undergoing phase 2b trials in Idiopathic Pulmonary Fibrosis (IPF) and other fibrotic lung diseases. Deupirfenidone's trial data suggest statistically significant benefits over Pirfenidone and placebo. Deupirfenidone also resulted in ~50% increase in drug exposure compared to Pirfenidone.

IPF has more than 232k patients in the US and the EU5 region. The life expectancy of IPF patients is two–five years without treatment. In the US, ~25% of patients have initiated antifibrotic treatment, indicating a large untapped patient pool. Currently, there are two approved drugs: Boehringer Ingelheim's Ofev (Nintedanib) and Genentech's Esbriet (Pirfenidone). BI is also seeking approval for its novel drug Nerandomilast in IPF, which is a future competition for Deupirfenidone; however, its 52-week Forced Vital Capacity (FVC) change (-32.8ml) is superior to that of Nerandomilast (-70–80ml).

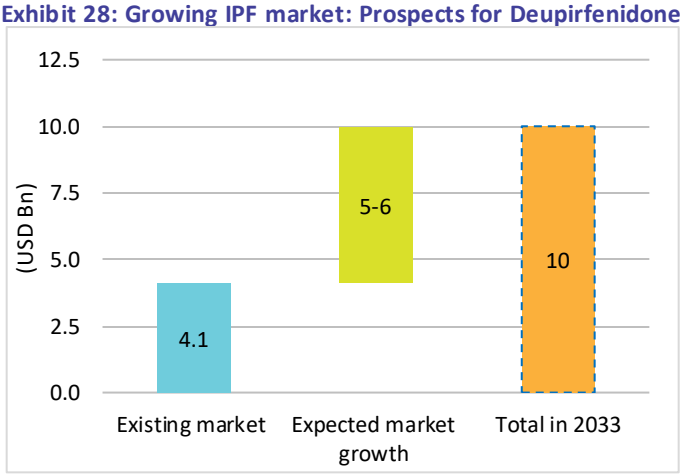
Deupirfenidone: Expected to be a blockbuster drug in the future

The addressable market size for this drug is USD10bn, and PureTech expects the drug to be a global blockbuster despite competition from Ofev, Esbriet and Esbriet generics. PureTech believes it has a right-to-win due to: i) Deupirfenidone's potential as standard-of-care first-line treatment given its superior efficacy to current SOC; and ii) potential as a second line of treatment for patients that do not benefit from generic antifibrotic drugs.

Additionally PureTech's confidence in Deupirfenidone comes from the case studies such as: i) Deutetrabenzene (USD1.7bn sales despite Tetrabenazine generics); ii) Opsumit (Macitentan), which clocked USD2.2bn sales in 2024 despite competition from Bosentan and Ambrisentan generics.

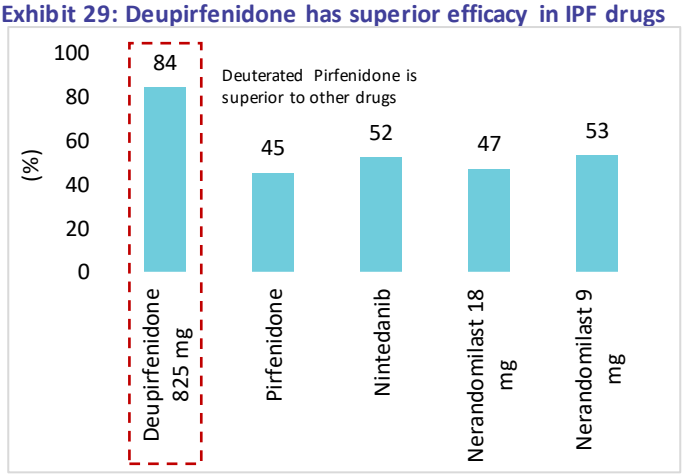
PureTech expects to initiate Phase 3 by the end of 2025 and is also open to various funding mechanisms, including strategic partnerships. Neuland is likely to have set up capacity for LYT-100; hence, we believe Neuland may emerge as a supplier of this drug. It also has proven ability in deuteration and has commercial relationship with PureTech (demonstrated in Xanomeline). Upon approval, this can be a high-volume product considering its high dosage size (825mg) and prolonged usage.

Exhibit 28: Growing IPF market: Prospects for Deupirfenidone



Source: PureTech, Nuvama Research

Exhibit 29: Deupirfenidone has superior efficacy in IPF drugs



Source: PureTech, Nuvama Research

Austedo (Deutetrabenazine): Stable performance till 2030

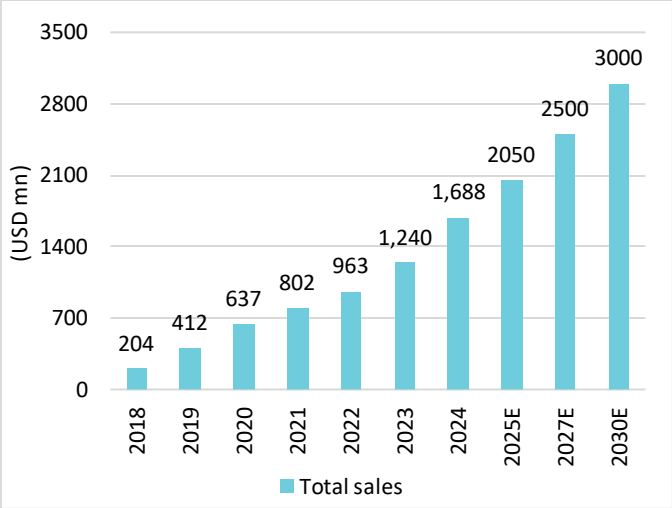
Deutetrabenazine is the first deuterated drug approved in 2017. Neuland has been a supplier of this drug since approval. It has two formulations: Austedo and Austedo XR; together they notched up USD1.6bn in sales in 2024. The Austedo franchisee is expected to deliver USD3bn in 2030; hence, Neuland can expect a stable performance till expiry.

Deutetrabenazine is a Vesicular Monoamine Transporter 2 (VMAT2) inhibitor indicated in the treatment of chorea associated with Huntington's disease and tardive dyskinesia. Deutetrabenazine is deuterated version of tetrabenzene, in which regular hydrogen atoms are replaced by a heavier isotope of hydrogen. Deutaration changes the properties of the drug, reducing the need for frequent dosing, and has higher efficacy and lower toxicity.

Neuland supplies Deutetrabenazine to Teva for its two specialty drugs Austedo and Austedo XR, which are indicated in the treatment of chorea associated with Huntington's disease and tardive dyskinesia, both are neurological conditions.

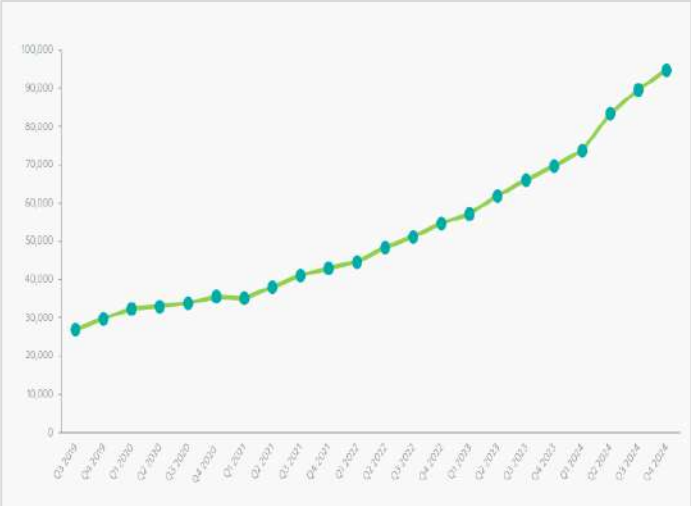
Austedo and its XR version were approved in 2017 and 2023 respectively. After the XR version launch, growth of the Austedo franchisee in the US has accelerated. Teva generated USD1.7bn in revenue from Austedo + XR versions with USD1.64bn from US and USD46mn from outside the US. The company expects this franchisee to grow to USD2.5bn in 2027 and USD3bn in 2030. Neuland has stable Deutetrabenazine supplies to Teva; however, with innovator's sales expected to expand at a CAGR of ~10%, we think Neuland should be able to deliver a stable performance in this drug.

Exhibit 30: Austedo franchisee sales (USD mn)



Source: Teva, Nuvama Research

Exhibit 31: Austedo TRx: Sustained growth momentum



Source: Teva, Nuvama Research

Exhibit 32: VMAT2 inhibitor current competition

Drug	Type/dose	Company	Approval	Patent expiry	2024 sales (USD)	Comments
Ingrezza (Valbenazine Tosylate)	Once/day 40mg, 60mg, 80mg	Neurocrine Biosciences	2017	2036/2038	USD2.3bn	Approved only in Tardive dyskinesia; initial dose is high, i.e. 40mg
Austedo (Deutetrabenazine)	Twice/day 6mg, 9mg, 12mg	Teva	2017	2031-2033	USD1.7bn	Initial dose is 6mg/twice a day, but dosage grow over weeks
Austedo XR (Deutetrabenazine)	Once/day 6mg, 12mg, 18mg 24mg, 30mg, 36mg, 42mg, 48mg.		2023			Lower dose than Austedo, improves patient compliance

Source: Nuvama Research

GDS segment: Specialty-focussed, but volatile in growth

- The Generic API segment contributed 51% to Neuland's revenue in FY25 versus 70% in FY20. Low-margin prime APIs is the major contributor in GDS, but the company has been making efforts to grow the pie of high-margin specialty API.
- GDS's performance is contingent on launches and market share gains in specialty products. We think this business would remain stable over coming years. A meaningful launch spree would be a positive surprise for our estimates.

Neuland Labs generated 51% of its FY25 revenue from the GDS segment. It has two sub-segments: i) Prime (33% of FY25 revenue); and ii) Specialty (18% of FY25 revenue). The Prime segment has generic APIs with lower margins while the specialty segment has complex products with higher margins.

The contribution of the GDS segment has declined from 70% in FY20 to 51% in FY25 due to its focus on the CMS segment. Additionally, within the GDS segment, the company is focussed on the high-margin specialty APIs segment—whose contribution has thus increased.

Exhibit 33: Profiling GDS business segments

GDS segment	Description	Portfolio	Characteristics
Specialty	The products follow complex chemistry and have some degree of customisation	Paliperidone, Brinzolamide, Dorzolamide, Deferasirox, Donepezil, Entacapone, and Salmeterol.	Complex products with small volumes but margins like the CMS business; this is a focus area for Neuland
Prime	Mature and competitive APIs	Mirtazapine, Levetiracetam, Ezetimibe, Escitalopram, Levofloxacin, Ciprofloxacin, Enalapril, Sotalol, and Labetalol	Competitive products, lower prices

Source: Nuvama Research

In order to grow the GDS business, the company expects to: i) focus on developing new specialty products; ii) optimise the process; iii) grow the market share of key products; iv) manage life cycle of existing APIs; and v) add peptides in specialty portfolio in the future.

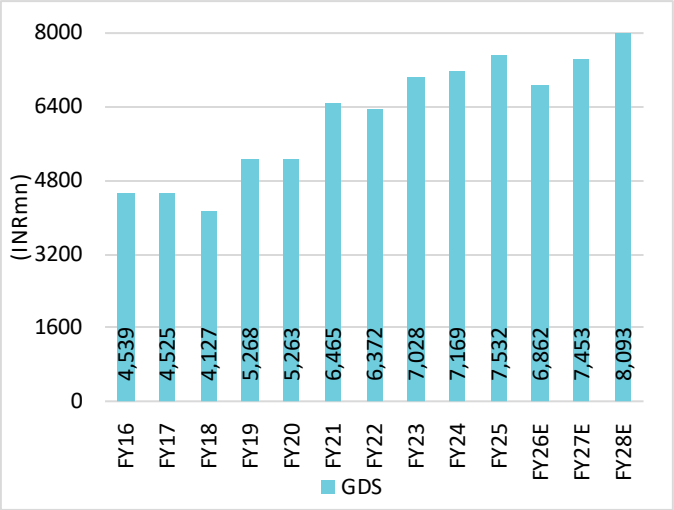
The company's approach is to further move away from prime products and go deeper into specialty products, and achieve market share leadership, which is difficult in prime molecules due to the commoditised nature of products.

