“SeQuent Scientific Limited

Transaction Update Conference Call”

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**Moderator:** Ladies and gentlemen, good day and welcome to the SeQuent Scientific Limited Transaction Update Conference Call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Abhishek Singhal. Thank you and over to you, sir.

**Abhishek Singhal:** Thanks, Sagar. A very good evening and thank you for joining us today for the SeQuent and Viyash Merger Transaction Update Conference Call. Today we have with us Mr. Rajaram, SeQuent Managing Director and CEO and Dr. Hari Babu, Co-Founder, Chairman and CEO of Viyash Life Sciences. The transcript for this call will be available in a week's time on the company's website. Please note that today's discussion may be forward-looking in nature and must be viewed in relation to the risk pertaining to the business. We request you to kindly restrict the discussion for this call to the transaction announced.

After the end of this call, in case if you have any further questions, please feel free to reach out to the Investor Relations team. I now hand over the call to Mr. Rajaram to make the opening comments.

**Rajaram Narayanan:** Thank you, Abhishek. Good evening, everyone. Today we have the opportunity to throw more light on the announcement which was made on the 27th of September regarding the proposed merger between SeQuent Scientific Limited and Viyash Life Sciences Limited. I'm really delighted that Dr. Hari Babu, the Co-Founder, Chairman and CEO of Viyash Life Sciences, is here on the call with me today.

Dr. Hari Babu is well known in the industry for his experience and expertise in the area of pharmaceuticals globally. Over the last 35 years, he's been a Scientist, a Technologist, Global CXO, and an Entrepreneur. I'm also joined by Saurav Bhala, CFO of SeQuent, and Mr. Ramakant Singani, CFO of Viyash. This is a significant step in the journey of the company as we move forward on our SeQuent 3.0 plan to secure a leadership position in animal health with end-to-end capabilities. The proposed merger will create a unique and differentiated platform to serve global markets and pharmaceutical clients.

The combined entity will have access to over 150 countries with a strong R&D, IP, and product development capabilities apart from state-of-the-art manufacturing facilities. The combined entity will have 5x higher R&D talent pool and 9x more in terms of USFDA-approved manufacturing facilities, which will form a strong operating backbone to serve our customers better.

The entity will also have a more robust financial profile as reflected in its margin and balance sheet. The merger will be accretive to SeQuent in revenue growth and margin in the very first year itself and de-leverage the balance sheet. The transaction would be at a valuation that is at a significant discount, in fact 44% discount to the current trading multiples of SeQuent, and we believe that it will be value accretive for SeQuent shareholders.

The process we have followed to arrive at this announcement as well as the swap ratio has adhered to the highest standards of governance. Throughout the process, we have worked with highly reputed leading advisors and valuation agencies. The proposed merger is subject to receipt of customary, statutory, and regulatory approvals, including from shareholders, Stock Exchanges, NCLT competition commission, etcetera.

Upon the scheme becoming effective, all shareholders of Viyash will be issued shares of SeQuent in the ratio of 56 shares of SeQuent for every 100 shares of Viyash. The new shares of SeQuent so issued will be traded at the National Stock Exchange and the Bombay Stock Exchange. I will now request Dr. Hari Babu to introduce himself and talk to us about the Viyash business and its outlook. Over to you, Dr. Hari.

**Hari Babu Bodepudi:** Thanks, Rajaram and good evening, everyone. So, my name is Dr. Hari Babu of course industry known as Mylan Hari Babu. So, I have been with industry almost last 30 years, of course, after completing my PhD in Organic Chemistry started in API R&D then I handled various functions Quality Regulatory and joined in Matrix in early 2000 and grew naturally with the company. Almost 20-25 years with Matrix Mylan together. Started actually as a Head of take-ups and Head of Quality, then India's Chief Operating Officer, CEO.

So finally ended up as a Global Chief Operating Officer for Mylan, so there I have seen actually beginning of the Matrix, there was a small company to the big global company actually, where I handled almost 25,000 people. So, a lot of excitement, I did a great job.

