Sequent
Proven Ability In Life Sciences

May 29, 2025

To,

**BSE Limited**
Phiroze Jeejeebhoy Towers,
Dalal Street, Fort,
Mumbai - 400 001

**Scrip code: 512529**

**National Stock Exchange of India Limited**
Exchange Plaza,
Bandra-Kurla Complex,
Bandra (East),
Mumbai - 400 051

**Scrip code: SEQUENT**

**Subject: Intimation under Regulation 30 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 - Earnings Call Transcript for the quarter and Year ended March 31, 2025**

Dear Sir/Madam,

Pursuant to Regulation 30(6) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, we are enclosing herewith the Earnings Call Transcript pertaining to the Audited Financial Results of the Company for the quarter and year ended March 31, 2025.

The same is also available on the Company's website at:
Financial Overview - SeQuent

This is for your information and appropriate dissemination.

Thanking you,

Yours faithfully,
For **Sequent Scientific Limited**

Vora Yoshita Susmit
Digitally signed by Vora Yoshita Susmit
Date: 2025.05.29 12:42:17 +05'30'

**Yoshita Vora**
**Company Secretary & Compliance Officer**

"SeQuent Scientific Limited

Q4 FY25 Earnings Conference Call"

May 21, 2025

MANAGEMENT: MR. RAJARAM NARAYANAN – MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER– SEQUENT SCIENTIFIC LIMITED

DR. HARI BABU BODEPUDI – WHOLE TIME DIRECTOR AND CHIEF EXECUTIVE OFFICER – VIYASH LIFE SCIENCES

MR. RAMAKANT SINGANI – CHIEF FINANCIAL OFFICER – VIYASH LIFE SCIENCES

MR. SAURAV BHALA – CHIEF FINANCIAL OFFICER – SEQUENT SCIENTIFIC LIMITED

MR. ABHISHEK SINGHAL – HEAD OF INVESTOR RELATIONS – SEQUENT SCIENTIFIC LIMITED

**Moderator:** Ladies and gentlemen, good day, and welcome to SeQuent Scientific Limited Q4 FY '25 Earnings 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. Thank you, and over to you, sir.

**Abhishek Singhal:** A very good morning to all of you and thank you for joining us today for SeQuent Scientific's earnings conference call for the fourth quarter and full year ended financial year 2025.

Today, we have with us Mr. Rajaram, MD and CEO of SeQuent Scientific; Dr. Hari Babu, Whole-Time Director and CEO, Viyash Life Sciences; Mr. Saurav, CFO, SeQuent Scientific; and Mr. Ramakant, CFO, Viyash Life Sciences, to share the highlights of the business and financials for the quarter.

I hope you've gone through our results release and the quarterly investor presentation, which have been uploaded on our website as well as the stock exchange website. The transcript of 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 risks pertaining to our business. After the end of this call, in case you have any further questions, please feel free to reach out to the Investor Relations team.

I now hand over the call to Rajaram to make his opening remarks.

**Rajaram Narayanan:** Thank you, Abhishek and good morning, everyone, and a very warm welcome to all the participants. Joining me on this call is Dr. Hari Babu, Whole-Time Director and CEO of Viyash Life Sciences, along with Saurav Bhala, the CFO of SeQuent and Mr. Ramakant, CFO of Viyash.

You would have gone through the results and the investor presentation, which was released yesterday for the financials of quarter 4 and full year financial year '24-'25. My colleagues on the call and I are delighted to share with you more details and answer your questions today.

Coming to the performance of this quarter, I'm pleased to announce that we continued our strong performance and closed the last quarter of FY '25 with revenues of INR4,017 million, which is INR401.7 crores, reflecting a double-digit growth of 11.2% over the same quarter last year.

I'm also happy to share that this quarter's revenue has been the highest in the last few years and continues on the trend of sequential growth that we are seeing every quarter. This performance came in with a 38.7% growth in our pre-ESOP EBITDA, which grew to INR56.9 million crores or INR569 million, which translates to a margin of 14.2%, which is broadly in line with the guidance that we have given for the exit margin for the year.

The company sustained the strong momentum during the year as a result of various initiatives that it has undertaken over the last 18 months to strengthen the business fundamentals and prepare us for the next phase of growth.

Coming to the performance for the full year, financial year '24-'25, our revenues grew at a healthy 13% to reach INR15,516 million, which is INR1,551.6 crores. And at an EBITDA pre-ESOP of INR199 crores, that's a very, very healthy growth year-on-year. While Saurav will talk a bit more about the financials in more detail, let me cover some aspects of the business.

Our formulations business, which is the largest part of the company, continues to trend very well. It sustained the high base of the last quarter. And on a year-on-year basis, it has grown in healthy double digits, nearly 20%, and that was driven by a strong performance across all geographies.

In Europe, the growth in the year was led by new sales avenues, which were created, especially in vaccine partnerships, higher exports from Europe, as well as the expansion of the fast-growing CytoSolutions segment. In emerging markets, the 26% growth was supported by a change in product mix towards better margin products, organization restructuring in Mexico, higher export volumes from Turkey, along with some very judicious price increases across the board.