Exhibit 34: Neuland's DMF fillings, highlighted products may turn out to be near-term opportunities

DMF Filling	Active ingredient	Innovator: Brand	Comment
Apr-19	Ticagrelor	Astrazeneca: Brilianta	The product has recently become generic
Mar-18	Rotigotine	UCB: Neupro	After 2032
Nov-18	Apremilast	Amgen: Otezla	Molecule under patent in the US: May open after 2028
June-21	Aripiprazole sterile	Otsuka: Abilify Maintena / Alkermes : Aristada	After 2030
Jan-22	Vilanterol Trifenatate	GSK: Ellipta family (Trelegy, Breo and Anoro)	After 2030
Mar-22	Elagolix Sodium	Abbvie: Orilissa	After 2038ss
Mar-23	Tafamidis	Pfizer: Vyndamax	Molecule under patent : may open after 2035
Aug-23	Mirabegron	Astellas: Myrbetriq	May open in the next two years
Apr-24	Dapagliflozin Propanediol	Astrazeneca: Farxiga and Xigduo XR	Potentially after 2028
Jan-25	Empagliflozin	BI: Jardiance, Glyxambi, Trijardy, Synjardy	May open in the next 2-3 years
Mar-25	Difelikefalin Acetate	Vifor: Korsuva	Mostly after 2030

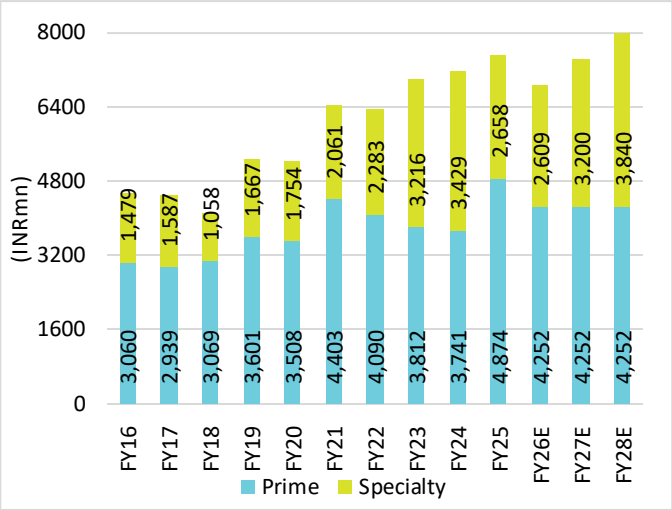
Source: Nuvama Research

Exhibit 35: GDS: Growth to return in FY27E



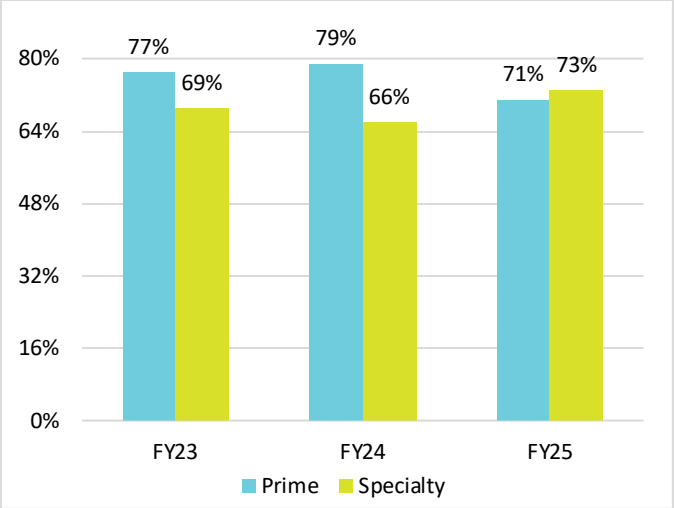
Source: Nuvama Research

Exhibit 36: Prime to remain large part of GDS business



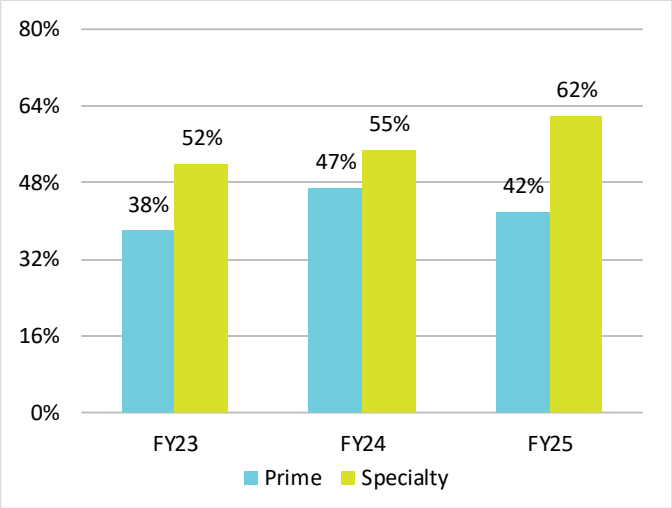
Source: Nuvama Research

Exhibit 37: Top five products' concentration



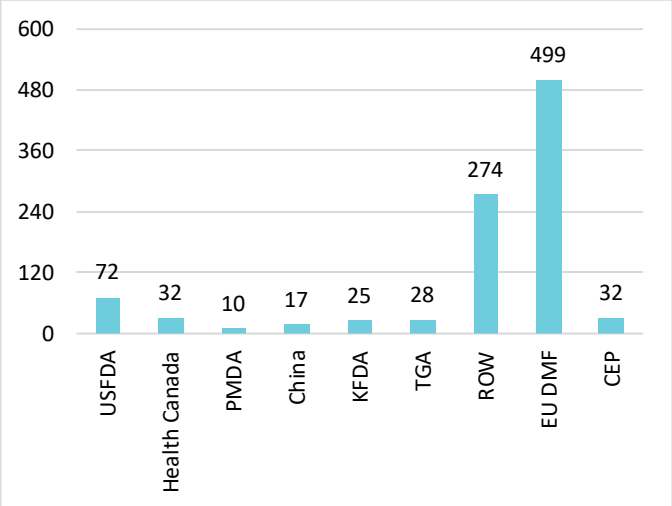
Source: Nuvama Research

Exhibit 38: Top five customers' concentration



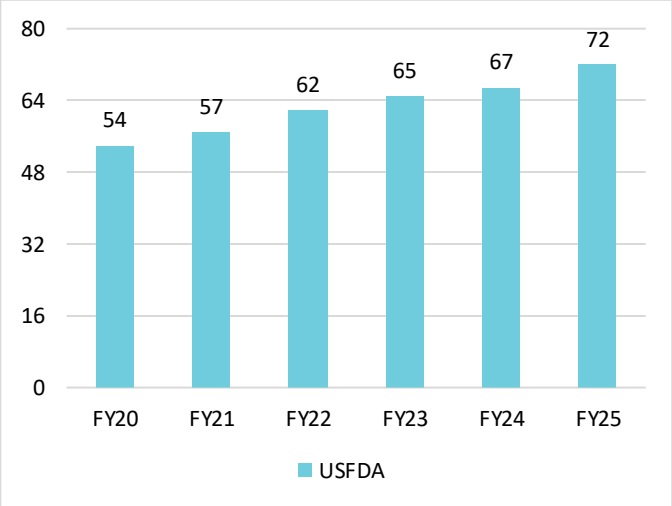
Source: Nuvama Research

Exhibit 39: Dossier filings with key agencies in FY25



Source: Nuvama Research

Exhibit 40: US DMF filing trend



Source: Nuvama Research

Peptides: Building capacity in high-growth area

- Neuland has more than a decade-long expertise in peptides and the infrastructure to support milligrams to multi-kilogram scale production of peptides. It has an existing team of ~50 peptide chemists.
- The company has made a fresh investment of INR2.5bn in large-scale peptide manufacturing capacity at unit I.
- One of the products Neuland is developing in Difelikefalin. Given the demand for peptides, it may be able to take up new projects at this site after FY27E.

Neuland has been in peptides for more than a decade and continues to maintain research capacity in this space. The company's expertise includes solid and solution-phase peptide synthesis and hybrid technology for complex peptide synthesis. The company specialised infrastructure for peptide synthesis, including 9,800 sqft peptide laboratory, stainless steel and glass-lined reactors, filtration, drying, etc for pharmaceutical R&D, pilot production and GMP-compliant manufacturing.

The company has a team of ~ 50 peptide R&D chemists and has delivered multiple small-scale projects in the past. It has, however, more ambition to vertically move up the value chain due to the global opportunity in peptides.

Accordingly, Neuland is enhancing its peptide manufacturing infrastructure and investing INR2.5bn at unit I. This upgrade includes creation of a new large-scale manufacturing facility to increase reactor capacity from 0.5KL to 6.37KL by FY27E. This will be a multi-product, fully automated capacity to support both clinical and commercial-scale peptide projects.

Furthermore, the company is enhancing R&D operations in peptides and has also scaled up its peptide synthesis and purification infrastructure.

Neuland has filed DMF for Difelikefalin, also developing Tirzepatide

Neuland made a formal entry into the peptide API space by filing the US DMF of CSL Vifor's Difelikefalin (Korsuva), which is indicated in uremic pruritus. It also expects to file more peptide DMFs over coming years. While peptide is not a near-term opportunity, the company may get clients interested in peptide opportunities, considering its more than a decade's experience in this domain. The company expects to offer its peptides to generic companies.

Surging demand for peptide manufacturing can benefit Neuland

Demand for peptide manufacturing has increased in recent years due to a surge for GLP-1 drugs. Global peptide therapeutics market is expected to expand at a 15% CAGR over 2024–30E. Considering this opportunity to manufacture peptides, CDMO players such as Wuxi Tides, Corden Pharma, Divi's, Poly Peptide group, etc are adding more capacities. However, GLP-1s can remain a large opportunity for them; hence, a large part of capacities would be blocked by GLP-1 drugs. This means innovators with non-GLP-1 peptides and generic companies interested in peptides would find it difficult to get manufacturing schedules.

Considering this, we believe Neuland's investments in peptide capacity is strategic. Its INR2.5bn investment (~20% of FY27E gross block) is sizable in our view. Assuming a 1.5–2x asset turnover, this investment can generate peak revenue of INR4–5bn.

Manufacturing operations: Unit III to drive growth over FY26–28E

- At units I and II, Neuland has added capacities for certain molecules. At unit I, land parcel is available for expansion in the future.
- At unit III, Neuland has expanded capacity by 3x for one CMS project and by 2x for another. This capacity, commissioned in Aug-25, provides growth visibility over FY26–28E.
- We do not rule addition of a new unit as Neuland would need more capacity after FY28E, in our view.

Neuland's manufacturing network comprise three units capable of handling high-volume and complex/niche APIs. The company also has dedicated mini-plants designed to support the development and scale-up of new APIs for its CMS customers. The capacities are capable of multipurpose manufacturing and help in backward integration by manufacturing of early intermediates for key APIs. This enhances company's control over the entire production process.

Unit III: Taking the growth charge till FY28E; peptides to be next

Units I and II are critical for the existing business, but are operating near peak utilisation (~90%). Unit III was acquired by Neuland in 2017, and the company has added fresh capacity—new production blocks (capex of INR1bn in FY25)—at this unit. This expanded capacity commenced commercial operations in Aug-25, ahead of guidance.

This added capacity can support long-term growth. We also observe that the company has increased capacity for one undisclosed CMS molecule from 50MT to 150MT and for another one from 15MT to 30MT. Based on this capacity, we think that the company is due for strong growth over three years. Following this growth episode, we think capex for peptide manufacturing block can take the charge.

Exhibit 41: Unit III in a snapshot

Unit	Establishment	Capacity and segments	Utilisation	No of blocks	Other recent notes
Unit I – Bonthapally	1986	258 KL (GDS), the unit has additional land	90–95%	7	Doubled the capacity for Rotigotine and Dorzolamide due to high demand.
Unit II - Pashamylaram	1994	281 KL (GDS and CMS)	90–95%	6	Ezetimibe Capacity enhanced from 8 MTPA to 12 MTPA to meet high demand
Unit III - Gaddapotharam	Acquired in 2017	536 KL (GDS and CMS)	~40% in FY25	6	Capacity increases 1) 15 MT to 30 MT one one CMS molecule, 2) 50MT to 150MT for another molecule. Commissioned 4KL capacity to address small scale CMS requirement
R&D Centre - Bonthapally,	2008	GDS and CMS	NA	NA	15 development labs, and has dedicated facility for peptides and D2 analogues

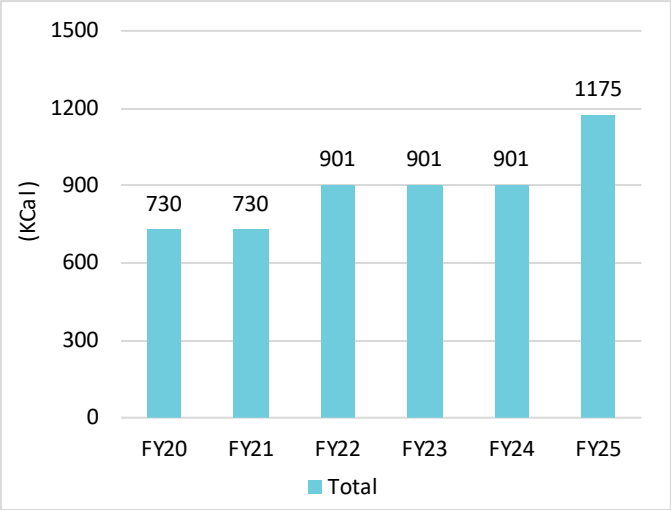
Source: Company, Nuvama Research

Potential to add more capacity at unit I; another manufacturing unit likely

We believe Neuland may require to add more capacity in three years as it will run out of existing capacity by FY28E. At the earlier earnings call, management indicated they may set up another manufacturing unit and are open to both greenfield and brownfield expansion. Additionally, the company has acquired additional land at unit I, which shall allow it to expanding capacity quickly in the future.

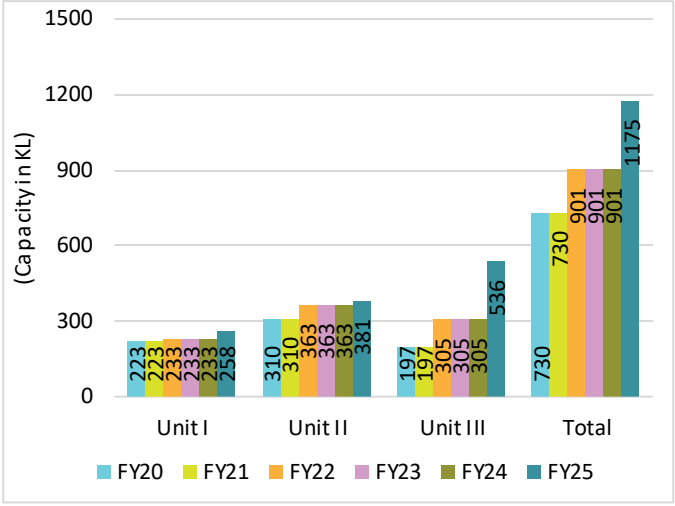
We observe some global CDMOs are adding dedicated client-focussed capacities and hence don't rule out similar opportunities coming Neuland's way given its ability to undertake complex projects right from the phase I trial.