Then after that, I decided to quit Mylan. Then started Viyash sometime in 2019. So before starting, I debated myself, I actually debated with a couple of people. What should we do? How can we strategize differently? Since this market is so crowded, if you do the same as what others are doing, how can you differentiate? How can you grow the company? So, we had actually a lot of debates and had a thought process to start these things. The intention of building the right quality company.

So, the intention of building this company was, day one thesis was, build the right company with small company execution capability, with big companies, regulatory, quality, R&D, IP capability. That's how we thought we can differentiate the company. So, in that process, we acquired a couple of companies. One started with an internet company, then a few API manufacturing facilities. Then we partnered with Carlyle. The reason was with Carlyle partnering was actually to build a big platform.

Today's scenario, unless you have a scale, it's very difficult to grow. And also face all advents in between. Unless we have scale and financial strength, it's very difficult to do that. That's how we worked together. We partnered, then we acquired a couple of other companies like Symed. That was one of the biggest acquisitions.

Then one of the formulation company. All put together, we thought actually we can build the right integrated pharmaceutical company. That's the thesis initially. Then first one, two years, this all was done in 2021. We completed all these activities by the end of 2021. And first year, two years, we spent a lot of time to understand these companies because they're different entities, different styles of working. We thought let's first understand and address whatever are the things required to build the right company. That's how we took almost two years to reassess, to rebuild the company. That's how we rebuilt our entire team, our senior management team. Entire team is new. I picked up personally from various industries. All pretty actually very well experienced guys in big pharma.

We started building the team. Then we built R&D capabilities. Then most important to grow and differentiate all quality and DHS, R&D are very essential to differentiate and grow. That's how we spent a lot of time, a lot of resources for two years to rebuild these entities. A couple of divestments also done part of optimization.

Then finally, we ended up having nine high quality USFDA approved facilities. All if you see, every facility is USFDA approved. That's a minimum thing. Of course, majority of API factories are approved by all of the regulatory agencies. So, with that, I feel probably actually we have a strong platform build with respect to team, with respect to culture, with respect to R&D, our quality.

It's a fantastic job was done by team first two years and built a right base at 2024. I feel actually starting point for us 2024 is the right base to grow. That's how we started growing from '24. You can see the numbers, how we have grown. We have a fantastic opportunity to grow further. We still learned a couple of things, whatever we acquired, integrate business, we don't say somewhere, wherever is a long-term opportunity, we try to build the business with high-end markets like innovators, backward integration, or actually a little more advanced intermix for the new products.

Then API, we stepped up a lot. API, we started growing very well last two years. So, API is the biggest vertical for us today. Formulation also, we started growing, of course, in between there were advanced, actually now we started rebuilding that. With these three companies, we were able to do many things.

One is wherever we are strong on the Internet, we are able to do forward integration. Wherever we are strong in API, where it requires either forward integration to pre-stores or backward integration to Internet, all was initiated. A couple of things are done already or in the process of doing. All these things work pretty well. Today, we have a strong base. We have a great customer base. If you see our presentation, we sell almost 150 countries.

All kinds of countries, we do that, whether it is highly regulated, developed countries, or even the very low-end countries, but we are able to compete in every market. The regulated markets we are able to compete with respect to IP or R&D skill set. At the same time, with the small markets, $100 markets, we are able to compete with our cost efficiencies.

It started growing, 150 countries, a lot of products. You can see almost 60-plus products are commercial products, and at least I can say 5 to 10 products we are the market leader. We have good market share globally, and it's very sustainable. It's not a one-year market leader. It's demonstrated a couple of years actually showing growth and sustainability on that.

We have a strong product mix with large volume or mid-volume or technology-driven, all kinds of things. We have good product mix, commercial 60-70 products, and of course another 30-40 products intermediate, and pre-stores, we have about 30 NDAs, so all kinds of products. R&D, you know, you must have seen that 200 resources in R&D with high-end analytical capabilities is able to do 10-12 products in a year.