We believe that our position in these local markets, where we have teams over there, allow us to maintain a unique position in the key animal health markets of those countries and the regions which they are present in, and that remains a strategic priority for us in the long run as well. We've also initiated groundwork for the entry of the CytoSolutions portfolio in the Latin American region.

The formulations business in India is a top priority for us. It has continued to do well on the back of field expansion that we undertook during the year, and that has resulted in a 13% year-on-year sales growth, which we expect to accelerate in the coming year. To further our presence, we have identified the next set of levers, which are required to build this business, and it includes a second phase of field expansion in the early part of FY '26, as well as new product introduction. We believe this will go a long way in building a very strong foundation for deeper penetration in India, while also providing a platform for our brand-building efforts.

On the API front, I'm quite pleased with the transformation in the business. The strength is visible in the improvement of margins and sequential recovery. We expect to see the acceleration from quarter 1 this year. Importantly, the fundamentals for growth are in place.

We filed 2 VMFs during the year, and our sales from our top customers, the top 10 customers grew vis-a-vis last year, and the contribution has increased from 51% to 54% during this year. We also received WHO prequalification for albendazole and many prestigious awards for safety and quality. The long-term relationship that we have with our global formulation companies helps us partner them in new product efforts, and we expect to see some of the new business materialize in FY '26.

With the forthcoming merger, we expect the benefits of R&D and manufacturing to flow in, thus enabling us to grow faster and build new segments such as companion animals. I would like to take this opportunity to thank the entire team of SeQuent Alivira and all the stakeholders involved for their efforts and the support that they have provided this year, which has resulted in a strong performance for the year, but more importantly, created the platform for future growth.

I will now hand over to Saurav to share the financial details of SeQuent and then invite Dr. Hari to share the highlights of the Viyash performance. Over to you, Saurav.

**Saurav Bhala:** Thank you, Raja. Good morning, everyone. It's a pleasure to join today and share key highlights into the strong financial performance of SeQuent Scientific Limited for quarter 4 and for the entire financial year financial year '24 and '25. I'll also provide an update on the progress of our strategic merger.

Starting with the Q4 highlights for SeQuent Scientific Limited. In Q4 '25, we recorded a total revenue of INR4,017 million, reflecting a strong growth of 11.2% year-on-year basis and a 2.8% growth on a quarter-on-quarter basis. Our formulation business reported a revenue of INR3,015 million, delivering a 22% year-on-year growth. The API business generated INR869 million in revenue, delivering a 7% growth on a quarter-on-quarter basis.

Gross margin saw a notable improvement of 420 basis points on a year-on-year basis, increasing from 46.1% to 50.3% in quarter 4. On a sequential basis, margins improved by 210 basis points, up from 48.2% to 50.3%.

Our EBITDA pre-ESOP for the quarter was INR5,691 million, reflecting a robust growth of 38.7% year-on-year basis and a 15.5% rise on a quarter-on-quarter basis. The EBITDA margin stood at 14.2%, up by 280 basis points year-on-year basis and 160 basis points on a quarter-on-quarter basis. The profit after tax for the quarter stood at INR103 million, improving substantially from INR13 million in Q4 of last financial year, which is a very remarkable growth of about 712%.

Now coming to financial highlights for the entire financial year '24-'25. For the full year, the total revenue delivered is INR15,514 million, marking a 13.3% year-on-year growth. The formulation business contributed INR11,858 million, registering a 19% increase on a year-on-year basis. The API business reported a revenue of INR3,378 million, reflecting a growth of 4% on a year-on-year basis.

Gross margins for the year improved by 320 basis points from 44.5% in the last financial year to 47.7% in the current financial year, driven by the various strategic initiatives, including our sales mix optimization, geographical expansion, deeper market penetration and selective pricing actions across geographies.

EBITDA pre-ESOP delivered is INR1,993 million for the financial year '24-'25, delivering an impressive 18.6% growth on a year-on-year basis. The EBITDA margin expanded by 500 basis points, increasing from 7.8% in financial year '24 to 12.9% in financial year '25. This reflects our consistent focus on driving profitable growth.

We achieved a significant turnaround in PAT or profit after tax, improving from a loss of last year to a profit of INR322 million, a remarkable growth of 208.9%. Now coming to the update on the merger process. I'm pleased to share we have made meaningful progress on the strategic merger of Viyash Life Science Limited and its subsidiaries, along with one of our subsidiaries, SeQuent Research Limited into SeQuent Scientific Limited.

The milestone achieved so far are as follows: We got the Board approval for the merger on 26th September '24. We got the Competition Commission of India approval on 21st Jan '25. The stock exchange approval is currently under progress and is at an advanced level. We expect the approval soon. Upon receiving the exchange approval, the scheme will be submitted to NCLT or National Company Law Tribunal for the final clearance.

In summary, our performance for Q4 and the full financial year '24-'25 reflects the strength of our strategic plan and execution excellence, focused on driving the profitable growth as a central theme. We are more confident than ever for the stronger growth continuity in the coming quarters based on the robust foundation created. We remain committed to creating enduring value for all our stakeholders.