Exhibit 42: Neuland added 30% more capacity in FY25



Source: Company, Nuvama Research

Exhibit 43: Large part of addition is due to unit III expansion



Source: Company, Nuvama Research

Exhibit 44: Solid track record of regulatory compliance

Inspection time	Unit inspected	Outcome
Feb-11	Unit I	NAI
Apr-13	Unit II	NAI
Nov-14	Unit I	VAI
Feb-16	Unit II	VAI
May-16	R&D centre	NAI
Jun-17	Unit I	VAI
Jan-19	Unit II	NAI
Aug-19	Unit I	VAI
May-20	Unit II	VAI
Jul-23	Unit III	VAI
Jun-24	Unit I	NAI
Jun-25	Unit II	VAI

Source: Nuvama Research

Leveraging artificial intelligence in research and manufacturing

Neuland is also exploring use of artificial intelligence (AI) in its operations. The company's goal is to leverage AI-driven analytics for its research operations. This can help in streamlining workflows, supporting faster regulatory submissions and enabling more sustainable innovation.

The company is also conducting proof of concepts driven by AI in manufacturing. This is primarily focussed on predictive maintenance, process optimisation and automated image analysis for quality control to accelerate route scouting and reduce environmental impact.

These AI initiatives, if successful, can boost efficiency, shorten regulatory submission timelines, foster innovation, and ensure consistent product quality, positioning Neuland as a leader in leveraging AI for improved decision-making and manufacturing excellence.

As per studies, use of AI in pharmaceuticals can lead to improvement of 10–30% in labour costs and 5–15% in material costs. By employing AI, Neuland would be able to leverage its capabilities and resources better in future.

Valuation

Initiate at 'BUY', valuing Neuland at 44x Sep-27E EPS

- Initiating at 'BUY' with a TP of INR17,700 based on a PE of 44x Sep-27E.
- We model in superior growth/returns trajectory, a growing CMS project pipeline, capex for peptide products and capital allocation (peptides) in sync with management's long-term growth vision.

Neuland, after a brief pause, is set to resume its earnings growth in H2FY26E. We forecast a revenue/PAT CAGR of 21%/45% over FY25–28E. The quality of earnings would be better too as it shall be driven by the CMS business along with addition of new products.

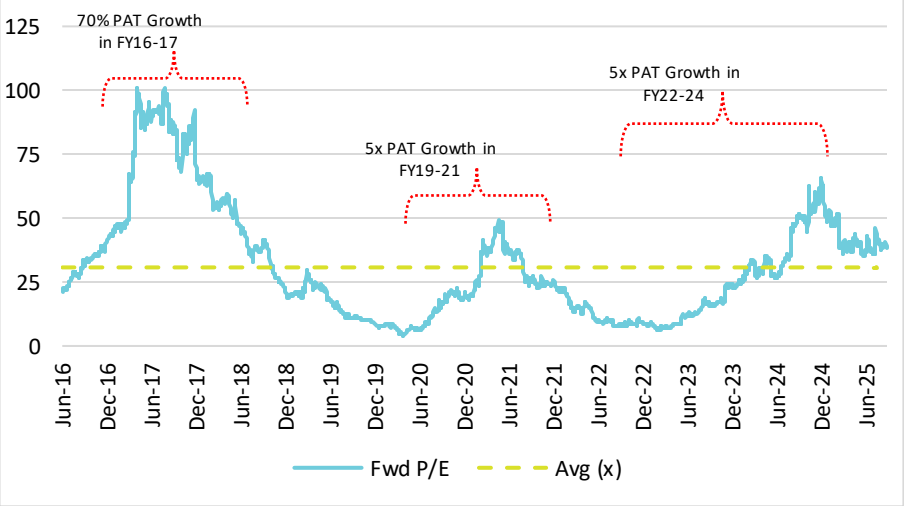
While Neuland is smaller company than peers such as Divi's, we believe Neuland's growth trajectory is stronger due to its low base. Additionally we highlight the company has aggressively grown its CMS business (31% CAGR over FY16–25), and this growth rate is accelerating over FY25–28E. During this period, the CMS business's contribution would have grown from 13% in FY16 to 64% in FY28E.

Neuland is trading at 39x/33x FY27E/28E EPS, which is at a discount considering: i) a strong 45% PAT CAGR over our forecast period (FY19–28E CAGR of 42%); ii) earnings quality (driven by CMS segment); iii) strong return ratios; iv) long-term growth visibility due to capex for peptide products; v) a growing pipeline of API projects in the CMS segment; vi) land availability at unit I for further capacity addition; vii) growing relationship with medium to large-sized innovators; and viii) contract manufacturing industry tailwinds.

An additional point to consider is management's vision of aggressively growing the CMS business and their foresight to contract with innovators for some of the complex R&D products.

We value the stock at 44x Sep-27E EPS and thus derive a TP of INR17,700, implying 22% upside potential; initiate Neuland Laboratories at '**BUY**'.

Exhibit 45: Neuland has a history of high growth and high P/E



Source: Nuvama Research, Bloomberg

Relative valuation

Exhibit 46: Neuland is among fastest-growing CDMO companies

			Revenue (INR mn)					EBITDA (INR mn)					PAT (INR mn)				
Company name	**Ticker**	**M-cap (INR mn)**	**FY25**	**FY26E**	**FY27E**	**FY28E**	**CAGR**	**FY25**	**FY26E**	**FY27E**	**FY28E**	**CAGR**	**FY25**	**FY26E**	**FY27E**	**FY28E**	**CAGR**
Neuland Labs	**NLL IN Equity**	**1,84,340**	**14,768**	**17,395**	**22,096**	**25,988**	**21%**	**3,233**	**3,863**	**7,071**	**8,316**	**37%**	**1,837**	**2,343**	**4,713**	**5,616**	**45%**
Divi's Labs	DIVI IN Equity	16,25,995	93,600	1,07,262	1,29,033	1,40,312	14%	29,680	34,733	45,161	49,811	19%	21,549	25,899	33,677	36,838	20%
Syngene	SYNG IN Equity	2,53,288	36,424	39,000	45,287	52,224	13%	10,437	9,984	12,593	14,855	12%	4,962	4,217	5,829	7,335	14%
Anthem	ANTHEM IN Equity	4,58,555	18,446	22,667	28,105	34,460	23%	6,708	8,160	10,539	12,992	25%	4,513	5,803	7,497	9,133	26%
Cohance	COHANCE IN Equity	3,38,036	11,976	29,242	38,062	46,253	57%	3,752	9,218	12,200	14,979	59%	2,679	5,696	7,940	10,738	59%
Piramal Pharma	PIRPHARM IN Equity	2,46,682	90,610	96,290	1,12,729	1,28,392	12%	14,448	13,990	20,392	24,706	20%	911	2,328	6,091	9,033	115%
Sai Lifesciences	SAILIFE IN Equity	1,74,281	16,946	20,529	24,453	28,382	19%	4,424	5,152	6,822	8,251	23%	1,701	2,642	3,421	4,392	37%

Source: Bloomberg, Nuvama Research, CAGR over FY25-28E

Exhibit 47: Neuland offers almost best-in-class RoE/RoCE, but trading at 15–20% discount to peer group average

		RoE (%)				ROCE (%)	P/E ratio (x)				EV/EBITDA (x)			
Company name	**Ticker**	**FY25**	**FY26E**	**FY27E**	**FY28E**	**FY25**	**FY25**	**FY26E**	**FY27E**	**FY28E**	**FY25**	**FY26E**	**FY27E**	**FY28E**
Neuland Labs	**NLL IN Equity**	**12.0**	**13.32**	**21.14**	**20.12**	**15.5**	**101.3**	**79.4**	**39.5**	**33.1**	**56.6**	**47.4**	**25.6**	**21.3**
Divi's Labs	DIVI IN Equity	14.4	15.4	17.4	16.6	19.5	75.4	62.8	48.3	44.1	53.5	45.7	35.2	31.9
Syngene	SYNG IN Equity	10.9	8.7	10.7	12.2	11.3	50.9	60.0	43.4	34.5	27.1	24.6	19.5	16.5
Anthem	ANTHEM IN Equity	20.8	NA	NA	NA	21.0	101.6	79.0	61.2	50.2	66.2	55.4	42.9	34.8
Cohance	COHANCE IN Equity	12.8	16.0	18.8	20.8	13.3	84.0	56.2	40.7	32.7	78.5	36.7	27.8	22.6
Piramal Pharma	PIRPHARM IN Equity	1.1	3.0	6.9	9.5	2.8	269.0	104.4	40.3	27.1	23.3	20.4	14.0	11.5
Sai Lifesciences	SAILIFE IN Equity	11.0	11.8	13.3	14.8	11.9	94.5	66.4	51.2	39.8	40.8	33.5	25.3	20.9
Peer group average							112.6	71.5	47.5	38.1	48.2	36.1	27.4	23.1
Discount to peer group (%)							-17	2	-23	-20	9	22	-14	-15

Source: Nuvama Research, Bloomberg

Financial Outlook

Good showing from H2FY26E; 45% PAT CAGR over FY25–28E

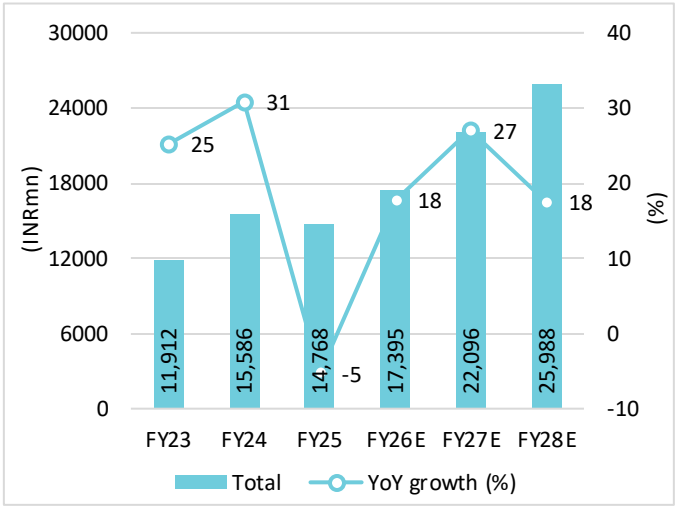
- Neuland turned in a weak financial performance over Q2FY25—Q1FY26. As CMS products start to post a strong performance in H2, we expect revenue to expand at a 21% CAGR over FY25–28E.
- We bake in EBITDA/PAT CAGR of 37%/45% over FY25–28E due to a better product mix and operating leverage. We also bake in a margin of 32%/32% in FY27E/28E.
- We factor in 2.7x net asset turnover and FCF of INR3.7bn in FY28E (INR1.1bn in FY25E). We build in FY28E RoCE/RoE of 20%/25%.

Revenue: We reckon in a 21% CAGR over FY25–28E. This works out to a 14% CAGR over FY24 revenue. The company is guiding for a ~20% CAGR over the three–five year period. Note that we are baking in a weak performance in Q2FY26, but an improvement from H2FY26E.

Segment performance: i) **CMS:** We are building in CMS revenue CAGR of 38% over FY25–28E, mainly driven by Bempedoic acid and Xanomeline. We also expect addition of two new molecules. ii) **GDS:** We expect the Specialty segment revenue to expand at a 13% while we expect revenue of the Prime segment to continue to show a poor performance.

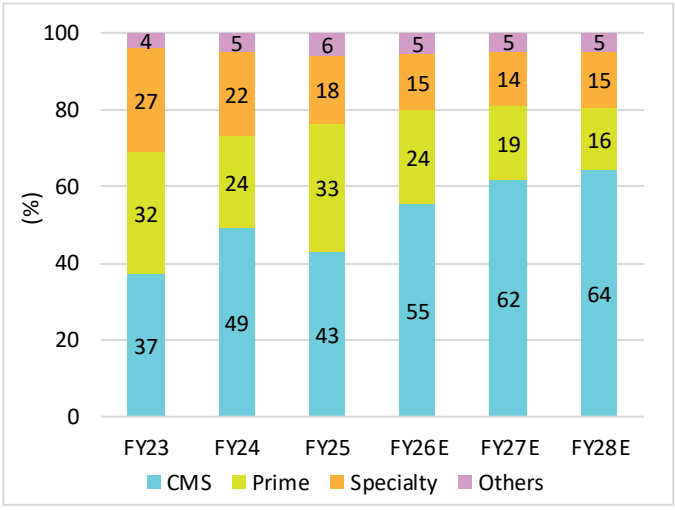
Revenue mix: We expect the CMS segment to contribute 64% to FY28E revenue, implying the GDS segment would see a decline in its revenue contribution.

Exhibit 48: Revenue CAGR of 21% over FY25–28E



Source: Company, Nuvama Research

Exhibit 49: CMS contribution to rise to 64% in FY28E

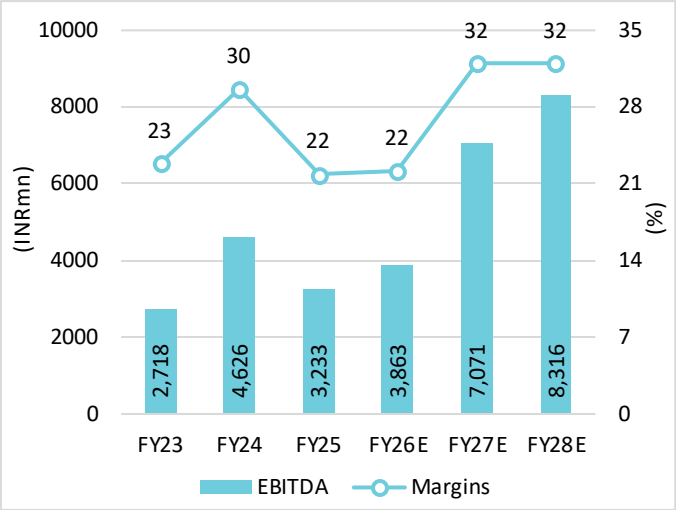


Source: Company, Nuvama Research

EBITDA and margins: We forecast EBITDA would expand at a 37% CAGR over FY25–28E (16% over FY24–28E). EBITDA margin is expected to be 22% in FY26E, but likely to improve ~1,000bp in FY27E to 32% and then remain stable at 32% in FY28E. This expansion is driven by growth in the CMS segment and resultant operating leverage. On an FY24 base, the margin expansion is ~200bp in FY27E.