It's a fantastic journey so far, but I see even better journey near future, and I strongly believe coming together with SeQuent, we have a lot of synergies on various things like business development, expanding market, or utilizing better whatever we have capabilities like R&D or manufacturing. That, I think, is going to give a lot of synergies together, and I think I am very excited to work together. I see it's a big growth opportunities for company, and of course, end of the day, it gives value to the investors and shareholders.

With that, thank you so much, Rajaram, to give this opportunity.

**Rajaram Narayanan:** Thank you, Dr. Hari. It's indeed a pleasure to have you here and have this conversation. I will now invite Saurav Bhala, CFO, to share the details of the proposed transaction. Saurav?

**Saurav Bhala:** Thank you, Raja, and Dr. Hari. Let me run through the deal structure and the merger ratio. You would be happy to note we have done a very extensive due diligence and valuation exercise, taking help of leading firms and investing class experts in domestic M&A as follows.

Our deal advisors are JM Financials. Commercial diligence has been done by Bain & Company, Financial and tax diligence has been done by KPMG, Legal diligence and advisors are AZB & Partners. Valuation jointly done by KPMG on behalf of SeQuent and PwC on behalf of Viyash. Fairness opinion has been provided by ICICI Securities.

Based on the recommendations of Valuers and Fairness Opinion Providers and also an independent review by our Board, the approved merger ratio as sanctioned by the Board is all the shareholders of Viyash will be issued shares of SeQuent in the ratio of 56 shares of SeQuent for every 100 shares of Viyash based on the approved swap ratio.

We believe this merger is structured to deliver stronger combined growth and deliver long-term value to all the stakeholders. The benefit would start flowing from year one and will keep on improving over the years with the various energy effects coming into place.

The merger is anticipated to conclude over next 12 to 15 months, subject to the various regulatory and other approvals required. In the indicated timeline, we would require key approvals from Stocks Exchanges, Stock Credit, our esteemed shareholders like you, NCLT, CCI and others.

I would now request Abhishek to initiate the Q&A session.

**Moderator:** Thank you very much. We will now begin the question-and-answer session. Our first question is from the line of Amresh Kumar from Geosphere Capital. Please go ahead.

**Amresh Kumar:** Hi, sir. Thank you so much for the opportunity and congratulations on this transaction. Sir, I just wanted you to elaborate a little bit more on the synergistic part of the deal. How we are going to help SeQuent and vice versa. Given that what I understand is we are since largely a human API company, and we are an animal health company. So how are we going to help each other going forward? So that would be my first question, sir.

**Rajaram Narayanan:** Do you have more questions, Amresh? You can put all of them together.

**Amresh Kumar:** And the second question is what will be the role of our promoter going forward after this transaction is over?

**Rajaram Narayanan:** Sorry, just repeat the second one. What would be the…

**Amresh Kumar:** Role of our promoter or the Carlyle after this transaction is over?

**Rajaram Narayanan:** Okay. And so, you have two questions, right?

**Amresh Kumar:** Yes.

**Rajaram Narayanan:** Okay. Thank you very much, Amresh. I'll answer this and I will also then invite Dr. Hari Babu if he has any comments. So, I think the first thing is that if you really look at the way we need to look at SeQuent growth in the next 5 to 10 years, there are clearly a couple of shifts happening in the market. I think the first is that in the animal health space, there has been an increasing move from the growth of the livestock business and it's now moving more and more towards the growth of companion animal business, which is really the pet care piece of it. Some years ago, 40% of the developed market used to be in pet care.

Today, it's well over 50%. And therefore, as the market for companion animal treatments keeps growing faster than what it is for farm animals, we also are looking at what do we need to do to build the necessary capabilities that are required to win in such a market. And it is a fact that the product treatments, etcetera, which are required for companion animals increasingly are converging and are becoming closer to the kind of capabilities which are required from human pharma.

And so clearly, we need capabilities in R&D, chemistry, manufacturing, which at this point of time are not there within SeQuent adequately. So that's really the first piece where we've been looking for an opportunity to find a partner for this. The second part of it is that even in the farm animal space, increasingly there is a lot more stringent demand in terms of requirements from regulators, but also that you need far more competitiveness in terms of cost of supply.