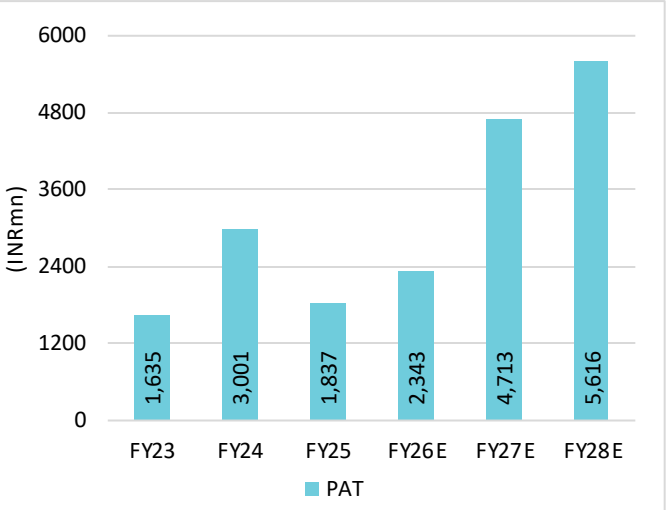
PAT: We forecast PAT would expand at 45% CAGR over FY25–28E (17% over FY24–28E) due to strong revenue growth and resultant operating leverage.

Exhibit 50: EBITDA to expand at 37% CAGR...



Source: Company, Nuvama Research

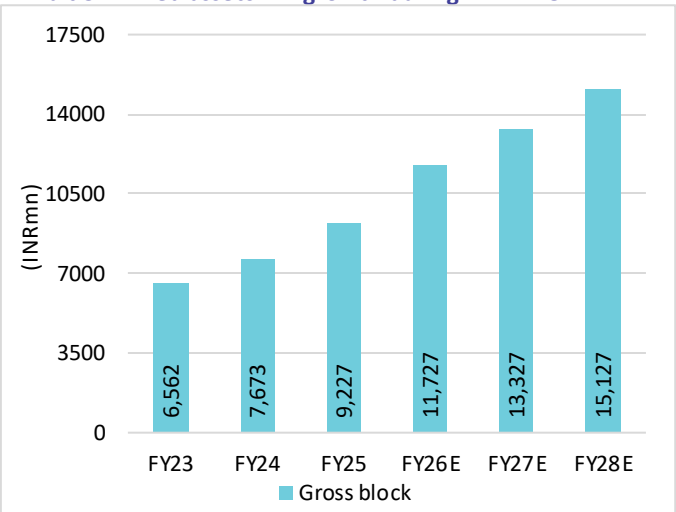
Exhibit 51: ...leading to 45% CAGR in PAT over FY25–28E



Source: Company, Nuvama Research

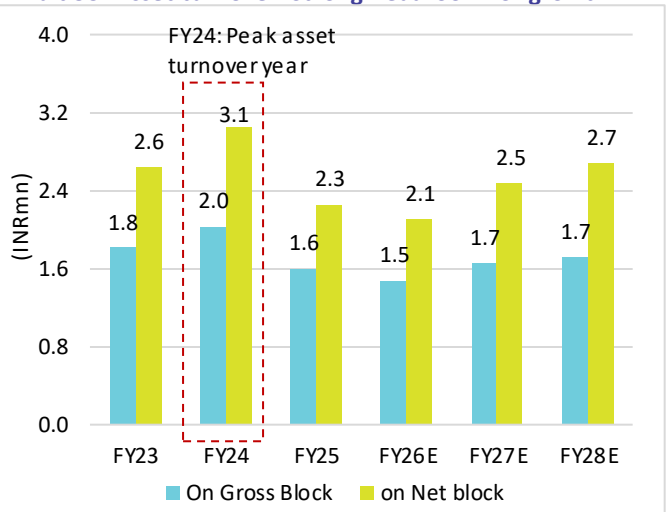
Fixed assets and turnover: We forecast gross assets would grow from INR9.2bn in FY25 to INR15.1bn in FY28E (18% CAGR). We forecast gross asset turnover shall decline from 2x in FY24 to 1.5x in FY26E due to capacity addition and weak performance in H1FY26E. The asset turn should improve to 1.7x in FY28E. Our net asset turnover works out to 2.7x in FY28E versus 3.1x in FY24.

Exhibit 52: Fixed assets: 2x growth during FY24–28E



Source: Company, Nuvama Research

Exhibit 53: Asset turnover: Strong headroom for growth



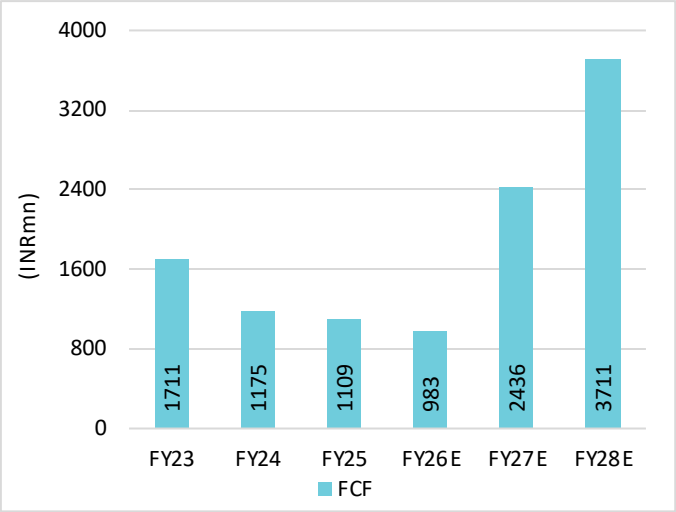
Source: Company, Nuvama Research

Debt: Neuland has a net cash balance sheet; hence, we do not expect this to change, unless the company undertakes debt-funded expansion.

Capex and cash flows: We expect capex of INR2.5bn in FY26E, INR1.8bn in FY27E and INR1.9bn in FY28E. Due to strong growth in EBITDA, we expect FCF to improve from INR1.1bn in FY25 to INR3.7bn in FY28E, resulting in a 50% CAGR.

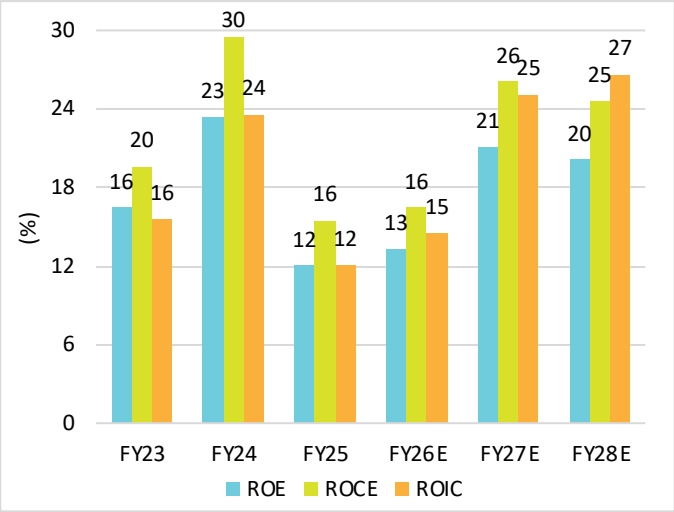
Return ratios: We anticipate RoE/RoCE to improve from 12%/16% in FY25 to 20%/25% in FY28E.

Exhibit 54: High FCF growth on strong CMS performance



Source: Company, Nuvama Research

Exhibit 55: Return ratios to improve by FY27E/28E



Source: Company, Nuvama Research

Recent quarterly financial performance: Neuland has reported a weak financial performance since Q2FY25 owing to the poor sales in the CMS and specialty segments. Both segments generate high margins; hence, the company's margins suffered, plunging from a high of 30.9% in Q3FY24 to 11.8% in Q1FY26.

Exhibit 56: Neuland has reported weak performance since Q2FY25 owing to decline in CMS revenue

Particulars	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26
CMS	**1,597**	**2,298**	**1,925**	**1,771**	**2,330**	**1,318**	**1,552**	**1,116**	**1,288**
YoY growth (%)	133	137	104	-3	46	-43	-19	-37	-45
Prime	**944**	**877**	**982**	**886**	**1,187**	**1,119**	**1,314**	**1,313**	**937**
YoY growth (%)	9	0	1	-16	26	28	34	48	-21
Specialty	**907**	**877**	**786**	**924**	**615**	**497**	**915**	**624**	**468**
YoY growth (%)	58	-9	17	-5	-32	-43	17	-32	-24
Total revenue	**3,630**	**4,177**	**3,928**	**3,850**	**4,396**	**3,108**	**3,980**	**3,284**	**2,928**
YoY growth (%)	64	42	46	-5	21	-26	1	-15	-33
EBITDA	**969**	**1,375**	**1,213**	**1,069**	**1,234**	**622**	**866**	**511**	**345**
YoY growth (%)	239	98	124	-11	27	-55	-29	-52	-72
Margins (%)	26.7	32.9	30.9	27.8	28.1	20.0	21.8	15.6	11.8
PAT	**597**	**848**	**776**	**640**	**833**	**328**	**661**	**278**	**139**
YoY growth (%)	499	121	154	-24	40	-61	-15	-57	-83
EPS (INR/share)	**46.5**	**66.1**	**60.5**	**49.8**	**64.9**	**25.6**	**51.5**	**21.7**	**10.8**

Source: Company, Nuvama Research

Key Risks

Execution a key risk

- Neuland has high customer and product concentrations, which are expected to grow further as its Bempedoic acid business grows; that can be a future risk.
- Innovator's performance in their products as well as their de-stocking decisions, higher competition and regulatory compliance are the standard future risks facing contract manufacturers.

Customer concentration risk

As a contract manufacturer, Neuland relies heavily on a few key clients. Top five customers account for 52% of its revenue. In the CMS segment, these clients account for 90% of revenue, a trend likely to increase with Bempedoic acid's growth. Poor performance of innovators' products could reduce Neuland's revenue and profitability.

Product concentration risk

In FY25, Neuland's top five products generated 48% of revenue, with 86% concentration in the CMS segment and ~70% in GDS. Expected growth in Bempedoic acid may heighten product concentration risk, typical for contract manufacturers. New product additions could reduce this risk, but increased competition for innovators' products may impact Neuland's revenue.

LOEs/litigation of innovators products

Neuland's growth hinges on its CMS business, serving innovator products. Innovators face risks like new, more effective products, patent losses, invalidation claims, generic competition or formulary issues, which could hurt their product performance and, in turn, Neuland's revenue and profitability..

Inventory de-stocking-led challenges

The CMS business is non-linear, and innovators may de-stock inventories due to demand/supply issues, reducing product orders. This can pressure Neuland's revenue and profitability in affected years.

Regulatory compliance

Neuland has maintained a clear record w.r.t. regulatory compliance. However, regulatory compliance requirement with US FDA is a growing need. As the company relies on the three units, any challenge due to compliance issues may impact Neuland's financial performance as well as trigger a multiple de-rating.

Company Description

Neuland Laboratories, founded in 1984 and headquartered in Hyderabad (India), is engaged in the development and manufacturing of active pharmaceutical ingredients (APIs), advanced intermediates and custom synthesis services. The company operates three cGMP-compliant, USFDA approved manufacturing facilities with a total capacity of 1,174KL.

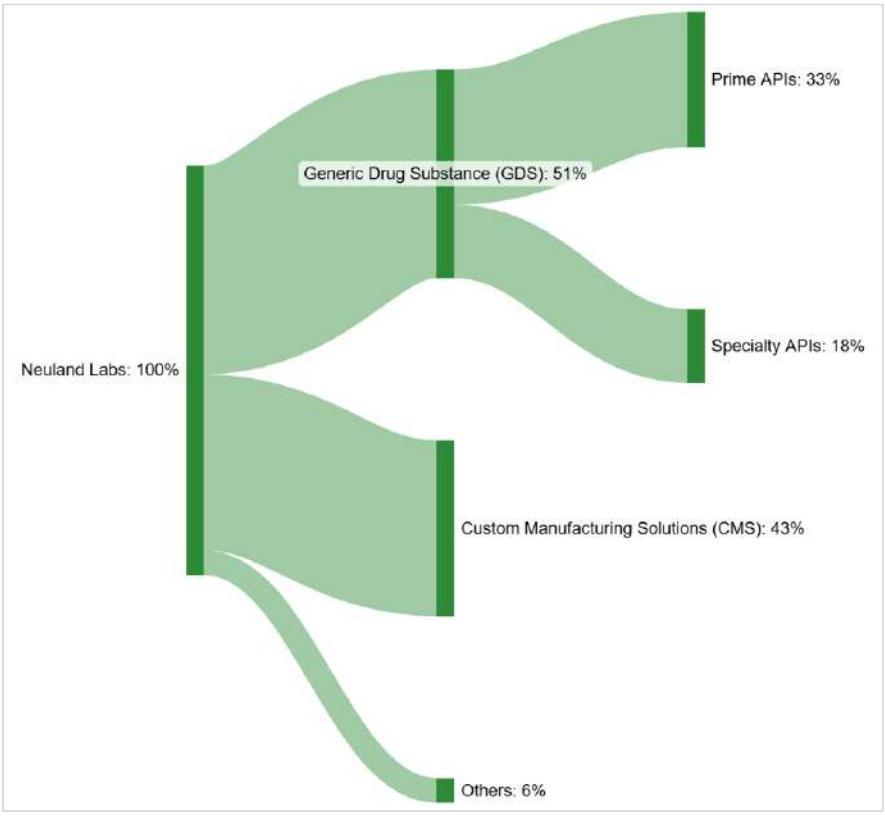
Its operations are focused on two segments—Generic Drug Substances (GDS) and Custom Manufacturing Solutions (CMS)—supporting pharmaceutical development from clinical stages through to commercial production and genericisation.

Neuland serves over 80 countries, with export revenues making up 82% of its total revenue, primarily from the US and Europe, which account for more than 89% of total exports. The company has made 988 regulatory filings globally, including 499 European DMFs and 72 active US DMFs.

Its facilities have undergone inspections by multiple global regulatory agencies including the USFDA, EMA, PMDA, TGA, KFDA, ANVISA, Rx-360 and WHO. The company has a headcount of 1,794, including 360 scientists for R&D, and manufactures 100-plus APIs for ten therapeutic areas.