And for SeQuent, it was important to build capabilities where we could be more competitive on costs by in-housing as many of our intermediates and early stage requirements. So, when we looked at this, clearly we see a synergy with a company like Viyash because Viyash is a company which has a very, very differentiated play in the pharma market. It has a huge amount of capabilities in R&D.

It has a track record of launching innovative products, working with some of the best companies in the world, and at the same time also having a large manufacturing base with USFDA facilities. So clearly that's something which comes in very useful for SeQuent ambition. And on a standalone basis also, Viyash is a fast-growing company of equal size as SeQuent, and which has established itself in a niche and differentiated way in the overall human pharma market.

The last piece of it, of course, is that financially also it is a very accretive deal because if you really look at this margin in every respect, it is accretive on revenue. It's accretive on margin. It deleverages our balance sheets. And at the same time, we've also completed the share swap in a very comparable discount because it is significantly discounted to the current trading multiples. I think it's about 44% discount to the current multiples of SeQuent. So even for all our shareholders, it is a very value-accretive transaction which is being proposed.

So, I think when you put all of this together, there are clearly big advantages for SeQuent. And of course, there are also significant benefits for Viyash as a company. I'll probably ask Dr. Hari to elaborate a bit on what is it for Viyash in this.

**Hari Babu Bodepudi:** I think Raja Ram addressed most of the part. I'll just add a little bit to that. As I mentioned in my introduction, after doing a lot of hard work and research to optimize Viyash, we built a fantastic platform and started growing from 2024. You can see that 2024 to 2025. It was strong R&D capability, manufacturing network and manufacturing facilities that they approved and all other approved things. And we see that growth continues strongly from 2024.

It will continue, whatever you can see, from 2024 to Q1 FY25. So that growth will continued definitely next three to five end of things. Of course, we are continuously adding the products of tech-led platforms. Coming to the synergies, as Raja Ram indicated, there are several synergies to SeQuent. The biggest thing was R&D support from Viyash, manufacturing network to SeQuent where we can add a lot of value for backward integration capabilities. And when it comes to Viyash synergies, whatever customer base SeQuent is having today, most of the day business goes to innovative business.

That relationship can add value to Viyash. That's how we see the big synergies. In addition to the management teams, of course, support each other. There's a lot of synergies. Other than general synergies like material procurement and manufacturing scale utilization or optimization, all these are actually synergies. Other than that, there's a big synergy that comes from the business perspective, customer relationship for both the companies.

We do a few products with a few innovators whereas SeQuent do a few other innovators. And our large focus is going to be on that business. We see good synergies, at least mid-term to long-term perspective.

**Rajaram Narayanan:** Thank you, Dr. Hari. So, I'll come to the second question, which is the role of the promoters, which is Carlyle. So yes, I mean, Carlyle are the promoters in both these companies. And I think the fact that they have supported this proposed transaction at the Board level indicates, of course, their long-term commitment for both the companies to grow the business when they come together.

And I think the nature of the terms of the transaction also reconfirm that there's a lot of value which gets created to all our shareholders on this. Yes. Maybe we go to the next question. Is that fine, Amresh?

**Amresh Kumar:** Yes, that's very pretty clear. Thank you so much.

**Moderator:** The next question is from the line of Ratika, who's an individual investor. Please go ahead.

**Ratika:** Thank you for the opportunity. I had a question around the outlook of the capacity and capex requirements for Viyash. And are all the plans utilized? And also, what about SeQuent, if you can highlight the capacity utilization and SeQuent as well.

**Hari Babu Bodepudi:** Viyash's current capacity utilization is close to 70%. And we don't see any additional capex requirement for the near future. Of course, a little bit is required for optimizing the capacities to suit for new products. But we don't expect big capex near future to manage Viyash. Of course, when you combine these companies, when you start working together, if there is additional requirement requires for SeQuent, we need to work out. But at this point, we don't see any much capex requirement for the next, I can say, two years at least.

**Rajaram Narayanan:** Thank you. I think that Dr. Harish answered on behalf of SeQuent as well. That's the situation on SeQuent. Do you have any other questions, Ratika?