Neuland is also investing in backward integration and new business initiatives to support future growth.

Exhibit 57: Business overview



Source: Company

Note: % on basis of revenue contribution

Generic Drug Substances (GDS)

Neuland Laboratories operates the GDS business through two key segments: Prime APIs and Specialty APIs. The Prime API segment includes high-volume, mature APIs used in generic formulations while the Specialty API segment consists of low-volume, complex molecules that require advanced process chemistry.

The company supplies APIs to over 500 customers globally and has made 988 regulatory filings worldwide. It leverages synthetic chemistry and process development capabilities, including support from its Process Investigation Department (PID), to optimise manufacturing efficiency and reduce the total cost of ownership for customers. Neuland's GDS portfolio spans multiple therapeutic categories and is supported by an established supply chain and regulatory-compliant infrastructure.

Prime APIs

The **Prime APIs** segment comprises a portfolio of ten key APIs, which contribute significantly to its business volume growth. This segment includes high-volume, mature molecules used in generic formulations. Notable APIs in this portfolio include Mirtazapine (an anti-depressant) and Levetiracetam, (effective in treating epilepsy). Other APIs in the segment include Ezetimibe, Escitalopram, Levofloxacin, Ciprofloxacin, Enalapril, Sotalol and Labetalol, spanning a range of therapeutic areas such as cardiovascular, anti-infective and central nervous system disorders.

Specialty APIs

The **Specialty APIs** segment includes a portfolio of over 50 complex and value-added APIs. This segment focuses on select customers and compounds that are often covered by patents and used in validation batches and regulatory filings. The key APIs in this segment are Paliperidone, Dorzolamide, Brinzolamide, Deferasirox, Donepezil, Entacapone and Salmeterol. These molecules are typically lower in volume, but require advanced chemistry and process development expertise.

Custom Manufacturing Solutions (CMS)

Through CMS, Neuland provides customised small molecule API development and manufacturing support for innovator pharmaceutical and biotech companies. CMS is characterised by variances in performance in the short term due to the inherent nature of the business.

It offers chemistry services from pre-IND (Investigational New Drug) through to the manufacturing of small-scale clinical trial batches and commercial supplies with minimal technology transfer timelines. The services encompass:

- designing and developing manufacturing processes;
- process optimisation for competitiveness;
- cGMP manufacturing of APIs and intermediates;
- filing of CMC (Chemistry, Manufacturing and Controls) documentation/DMF for the API; and
- solid-state and pre-formulation technologies.

The company transfers processes from small-scale through validation to commercial manufacturing. It follows a consultative approach for maintaining customer relationships.

Manufacturing facilities

Neuland operates three manufacturing facilities near Hyderabad, which support its API production for both domestic and international markets. These facilities follow cGMP standards and have received approvals from global regulatory bodies including the USFDA, EDQM, PMDA, BfArm (Germany), TGA (Asutralia), PMDA (Japan), AFSSAPS (France), ANVISA (Brazil), and Cofepris (Mexico). Neuland's manufacturing setup is backward-integrated for early intermediates and multipurpose capabilities, allowing for control over production and flexibility to meet varied market needs. Standardised quality and operational practices across sites ensure consistent output and regulatory compliance.

Unit I – Bonthapally

Established in 1986, Neuland's unit I is its first manufacturing facility, focused on API production across multiple therapeutic areas. The facility has an API manufacturing capacity of 258KL, hydrogenation reaction volume of 0.88KL, and cryogenic reaction volume of 4.7KL. It includes a solvent recovery system with capacity of 100KL/day and consists of seven production blocks. Regulatory approvals include the USFDA, EDQM, CFDA and PMDA. Capacity for Rotigotine and Dorzolamide (GDS category) was doubled in FY25 to meet increased demand from customers.

Unit II – Pashamylaram

Established in 1994, Neuland's unit II has six production blocks and is designed to manufacture multiple APIs and intermediates, including key and complex APIs. The facility has an API manufacturing capacity of 381KL, hydrogenation reaction volume of 6KL and cryogenic reaction volume of 17KL. It has a solvent recovery system with capacity of over 20KL/day. Regulatory approvals include USFDA, EDQM, CFDA and ANVISA. Capacity for Ezetimibe was increased from 8MTPA to 12MTPA to meet customer demand in FY25.

Unit III – Gaddapotharam

Acquired in 2017, Neuland's unit III has six production blocks with an API manufacturing capacity of 536KL, hydrogenation reaction volume of 6KL and cryogenic reaction volume of 16KL. It has a solvent recovery system with a 50KL/day capacity and holds regulatory approvals from the USFDA and ANVISA.

In FY25, the facility added 215KL of volumetric capacity to support the ramp-up of a key product from 50MT to 150MT and increased capacity for one CMS molecule from 15MT to 30MT. A 4KL mini-plant was commissioned to support small-scale CMS requirements.

Exhibit 58: Milestones and key events

Fiscal year	Event/milestone
1984	Incorporation of Neuland Laboratories
1986	First API sale of Salbutamol Sulphate/Albuterol Sulphate
1997	Neuland undergoes first USFDA inspection
2004	Neuland commences operations in the USA
2007	Neuland Labs launches subsidiary in Japan
2008	R&D centre established alongside EDQM audit of unit I at Neuland
2009	Receives first NCE approval from PMDA, Japan
2013	Strategic alignment of Neuland Labs' business toward niche APIs and custom manufacturing services
2016	R&D facility approved by USFDA
2017	Neuland Labs ranks among first three Indian API facilities audited by CFDA (unit I), with unit II audited by EDQM
2018	Neuland Labs completes acquisition of advanced intermediates and API production facility
2020	USFDA audit completed for unit II
2021	Unit III commercialisation
2023	Unit III of Neuland Labs audited by US FDA, and unit I reviewed by EDQM
2024	Unit I clears USFDA audit with zero Form 483 observations

Source: Company

Management Overview

Exhibit 59: Management profile — Key management personnel

Name	Designation	Brief Profile
Dr Davuluri Rama Mohan Rao	Executive Chairman	Dr Rao is a Master of Science from Andhra University and holds a Postgraduate Diploma in Synthetic Drugs and Fine Chemicals Technology from IIT Kharagpur. He also earned a doctorate in Organic Chemistry from the University of Notre Dame, USA, in 1969. Besides, Dr Rao held research positions at the University of Vermont – Burlington, Downstate Medical Center – New York, and the Indian Institute of Science – Bangalore, and has nine publications in international journals. He is a member of the Royal Society of Chemistry. After several years in academic research, Dr Rao joined Glaxo India in 1973, wherein he held senior roles in R&D, Quality and Manufacturing. In 1983, he joined an Indian pharmaceutical firm and played a key role in a successful USFDA inspection. Dr Rao founded Neuland in 1984.
Mr D. Sucheth Rao	Vice Chairman & Chief Executive Officer	Mr Rao is a mechanical engineer, and an MBA in Corporate Finance and Operations Management from the University of Notre Dame, Mendoza College of Business (Indiana, USA). He is a certified Six Sigma Black Belt. Mr Rao has experience in business development, sales, marketing and operations, with board-level profit and loss responsibility. He oversees corporate governance, quality and EHS standards, and sponsors the company's Enterprise Risk Management and ESG programmes. At Neuland, he has led the establishment of subsidiaries in the US and Japan, expanded sales in regulated markets, strengthened quality systems, and driven the company's focus on specialty APIs and the CMS business. He is also an Executive Member of the YPO Hyderabad Chapter.
Mr D Saharsh Rao	Vice Chairman & Managing Director	Mr Rao is an electrical engineer and a Master of Management Information Systems from the Weatherhead School of Management, and an MBA from the University of North Carolina . He joined Neuland in March 2005 as Chief Information Officer and was later tasked with initiating the Custom Manufacturing Solutions (CMS) business. Mr Rao was appointed a Whole-Time Director in 2009 and re-appointed at the 36th Annual General Meeting on July 10, 2020, for a term ending May 31, 2025. He has led strategic initiatives, and oversees business development for the CMS business. His responsibilities span Marketing and Business Development for GDS and CMS, R&D, Project Management, IT (including Cyber Security), and Investor Relations. Mr Rao has focused on strengthening capabilities in R&D, particularly in peptides, and contributed to Project Management and Digital Marketing. Along with the CEO, he is responsible for the company's long-term strategic plans. He previously worked at Sify Limited and with a life sciences-focused venture fund in the Research Triangle.
Mr Abhijit Majumdar	Chief Financial Officer	Mr Majumdar has over 30 years of experience in finance, working capital management, taxation (direct and indirect), mergers & acquisitions, digital initiatives, statutory audits, treasury, banking relations and financial planning. He is responsible for overseeing the finance function at Neuland and serves as a key business integrator across the company. Having worked at organisations such as Asian Paints PPG, Berger Paints and Tata Steel, Mr Majumdar led functions including Human Resources, Supply Chain and Commercial. Mr. Majumdar holds qualifications in Chartered Accountancy and Cost Accountancy from the Institute of Chartered Accountants of India and the Institute of Cost Accountants of India.
Dr Sharadsrikar Kotturi	Chief Scientific Officer	Dr Kotturi has over 20 years of experience in pharmaceutical research & development. Before joining Neuland, he was Senior Vice President – Operations at Piramal Pharma, wherein he was responsible for small molecule discovery and peptide businesses, and led the strategy and performance framework for the Pharmaceutical Discovery Services (PDS) organisation. He began his career in research at RTI International in North Carolina, wherein he also completed postdoctoral research in medicinal chemistry focused on addiction. Since moving to India in 2010, Dr Kotturi has held operational and commercial roles at GVK-Bio, Tata Advinus and Piramal, with increasing responsibilities. Dr Kotturi is a Bachelor of Science (Tech) and a Master of Science (Tech) from UDCT, Bombay, and a PhD from Oklahoma State University. He has authored over 35 patents and research articles in international peer-reviewed journals.

Source: Company

Exhibit 60: Management profile (contd.)

Name	Designation	Brief profile
Mr Ashutosh Kumar Sinha	Chief Quality Officer	Mr Sinha has over 28 years of experience in the pharmaceutical industry. He is responsible for overseeing the design, development and maintenance of quality systems to meet regulatory and customer requirements. Prior to joining Neuland in March 2024, Mr Sinha worked at Syngene International, wherein he led quality improvement initiatives and maintained audit readiness. Prior to that, he held quality leadership roles at Dr Reddy's Laboratories, Symbiotec Pharma, Glenmark Generics and Ranbaxy Laboratories. Mr Sinha is a Master of Total Quality Management and holds a postgraduate qualification in Pharmaceutical Chemistry.
Mr Sundar Narsimhan	Chief Procurement Officer	Mr Narsimhan is responsible for planning and procurement, strategic sourcing, contract manufacturing, warehousing, inventory management and logistics at Neuland. He focuses on improving quality, cost efficiency, vendor de-risking and reducing dependence on China by diversifying sources in line with regulatory requirements. With over 30 years of experience in procurement and supply chain management, Mr Narsimhan is a member of Neuland's Steering Committee for growth and strategy. He is a mechanical engineer and a PhD in Business from GITAM Deemed University. Mr Narsimhan also holds certifications from the Theory of Constraints Institute, Institute of Supply Management (USA), and IIMM, Mumbai, and is a Life Member of the Indian Institute of Materials Management.
Mr Parag Deshmukh	Sr. Vice President - Production	Mr Parag Deshmukh joined Neuland in March 2025, and oversees API manufacturing operations. He is a Bachelor of Chemical Engineering from Mumbai University and an MBA in Human Resources from IMT Ghaziabad. With over 24 years of experience in API manufacturing, Mr Deshmukh has worked with firms such as Lupin, Aurobindo and Cipla, wherein he managed two manufacturing units. His areas of focus include operational excellence, cost efficiency, productivity improvement and regulatory & statutory compliance.
Mr Sudheer Yarabolu	Sr. Vice President - Global Head, Sales & BD	Mr Yarabolu joined the company in 2000 as General Manager, Sales and Business Development, and currently leads the Generics Drug Substance (GDS) business. He has been associated with the GDS business for over two decades and plays a key role in its growth and strategy. Mr Yarabolu is a Bachelor of Commerce, a Master pf Business Administration, and holds a Postgraduate Diploma in Industrial Relations and Personnel Management.

Source: Company

Exhibit 61: Board of directors

Name	Designation
Dr Davuluri Rama Mohan Rao	Executive Chairman
Mr D. Saharsh Rao	Vice Chairman & Managing Director
Mr D. Sucheth Rao	Vice Chairman & Chief Executive Officer
Dr Christopher M. Cimarusti	Non-executive Director
Mr Homi Rustam Khusrokhan	Independent Director
Mr Sugata Sircar	Independent Director
Mr Prasad Raghava Menon	Independent Director
Ms Pallavi Joshi Bakhru	Independent Director

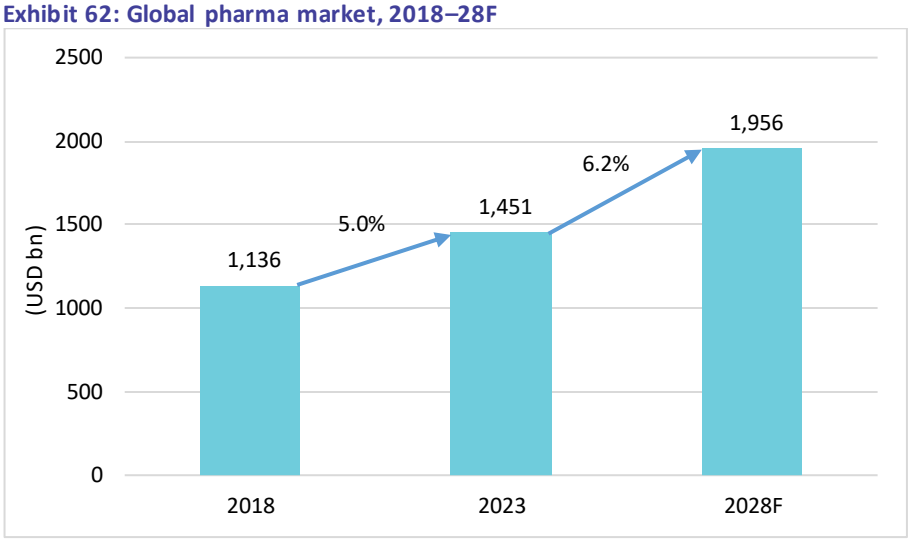
Source: Company

Industry Outlook

Global pharma market overview

The global pharmaceutical industry is rapidly transforming across the value chain spanning manufacturers, providers and patients. It is driven mainly by factors such as growth of the elderly population, rising incidence of chronic diseases, sedentary lifestyles and increasing health awareness.

Exhibit 62: Global pharma market, 2018–28F



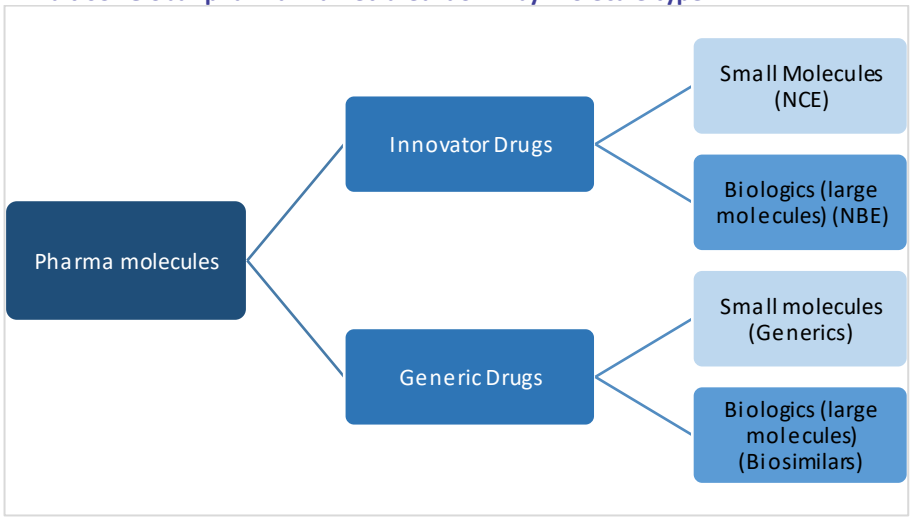
Source: Evaluate Pharma, Frost & Sullivan

Note: F-Forecast

Global pharma market by innovation type

The pharmaceutical market can be divided into two types of drugs: innovators (comprising new chemical entities (NCEs) and new biological entities (NBEs) and generics (including biosimilars).

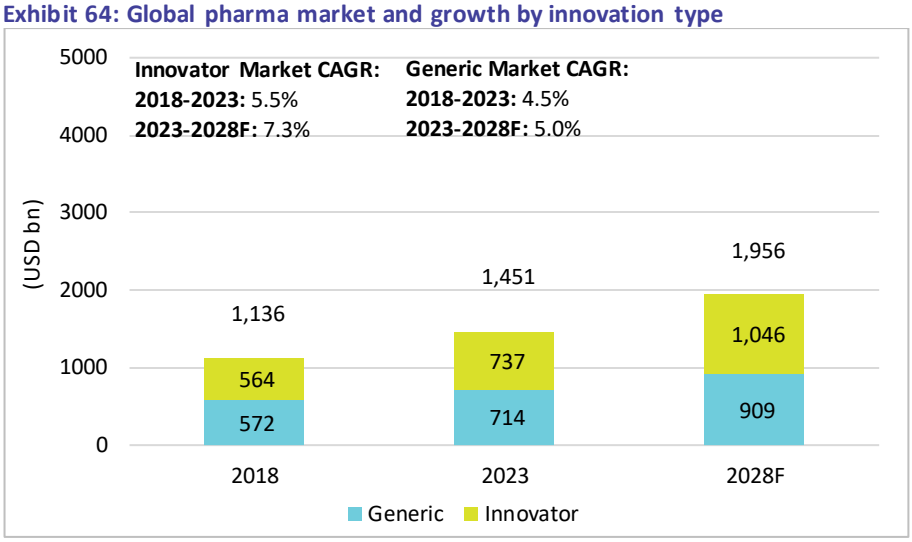
Exhibit 63: Global pharma market breakdown by molecule type



Source: Frost & Sullivan

The **Innovator Drugs Market** is growing due to rising R&D investments by pharmaceutical companies, driving demand for novel, high-value therapies, particularly for complex and rare diseases. At the same time, the launch of cost-effective generics and biosimilars is improving access and affordability by providing lower-cost alternatives to original drugs.

Exhibit 64: Global pharma market and growth by innovation type



Source: Evaluate Pharma, Frost & Sullivan

Note: F-Forecast

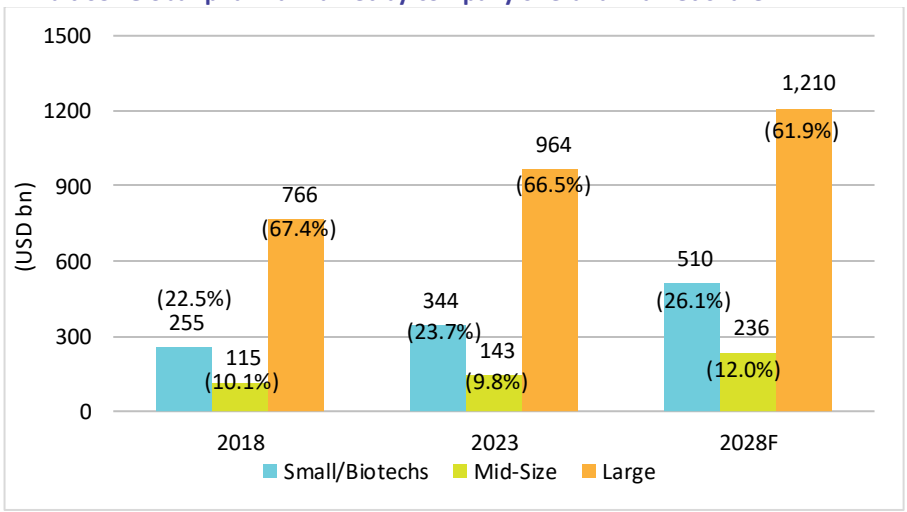
Global pharma market by company

The global pharmaceutical market is segmented by company size into small biotech and pharma firms (revenues less than USD500mn), mid-sized companies (revenues between USD500mn and USD10bn) and large multinationals (revenues more than USD10bn).

While large pharmaceutical companies currently hold the majority share due to their R&D strength, global reach and financial resources, their dominance is gradually declining. In contrast, small biotech and pharma companies—known for their innovation and agility—are gaining market share and growing at a faster pace, supported by increased venture capital funding.

Unlike large pharma firms with diversified portfolios across therapeutic areas, small pharmaceuticals, biotech firms and mid-size companies often focus on niche, innovative therapies, allowing them to respond quickly to new scientific advances. Rising prominence of small pharmaceutical and biotech companies highlights a broader industry shift toward innovation-led growth.

Exhibit 65: Global pharma market by company size and market share



Source: Evaluate Pharma, Frost & Sullivan

(%) represents market share.

Pharma R&D dynamics

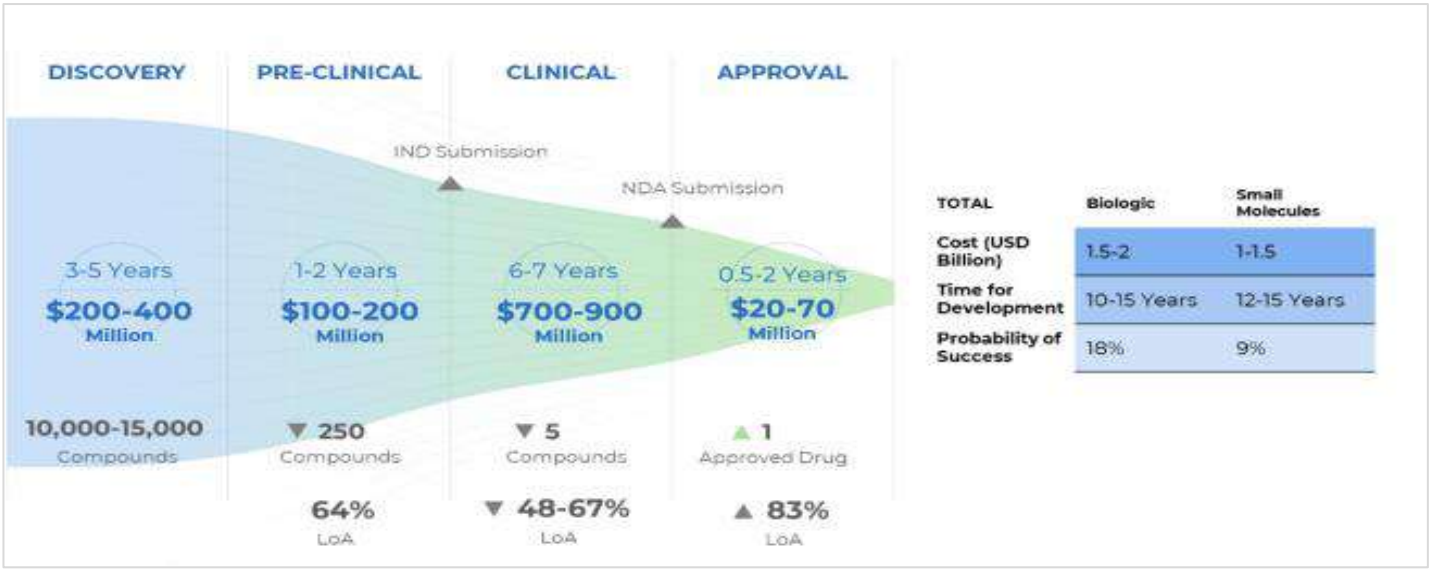
In the pharmaceutical industry, developing a new drug requires thorough testing and regulatory assessment to confirm its safety and effectiveness before it can be introduced to the market. This process can take over a decade and involves R&D investments of more than USD1bn, from discovery to final commercialisation. Despite these efforts, the likelihood of successfully bringing a new drug to market remains low.

Exhibit 66: Pharma R&D value chain

Phase	Stages	Description
Drug Discovery		Process from target identification to target validation to lead generation and lead optimisation. During this stage, thousands of compounds are narrowed down to a few hundred with promising potential. Researchers collaborate to identify and optimise potential leads to a specific target. Essentially, the leads must elicit a desirable effect on a specific biological target implicated in a disease, in the hopes of treating it and potentially becoming a medicine.
Development	Pre-clinical Phase	The substances identified during Drug Discovery are refined, and optimised, and exhaustive laboratory and animal experimentation of the preclinical drug candidates are performed for safety and therapeutic effect to determine whether a compound is suitable for human testing. The process may take several years, and the data generated during this stage is a critical part of the dossier to regulatory bodies to receive approvals for conducting clinical trials.
	Clinical Trials	Promising drug candidates are submitted to regulatory authorities through an Investigational New Drug (IND) application to begin human clinical trials. Once approved, these drugs undergo four clinical trial phases: Phase I tests safety and tolerance in a small group of healthy volunteers. Phase II (IIa and IIb) evaluates effectiveness, tolerability and optimal dosage in a larger group. Phase III confirms safety and efficacy in a broad patient population for regulatory approval. Phase IV trials occur post-approval to monitor long-term effects and real-world performance.
	Drug Substance Development	Early- and late-stage process development involves producing small batches of drug substances for toxicology and early clinical studies. As trials progress, larger quantities are needed, requiring scalable, robust and efficient manufacturing processes to meet increasing demand.
	Clinical Supplies/Drug Product Development	Early- and late-stage formulation development involves refining the drug formulation as it progresses through trials, with increasing complexity based on emerging data.
Commercial Manufacturing		Large-scale commercial production of the approved drug with the highest level of quality. Companies must adhere to the FDA or all other relevant regulations for Drug Substance and Drug Product manufacturing

Source: Frost & Sullivan

Exhibit 67: Global Pharma R&D process



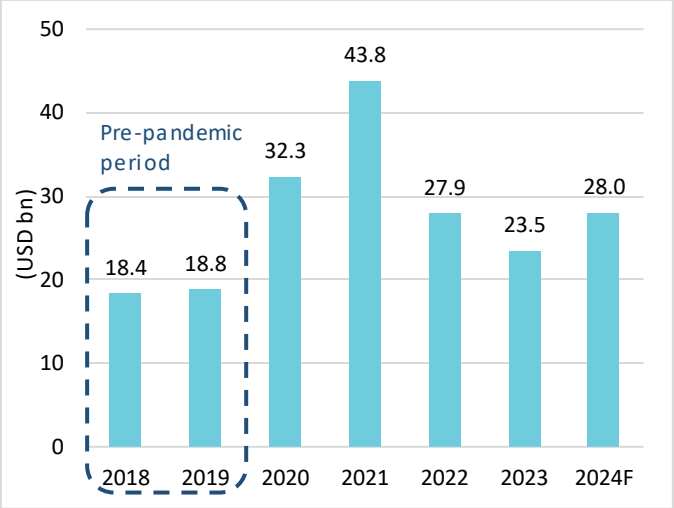
Source: Frost & Sullivan

Note: IND= Investigational New Drug, NDA= New Drug Approval, LOA – Likelihood of Approval; LoA for Phase 1– 48%, Phase 2– 25%, Phase 3– 67%

Global VC/PE funding in biotech

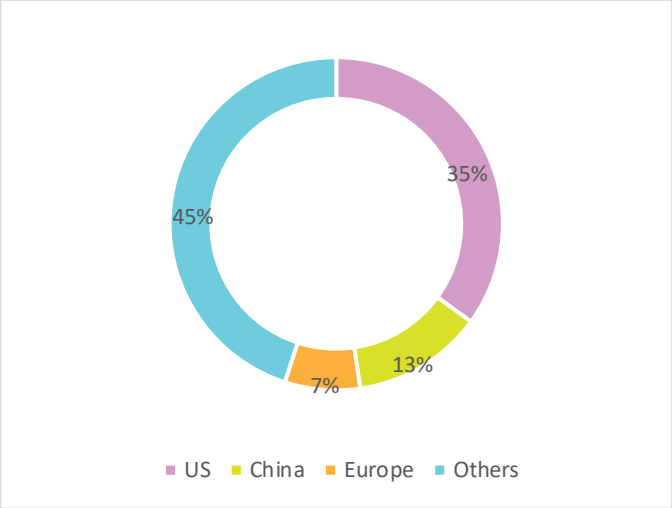
Private capital funding in the biotech sector has remained robust, well above pre-pandemic funding levels, in 2022 and 2023. This sustained investment is fuelling increased R&D activity, particularly in major US innovation hubs such as Cambridge, San Francisco, Boston, New York and San Diego, which are home to a large concentration of biotech and pharma companies. Emerging biotech firms are also increasingly partnering with CDMOs in cost-efficient locations (such as India) to support drug development and large-scale production.