**Ritika:** Thank you.

**Moderator:** Thank you. The next question is from the line of Nikhil Shetty from Nuvama Wealth. Please go ahead.

**Nikhil Shetty:** Yes, thanks for the opportunity and congrats for this merger. So, prima facie, this looks interesting. But I have a few questions. So, what is the synergy benefit in terms of cost? So, I can understand some of the raw material which we are procuring from others, probably we will procure from the emerging entity. So, what kind of cost benefit can we see in terms of the EBITDA?

And my second question is on the amortization part. We have a substantial intangible asset, I believe, because we don't have access to the balance sheet. But we can see the significant amount in getting amortized every year or every quarter. So, if you can throw some light on that. Thank you.

**Hari Babu Bodepudi:** Let me answer the first question, the cost synergies. So, I can say short term there could be some procurement since two companies are buying, maybe some common raw materials, that's the one actually, maybe low hanging savings. And the biggest saving what we are looking at, as I said, R&D and manufacturing capacity utilization.

So, when you say procuring intermediates from Viyash, looking at the regulatory scenario, of course, we need to do a little more deep dive, understanding what kind of markets they've filed, how long it takes. But once we do that, definitely, it's going to be good synergies, that's where SeQuent can benefit at least 100 base points to 250 base points kind of thing. But we see big term and long term, it's going to be the good synergies. But short term, we need to work out because SeQuent as well as Viyash is working totally under regulatory environment. You may know sometimes regulatory takes a little longer time. But we are going to work together as fast as we can get there.

**Ramakant Singani:** Sure. Nikhil, as you rightly mentioned, yes, we do have a significant amount of amortization in our P&L and we do have this amortization continuing for about two years. FY25 and FY26 will continue at around that 90-95 crores is the amortization per annum. FY27 will have part of the period. So, we are left with about two years and roughly a quarter more in terms of cleaning up the amortization.

**Nikhil Shetty:** And sir, if I may squeeze one more question. So even if you look at the overall EBITDA, I believe for both the businesses, we are targeting roughly 20% odd EBITDA margin in a couple of years. So, I believe because of the cost benefits and operating leverage and with a better product mix, probably we'll be able to reach that. But what about the bottom-line part? Because I'm concerned more about the bottom-line part and how it is going to look like.

**Rajaram Narayanan:** Are you saying at a post-PAT level?

**Nikhil Shetty:** Yes.

**Saurav Bhala:** Yes. So generally, with the EBITDA, which as you are saying, so we are also expecting it to move to higher teams. That will certainly flow in the PAT level too. And the PAT would see substantial improvement, vis a vis what we are projecting this year onwards

**Hari Babu Bodepudi:** Maybe I can add a few things. If you see both balance sheets, one is amortization, whatever tangible funds you close that. And we are going to be a debt-free company soon unless we go and invest today. Looking at our EBITDA, it can be debt-free very soon. So, our financial cost is going to reduce substantially. And the depreciation for this size of the company, FY25 together 3,000 flows, whatever the depreciation other than this one-time amortization, it's not much. So, with that, definitely PAT levels will continue to grow. In addition to that, both sides, I think there are some accumulated losses, we need to work on that. But I think it's going to be the good, bad percentage as well as it's going to generate good free cash flow, I can say that. So that's where we can invest on various things, that are organic or inorganic.

**Moderator:** Thank you. The next question is from the line of Bhavesh Gandhi from YES Securities. Please go ahead.

**Bhavesh Gandhi:** Yes, thank you for the opportunity. So, I had two questions, one to Dr. Haribabu and then the second one to Mr. Rajaram. So first, on the Viyash margin side, if I look at Viyash as a business, and it was primarily mentioned its API is the largest vertical. So, if I look at EBITDA margins today of Viyash and compare it to some of the other listed entity API companies, then clearly, I think there may be a room to take up EBITDA margins of Viyash towards the 20% range. And for that to happen, what is the nature of products that we can introduce or kind of supply on a B2B basis to customers? Any sense on that would be helpful in terms of new product launches, and especially on the complexity and capability side.