Exhibit 68: PE/VC funding in biotech, 2018–24F



Source: DealForma Database, Frost & Sullivan

Exhibit 69: Share of biotech funding, 2023

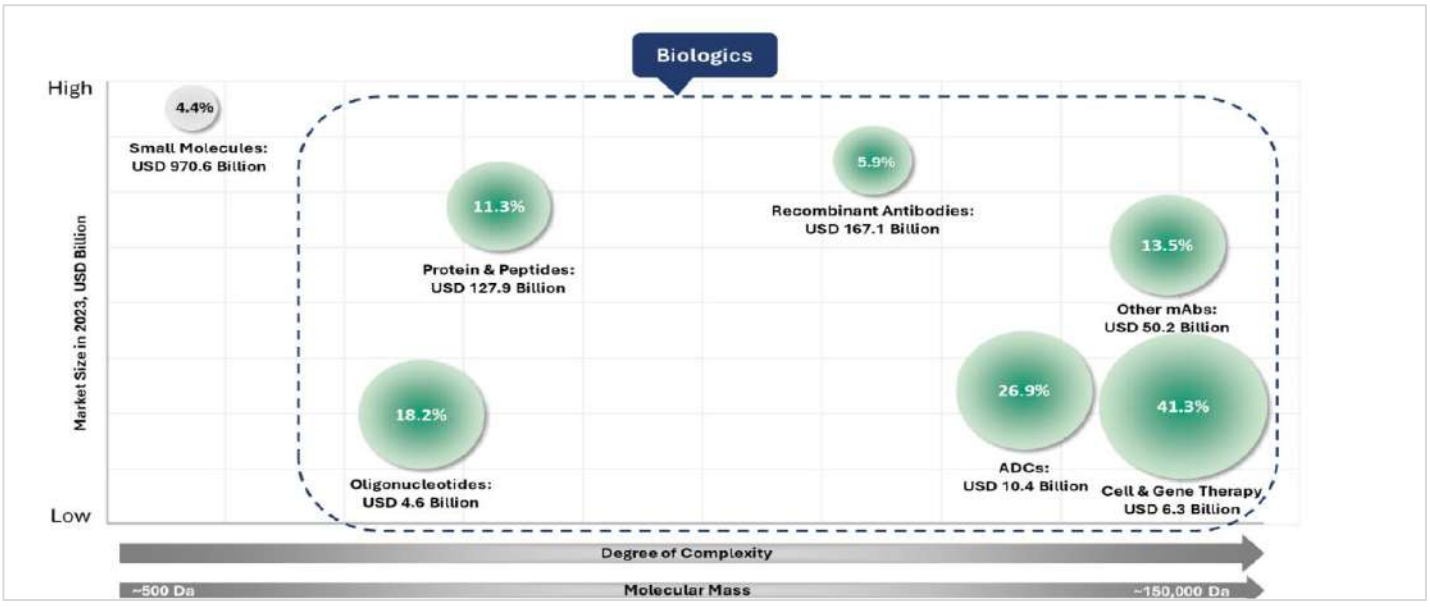


Source: Drug Development & Outsourcing, Frost & Sullivan

Global pharmaceutical market by molecule type

Small molecules have been central to medicine due to ease of synthesis. Biologics such as mAbs, ADCs and CGTs offer higher specificity, but are more complex and costly to produce. As modalities evolve, they enable more targeted and personalised treatments, but demand advanced development, manufacturing and regulatory systems.

Exhibit 70: Market potential by type of molecule, market size (2023) and growth (2023–28F)



Source: Evaluate Pharma, Frost & Sullivan

% in the Bubble represents CAGR between 2023 and 2028F

Bubble size represents the growth potential between 2023 and 2028

Monoclonal Antibodies (mAbs) are a type of protein that is made in the laboratory and can bind to certain targets in the body such as antigens on the surface of cancer cells. mAbs comprises molecules such as Antibody Drug Conjugates (ADC), Recombinant antibodies and other mAbs.

a) **Recombinant Antibodies** are generated outside the immune system using synthetic genes and, therefore, do not require animal immunisation for their production.

b) **Antibody-drug conjugates (ADCs)** link antibodies to cytotoxic drug to target cancer cells and may replace conventional chemotherapies. Their complex manufacturing requires precise attachment of toxic payloads while ensuring stability and function in tightly controlled environments.

Proteins and peptides (PPT), such as enzymes and GLP-1 agonists, offer targeted effects with minimal systemic exposure. GLP-1 agonists are particularly effective in treating metabolic disorders, but however require sophisticated delivery systems like encapsulation (combining with polymer-nanoparticles to offer a stable environment and reduce degradation) or chemical modification (to improve stability and half-life) to prevent degradation and enhance bioavailability, complicating their development and manufacturing.

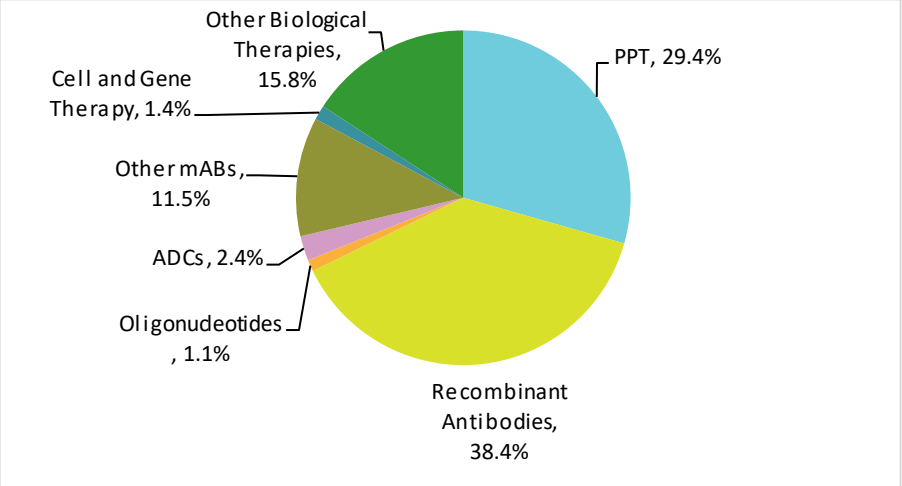
Oligonucleotides, such as antisense and small interfering RNA (siRNA) therapies, represent a leap into genetic modulation, directly targeting RNA to alter protein production.

Cell and gene therapies (CGT), including CAR-T cell therapies and gene-editing techniques such as CRISPR, offer potentially curative treatments by altering or correcting genetic material. These therapies require advanced bio-manufacturing involving viral vectors or plasmid DNA and must adhere to rigorous quality control and regulatory standards, further increasing their complexity and cost.

Manufacturing technologies and platform trends

The pharmaceutical industry is transitioning from traditional drug manufacturing to advanced methods such as Biotransformation, Flow Chemistry and Recombinant DNA. Unlike conventional processes that rely on stringent conditions and costly reagents with low yields, these innovations offer more efficient, scalable and environmentally friendly production—particularly for complex molecules such as peptides, oligonucleotides and monoclonal antibodies.

Exhibit 71: Share of biologics by technology, 2023



Source: Evaluate Pharma, Frost & Sullivan

Exhibit 72: Manufacturing technology platforms

Platform	Description	Benefits/drivers	Select applications
Biotransformation	Biosynthesis/biotransformation is a process that uses enzymes as catalysts to replace heavy metals or other chemical catalysts when synthesising drugs.	Biosynthesis or biotransformation offers a faster, safer and more cost-effective alternative to traditional chemical synthesis. By combining multiple catalytic steps into one, it reduces waste, energy consumption and environmental impact. Reactions typically occur at milder temperatures, further enhancing sustainability of the process.	Green Chemistry Organic Synthesis Asymmetric Synthesis Drug Modification
Flow Chemistry/Continuous Manufacturing	Flow Chemistry or Continuous Manufacturing is a technique where chemical reactions are carried out in a continuous flow system (uninterrupted production line), rather than in batches.	Flow chemistry offers improved control, efficiency and safety, with higher yields and lower setup and operating costs. It enables precise control over key reaction parameters—stoichiometry, mixing, temperature and reaction time—leading to greater operational efficiency.	Peptide and oligonucleotide synthesis, API production, Drug formulation
Fermentation	Fermentation is a biological process that involves the conversion of organic compounds into other products by the action of microorganisms	This method enables rapid, cost-effective production of large quantities of specific compounds, improving operational efficiency in drug manufacturing	Monoclonal Antibodies, Recombinant proteins, Microbial vaccines
Metal-Mediated Chemistry	Metal-mediated chemistry is a key tool in organic synthesis, involving the use of metal catalysts to facilitate chemical reactions	Metal ions can increase the toxicity of coordinated drugs through Fenton reactions, making them useful in treating conditions such as diabetes, ulcers, rheumatoid arthritis and inflammatory diseases	Chiral Catalysis, Catalytic hydrogenation, Oxidation and reduction, Carbon bond formation
Recombinant DNA	Recombinant DNA technology involves using enzymes and various laboratory techniques to manipulate and isolate DNA segments of interest	Recombinant DNA technology can produce proteins and antibodies with a high degree of uniformity and specificity	Production of insulin, Recombinant proteins, Human growth hormone, Gene therapy
Electrochemistry	Electrochemistry is a technique that uses electricity to perform chemical reactions like oxidation and reduction. It has applications in medicinal chemistry labs, early development for the synthesis of intermediates, and synthesis of impurities	Electrochemistry offers a more sustainable and efficient method for synthesising small molecules. It enables the creation of complex compounds, which are not easily made through traditional methods and can replace hazardous or waste-generating reagents in API synthesis	APIs and intermediates
Photochemistry	Photochemistry utilises light, often in the visible or ultraviolet spectrum, to activate a substrate or catalyst, which then facilitates a chemical reaction	Light as a reagent aligns with the principles of green and sustainable chemistry, reducing reliance on hazardous traditional reagents and minimising the use of hazardous substances	APIs and intermediates

Source: Company, Nuvama Research

Evolution of pharma outsourcing model

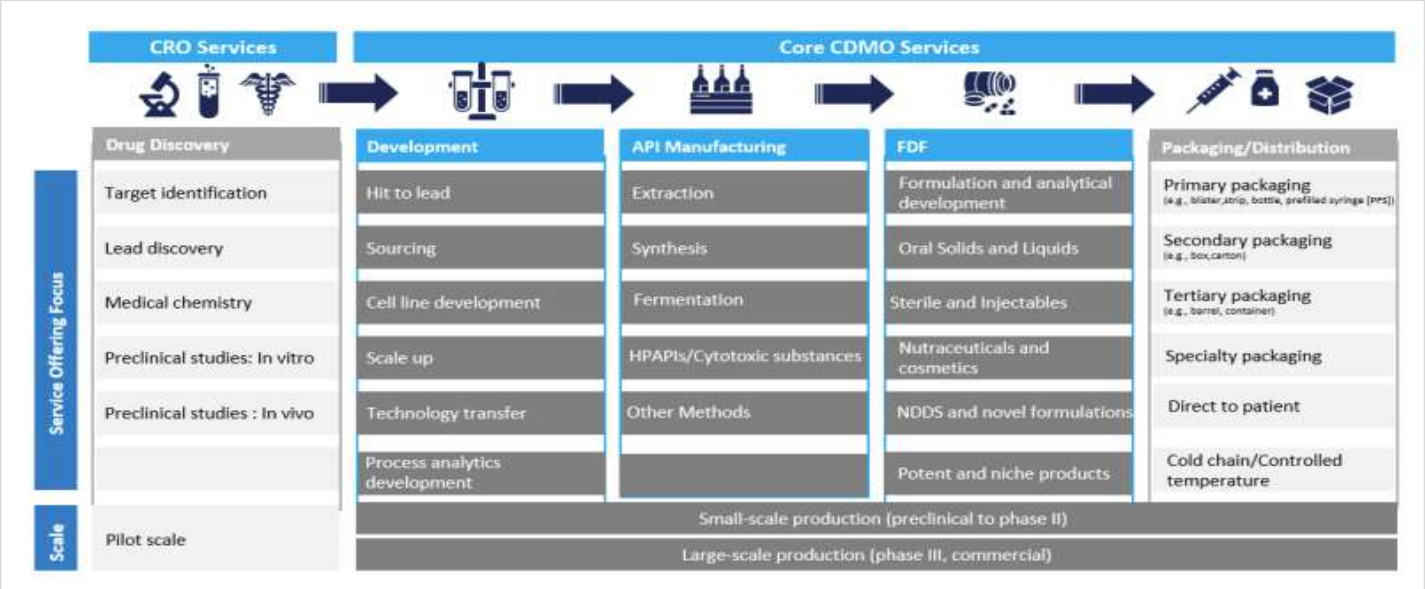
In the past, these companies mainly focused on outsourcing large volumes and forming partnerships with contract service providers to improve their late-stage clinical trials and carry out large-scale manufacturing of established drugs at low cost.

However, outsourcing is no longer about cost or manufacturing. Pharmaceutical companies are building closer relationships with contract service providers to get help in R&D, access new markets, share the risk of drug development such as regulatory hurdles, clinical trials, speed up timelines and ensure best-quality output at lower costs.