And a second question to Mr. Rajaram. So, with this merger, we are kind of essentially big picture combining an animal, pure animal health with a pure human API. So is this a kind of a tacit acknowledgement that in a way, animal health is kind of only so much to offer on the production animal side, like you said, things are shifting to companion and those things.

But essentially, as SeQuent model, business model sense today, would the merger is kind of an indirect kind of harbinger of things to come on the animal side? Yes, those were two questions from my side. Thank you.

**Rajaram Narayanan:** I think I'll answer the second one before we get because I think that's very clearly this merger is in fact, a reconfirmation of the fact that we are hugely confident about the future of animal health. And I think what is being done through this merger is to build the necessary capabilities and capacity, which is required to turbocharge that part of the company, vertical, which is there. Because as I said before, it is important that we begin to invest in R&D and capacity if we want to win in the way in which the market is moving in the future.

And it's something that obviously will happen in five to 10 years. In the short term, we will, you know, continue to work on our current plans, but in the long term, make such investments. And the post merger is a part of our business substantially. So, I don't think it is in any way an acknowledgement of anything other than the fact that we want to recommit ourselves in the right way to the growth in animal health.

Yes. And maybe I'll just give Dr. Hari Babu on the Viyash margin question.

**Hari Babu Bodepudi:** So, coming to Viyash margin, if you look at the last three, four years, Viyash, Viyash margins and EBITDA margins, Viyash operates three segments. One is intermediate, API and foundation. So, if you look at our API segment, Viyash margins is much better than ours actually compared to companies. Since we operate three verticals, that's where actually we are moving from actually the low-end margin business to high-end business. So that's how slowly intermediate API business is growing.

Last two years, API business has grown almost double, whereas intermediate business we optimized. Intermediate business is going to be more focused on utilizing for API requirements. And the remaining business is going to move to other high-end business like trying to work with innovators or complex products, advanced intermediates for new products. That's how intermediate business is coming down.

API business is growing slowly. Gross margins are improving, and EBITDA percentage also is improving. Other fact is, since our capacity utilizations are gradually increasing, our office percentage is slowly coming down. So that's where we can see better margins coming future. That's how you can see ‘25 or ‘24, from 12%, 13% to it’s reached to 21%, 17%. And we are pretty confident it's going to grow.

I am very confident actually this gross margin as a EBITDA will grow further. So, API, I can say we are better than even industry, generic industry APIs. The mix is changing. Gradually you're moving to new products more than API. If you see a lot of new products are coming in our pipeline, whatever we did last two, three years R&D development, large number of products filed, it started getting approvals now. Really the approval started from last two quarters.

So, every month, every quarter, we see at least one or two products. And we see there's a good opportunity to grow and improve margins. I hope I think that was helpful.

**Bhavesh Gandhi:** Yes, that was helpful. So, one more follow-up to that, to the API business. So, if I look at the presentation broadly, I think top five, six products for Viyash contribute about 30%, 33% of revenue, if I'm not mistaken, broadly INR300 crores out of INR1300 crores revenue. So, it implies that there is a kind of a long tail of products, presumably on the API side. So, post this, I mean, would there be some -- any rationalization of products, any removing of low margin products in API, which we wish to exit? Are there any margin levers from that factor?

**Hari Babu Bodepudi:** So, let me put it two ways. One is I think that five products, 30% is put together. Correct me -- The API formulation, the top five products for company, few formulation products, few intermediate products few APIs. That's where it contributes 30% of the overall revenue. Your API itself, top five products, it contributes about 40%, 40% to 50%, 40% at least. And our API products, we have 60 commercial products. I can say majority products were gross margins are pretty good.

So, our uniqueness in this business is the product, it's not very high volume products where it contributes INR10 crores to INR20 crores of many products. Margins are good, competition is low, but margins are pretty good. I don't see any optimization is required on that. And if most of the products where we had little low graph margins, we worked and improved a lot. And whatever products we have I think it's a fantastic even as in top 15 products around 60%, 70%. Okay. But because these products, there are a few validation products, when you see quantities, all these things put together, it's working like that. But I don't see any products we are going to take out. Whatever products, two, three products we took out last year, but whatever we are doing, all are profitable products. When it comes to intermediate, as I told you, we are optimizing intermediate business.

We downsized to almost all, and we acquired intermediate business was INR500 odd crores. Now it's almost out. We are trying to move into better gross margin products.

**Bhavesh Gandhi:** Thanks. I'll join the queue. I had one more. Thank you.

**Moderator:** Thank you. The next question is from the line of Prachi Sharma, who's an individual investor. Please go ahead.

**Prachi Sharma:** Hello. Good evening, sir. Just two questions from my end. So, I just wanted to know what will the management structure be like for the combined entity? And my second would be if you could highlight maybe what could go wrong or what are the risks associated with this merger? Yes, that would be really helpful?

**Rajaram Narayanan:** Thank you, Prachi. I think clearly the theme of going ahead is continuity. I think all the management is going to continue fully committed into this role. This is a very complimentary merger which is proposed. And clearly, we see going ahead everyone in their expertise, adding value and going ahead on this job. So, we see the continuity of structure.

Of course, as we build this over the next 15 months, there will be some necessary structural adjustments which may need to be done to suit whatever is the requirement for the future. But otherwise, right now the focus really is on continuity and making sure that we take advantage of this merger to build the business bigger and faster.

On the second point risks to this entire thing, I think clearly there is a lot of equity in both the companies. And the risks as I see, could be largely around being able to execute well. Yes, I think that's really the principle thing that we all need to make sure that it's all the plans that we have get executed well. Dr. Hari, anything from your side on these two.

**Hari Babu Bodepudi:** I don't see anything the truth inside, there could be some major risks. I don't know what actually can go anywhere in the regulatory scenario. In fact, looking at two entities where there is no overlap, whether it is market or product, we don't see any risks on that perspective, but going forward since both entities are growing strongly own way and the risk could be getting synergies, actually to what extent, when.

That requires external approvals since we're handling an entire regulatory business. Whatever we anticipate, the timeframe that could be the risk, but that's where Rajaram mentioned execution is so critical to get there.

**Rajaram Narayanan:** Thank you. We will go to the next question. Thank you, Prachi.

**Moderator:** Thank you. The next question is from the line of Bharat Sheth from Quest Investment. Please go ahead.

**Bharat Sheth:** Hi. Good evening, sir and congratulations to you and Mr. Raja Babu as well as the team of both the company for creating such a large platform. Hello?

**Management:** Yes, Bharat Sheth. Thank you. So good to hear you. Thank you. We can hear you.

**Bharat Sheth:** At this point we have guided around say 12%, 13% kind of growth in high teens EBITDA by 27 which is giving around INR2,000 crores of top line and a proceed of around 3%. So, I have to take it further with combined entities. How do we see if you can give some broader picture, size, what would be the top line and EBITA FY27 or 28 whatever is comfortable you are. So, if you can give some because qualitatively you have said all the things, but if you can, I mean, try to work out in quantitative number, how do we really see this merge entity?

**Rajaram Narayanan:** Thank you about that. So, clearly as we have said, it is a accretive both in terms of revenue and in terms of margin and that should continue. So right now, we have been guiding that top line will be growing around 12%, 13% and the EBITDA would be more closer to high teens by 27-28. What we expect is that after the merger and we really make everything execute it well, it could definitely be 150 to 200 basis points higher than what we have guided at any point of time.

And of course, from a top line point of view, therefore, it should be closer to INR4,000 crores on that time. We, of course, haven't built in synergies, we haven't built in some other plans which could be taking this higher, but I think at this point of time, we can be confident enough to say that given that in the very first quarter, both the companies together are already at an annualized INR400 crores plus run rate on EBITDA.

We should be expecting that by 27-28, we would be in the 20%-odd range for EBITDA margins and of course INR4,000 crores plus in the area of top line. But these things have to be worked out. So, it will clearly be accretive and we'll get some benefits which will come later from synergies.