CDMO industry overview

CDMOs are broadening their scope from discovery to commercialisation to meet shifting pharma sponsor needs.

Exhibit 73: CDMO service spectrum – Global



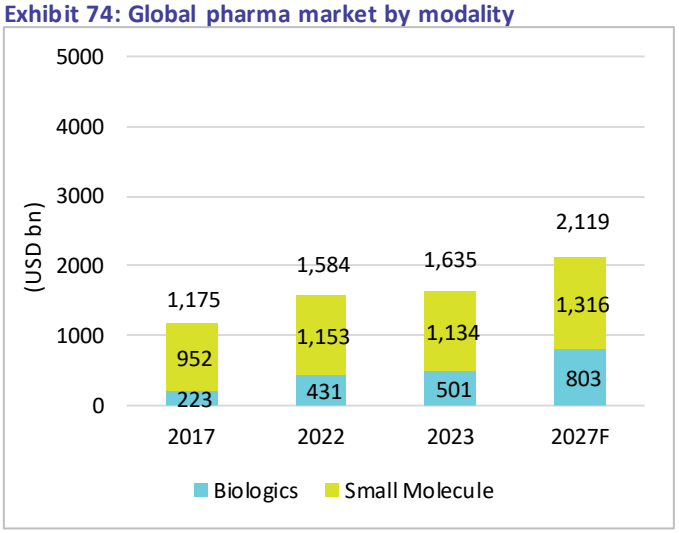
Source: Frost & Sullivan

Core drug manufacturing involves producing intermediates and starting materials that are synthesised into APIs and final products.

Dominance of small molecule outsourcing

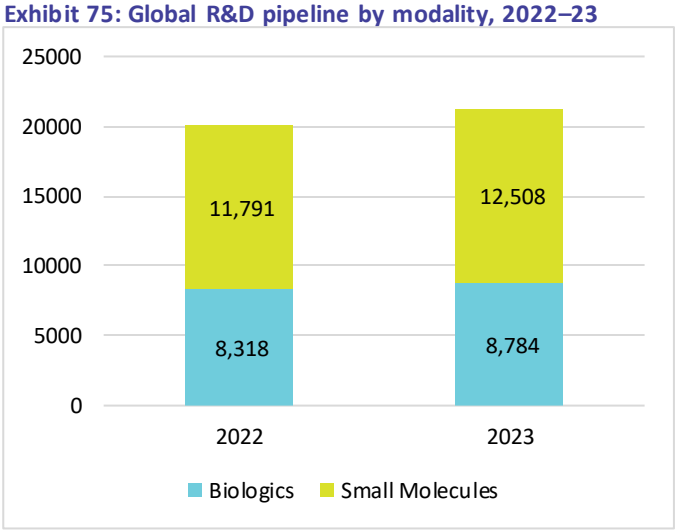
Given the dominance of small molecules in the total pharma market and their strong legacy, these products have accounted for the dominant share (~80% of total CDMO market in 2023) of CDMO services.

Exhibit 74: Global pharma market by modality



Source: IQVIA Global Use of Medicine-2024, Pharmaprojects-2024, FDA, Frost & Sullivan

Exhibit 75: Global R&D pipeline by modality, 2022–23



Source: IQVIA Global Use of Medicines-2024, Pharmaprojects-2024, FDA, Frost & Sullivan

Shift of outsourcing momentum from China to India

A 2019 USFDA study showed that 72% of the total API consumption in the US was sourced from overseas, with a large part of sourcing from India (18%) and China (13%). Due to its API space dominance and significant cost advantages, China is a prominent APAC CDMO service supplier. However, contamination, facility shutdowns due to pollution concerns, language barriers, trade wars, disruptions related to the pandemic, and 'China plus One' strategy have collectively prompted pharmaceutical sponsors to explore other countries in APAC for outsourcing.

According to a recent study, the number of IP-related lawsuits in China tripled from 2016 to 2020. Hence, challenges with IP protection persist in China. At the same time, India has made significant strides in the last decade, from multilateral agreements on IP to amendments to national laws. It has emerged as a desirable destination for pharma companies.

Exhibit 76: Benefits of outsourcing to India vis-à-vis China — A comparative snapshot

Criteria	China	India
2024 Cost of labour (Monthly Minimum Wage)	USD 371.2	USD 63.9
Median age, 2024	39 years	28.2 years
Working age population as a proportion of the total population	69%	68%
Infrastructure - GDUFA Registered Facilities, as of May 2024	189 facilities, including 129 API facilities 38 FDF facilities 12 facilities engaged in API and FDF 10 CMO facilities	393 facilities, including 215 API facilities 135 FDF facilities 21 facilities engaged in both API and FDF 22 CMO facilities
Language barrier	There is a high language barrier as only a limited working population is English-speaking	Large English-speaking workforce

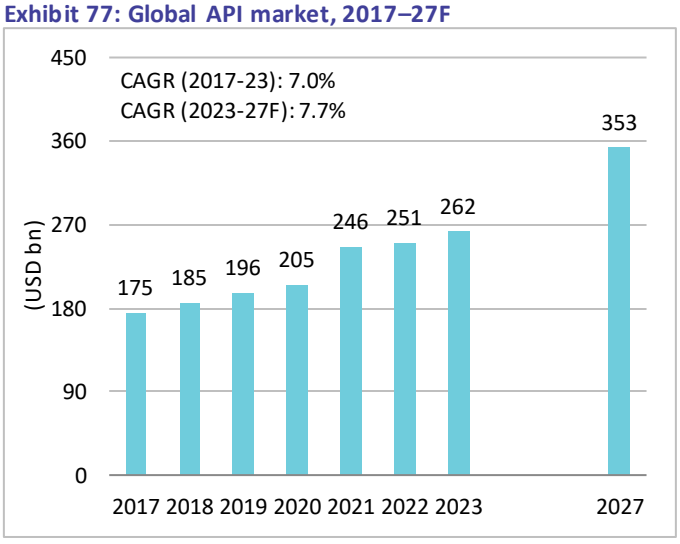
Source: Current Economy (National Minimum Wage); World Bank; Economic Intelligence Unit; FDA; Frost & Sullivan

Global and India API industry overview

The growth in the formulations market also translates into corresponding growth in the API market. The demand for pharmaceutical products is directly linked to API sales. As this demand increases, so does the need for APIs. Shifts in disease patterns from acute to chronic conditions are driving higher drug consumption. This combined with improved access to healthcare, affordable medicines and rising middle-class purchasing power is supporting API industry growth.

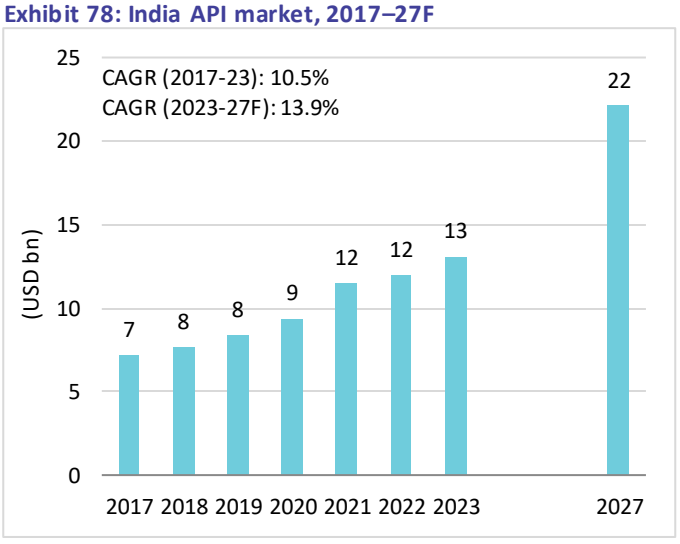
Additionally, the adoption of novel drugs, including biologics, and the expansion of the generics market are contributing to steady growth in the segment. There is also a growing preference for complex APIs such as Highly Potent APIs (HPAPIs) and fermentation-based APIs, which enhance drug effectiveness but also increase production costs.

Exhibit 77: Global API market, 2017–27F



Source: Frost & Sullivan

Exhibit 78: India API market, 2017–27F



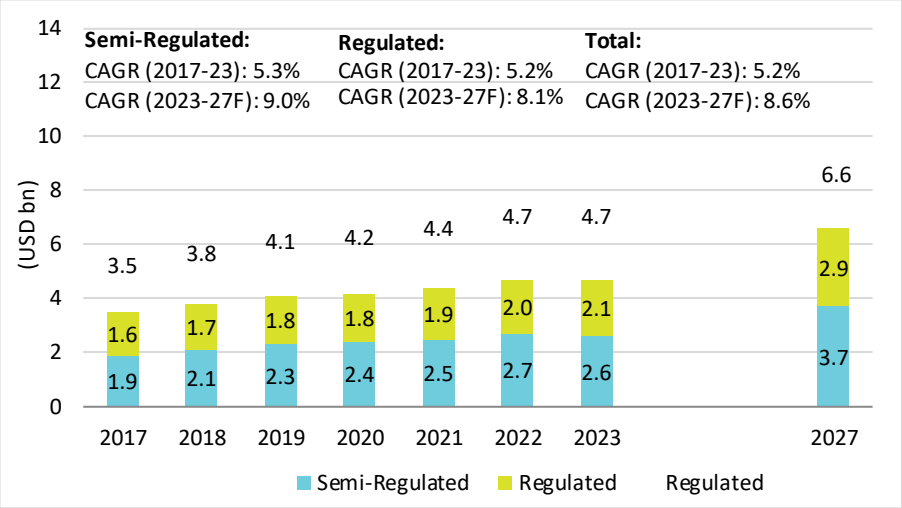
Source: Frost & Sullivan

API exports from India

India is both an importer of bulk drugs and a major exporter of APIs to global markets. Its position as a leading API supplier is supported by process efficiency, regulatory experience across various countries, and cost advantages. API exports

from India have grown consistently with steady increases to both regulated and semi-regulated markets in recent years. We expect this growth trend to continue over coming years.

Exhibit 79: India's API exports by value, 2017–27F



Source: Frost & Sullivan

Additional Data

Management

Chairman	Dr. Davuluri Rama Mohan Rao
Co-Chairman	Davuluri Sucheth Rao
Managing Director	Davuluri Saharsh Rao
Joint Managing Director	
Auditor	M/s. MSKA & Associates

Holdings – Top 10*

	% Holding		% Holding
Malabar India F	5.76	Jupiter India F	1.29
Vanguard Group	2.55	Kedia Securitie	1.01
Matthews Intern	2.19	Black Rock	0.99
ICICI Pru AMC	2.06	IDFC Mutual Fun	0.95
L&T Mutual Fund	1.71	Ocean Dial Asse	0.78

**Latest public data*

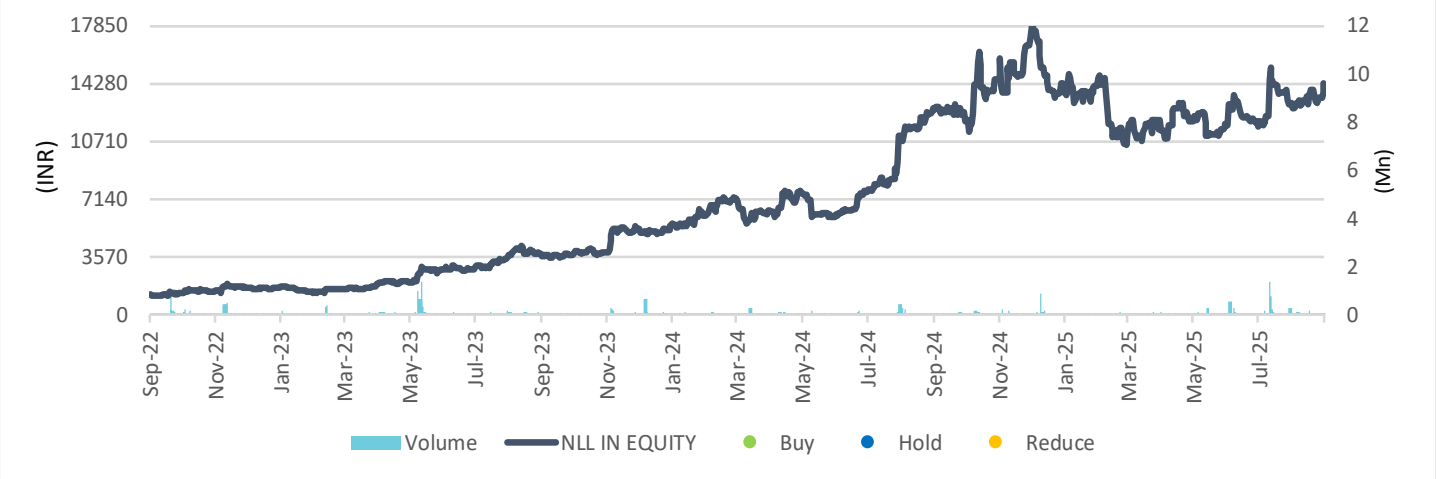
Recent Company Research

Date	Title	Price	Reco

Recent Sector Research

Date	Name of Co./Sector	Title
28-Aug-25	Divi's Lab.	Nearing oral GLP-1 opportunity; *Company Update*
20-Aug-25	Pharmaceuticals	Steady pulse; select players shine; *Sector Update*
13-Aug-25	Orchid Pharma	Pain in near term; long-term story intac; *Result Update*

Rating and Daily Volume Interpretation



Source: Bloomberg, Nuvama research

Rating Rationale & Distribution: Nuvama Research

Rating	Expected absolute returns over 12 months	Rating Distribution
Buy	15%	223
Hold	<15% and >-5%	50
Reduce	<-5%	29

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Abneesh Roy
Head of Research Committee
Abneesh.Roy@nuvama.com

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Nuvama Institutional Equities, Inspire BKC, G Block, 8th Floor, Bandra Kurla Complex, Mumbai 400 051
Tel: +91 22 6620 3030. Email: research@nuvama.com