**Bharat Sheth:** And is that fair understanding that even the depreciation in 27-28 as well as the interest will come down significantly from what current level of merged entity here?

**Rajaram Narayanan:** I think Dr. Hari has made that clear because we will be moving to becoming a debt-free company soon. And that therefore would obviously reduce our finance costs, etc which are required at least for the current plan that we have. And obviously on the other aspect as well, the other lines would improve as we come closer to 27-28.

**Bharat Sheth:** Thank you and all the best sir and look forward to your longer term as well.

**Rajaram Narayanan:** Thank you Bharat.

**Moderator:** The next question is from the line of Kaustav Bubna from BMSPL Capital. Please go ahead.

**Kaustav Bubna:** Yes. Thank you so much for taking my question. So basically, I have two questions on opportunities. So, the question has always been when SeQuent was only SeQuent that when will SeQuent enter the US markets in terms of animal formulation? So, I wanted to ask, does this merger help us in any way enter the U.S. market in terms of animal formulation? That's the first question. Is there a plan around that?

And the second question is, now since this entity will be merged, can we participate in a big way over the next many years and be key beneficiaries of the Biosecurity Act in the U.S.? So, these are my two questions.

**Rajaram Narayanan:** I'll answer the first part. I think at this stage, it's too early to say whether we, have a clear entry strategy for the U.S. on animal formulation. Of course, both the companies are fairly strong in the U.S. market. So, those are things which I think over the next, period of time, both the companies will work out on what are some of the opportunities. It's not something we, overrule right now, but it has to be taken, more carefully by looking at it. I think on the biosecurity please, Dr. Hari, if you. And on the U.S. please as well.

**Hari Babu Bodepudi:** So, I think Biosecurity Act, of course, you guys know, still it has to be passed from senator thing, but if it goes through, I see that's one of the good opportunities for SeQuent. There's large companies that are looking, the alternative majority is coming from China. That's where they're looking the alternative.

India is the best opportunity, of course. So, I think that's going to play a big role if everything goes well for SeQuent. Since there's a large backup of U.S. on R&D as well as manufacturing. That goes, I think that's an opportunity, but it's very difficult to quantify actually, but maybe going forward 5 to 10 years, 7 years, it's going to be one of the great opportunities for this group together.

Because now together it's visible in a bigger way. All these things, Biosecurity Act, most of the things going to go to visible companies where there's a strong R&D manufacturing backup. We will have that. So, that's a good opportunity definitely. So, we will continuously work on that. That's one of the pieces to do this. That's one of the great expansion opportunities for together that.

So, coming to the second one, SeQuent, enter into the formulation. We are revisiting our human health formulation also with that. We'll work out the strategy. So, what kind of things required for SeQuent U.S. entry? Since this major entity is going to be a strong cash flow. So basically, to enter U.S., it requires a little longer gestation period.

And investments also a little high, because they have to build the right facility and defer all those things. Looking at all those things, investment versus opportunity, definitely come back on that. So, we are going to do strategy exercise soon. Maybe, I don't know, before or after. Actually, we'll do mostly probably immediately after closing. So, we'll come up with that. We want to do that. But actually, we'll just assess investment versus opportunity.

**Kaustav Bubna:** Thank you so much, for those detailed answers. Best of luck.

**Moderator:** Thank you. Ladies and gentlemen, we'll take that as our last question for today. I now hand the conference over to the management for closing comments.

**Rajaram Narayanan:** Okay. Thank you very much, for attending this call. It is a very exciting period in the journey of both the companies. And we look forward to keeping you updated as in the coming sort of calls on how the entire merger transaction process is going, as well as on the performance of the two companies. Thank you for staying with us. And thank you for your confidence. Good evening and have a good break tomorrow.

**Hari Babu Bodepudi:** Thank you so much, guys, for asking questions. So definitely, this is going to help us to refresh and rethink whatever is required. I'm looking forward to work with you all. Thank you very much.

**Moderator:** Thank you. On behalf of SeQuent Scientific Limited, that concludes this conference. Thank you for joining us. You may now disconnect your lines.