With this, now I hand over the call to Dr. Hari, who will take you through the performance highlights of Viyash Group. Thank you.

**Hari Bodepudi:** Thank you, Saurav, and Rajaram. Congratulations to SeQuent team, entire team, for great performance. And good morning, all, guys. Let me take you through the Viyash performance now.

Viyash recorded strong performance in Q4 with the acceleration in revenue growth and margin expansion year-on-year. As you know, our core strength remain R&D, manufacturing, and intellectual property.

For Q4 FY '25, revenue grew by 15% to the corresponding year last quarter of INR370 crores and adjusted EBITDA grew by 93% over last year same quarter to INR65.3 crores. Viyash had strong EBITDA margins of 17.6%, continuously improving that EBITDA.

For full financial year, consolidated revenue of INR1,458 crores represents growth of 11.2% when compared to FY '24 revenue of INR1,311 crores. Adjusted EBITDA for the full year FY '25 INR254.6 crores represents a growth of 52.4% compared to FY '24 EBITDA. And EBITDA percentage improved from 12.7% in FY '24 to 17.5% for FY '25.

During the year, financial year FY '25, the business has generated healthy free cash flow of around INR201 crores. This shows that actually the company balance sheet. And also, we repaid borrowings, about INR145 crores during FY '25. So with this repayment, our current debt actually remains at around INR74 crores and net EBITDA ratio is around 0.3x.

We want to reiterate that a lot of costs below EBITDA, particularly exceptional items and amortization of acquisition intangibles are largely noncash or nonrecurring and steady-state PAT margins, excluding exceptional items this year should be above 10%. And also this is reflected in our free cash generation of INR200 crores in FY '25. Business growth is supported by investments in critical areas and a strong operating base, which we'll cover now.

Our business has strong momentum across portfolio selection, validations, filings and launches. New product launches and filings, we filed 4 new products in last quarter, and also we filed 3 products in this quarter. Strong portfolio selection, of course, we have strengthened R&D and portfolio. So we have 25 products in our portfolio, which includes a lot of NC minus 1 and also CCT. We completed 4 validations this quarter, and we got 6 regulatory approvals from various countries.

Operating base. We look at our business across 3 segments, and these are covered on Page 18. For API++, as you know, we have a well-diverse portfolio of 70-plus products commercially, which includes high value and most of the products are a little bit differentiated and medium volume products. And also this reflects our top 10 products has grown at 23% CAGR over the last 3 years and an average of very strong material margin of about 58%.

As you know, we have a global customer base across 150-plus countries. And we have an extremely backward integrated manufacturing setup with cost leadership and have cleared multiple regulatory audits over the last decade. And even this week, there's a Europe audit is going on at one of the site, it's going pretty well. So we are capable to handle multiple inspections, whether USA or Europe, any country, and strongly capable to manage everything.

As the business has grown, we have leveraged our innovator and large generic customers to build our development business. This is a key area for our future growth. We have added almost 10-plus development contracts over the last 2 years, which includes couple of products like the life cycle management for innovators, as well as a few contracts with complex generic companies.

We have a few small formulation business, as you know, in the U.S. with local manufacturing. We are moving that business to complex portfolio and integrating with our API to get cost leadership.

Now moving to combined performance and merger benefits. For Q4 FY '25, combined revenue of the 2 entities grew by 13% year-on-year and EBITDA grew by 63% year-on-year. The combined business had an adjusted EBITDA of INR120 crores in Q4 with 15.8% margin. For FY '25, combined revenue of the 2 entities, 12%, and EBITDA grew by 66% year-on-year. So the combined business had an adjusted EBITDA of INR450 crores with 15.1% margin. The combined net debt EBITDA ratio is now at 1x compared to 1.2x in last previous quarter.

As updated last quarter and also now Saurav updated the merger status, we have started to plan for integration of the 2 companies and realizing synergies. We had received CCI approval, of course, as explained by Saurav. And most important, we have made substantial progress in R&D and manufacturing, and we'll present a granular action plan and estimated synergy value to the Board -- we are going to present to the Board sometime in first half of FY '26.

We had said last quarter that R&D will be a big win for both companies and integration is going very well. And we expect the merger process to close, as explained by Saurav in 12 to 15 months, mostly by end of this year.

Thank you. I think with this, we can now open for questions.

**Abhishek Singhal:** Can we take the Q&A, please.

**Moderator:** The first question comes from the line of Amey Chalke with JM Financial.

**Amey Chalke:** Congrats to the management on good numbers this quarter. First question I have, basically, the previous call, we have been mentioning that we would get to a double-digit kind of a growth and kind of a mid-teens margins. This quarter, we have already achieved that. Going ahead in FY '26, what would be the outlook for the growth and margins, sir?

**Rajaram Narayanan:** Thank you, Amey. I mean, yes, we had guided that we would -- and that's on SeQuent alone, right? We had said that we would come closer to a mid-teen margin and double-digit growth as we exited this year, and I'm happy that we have reached there.

Clearly, right now, we will not be able to tell you a guidance for next year, but I think we have already laid out the plan that by FY '27, we are looking for SeQuent to come closer to high teens kind of a margin. And we would, of course, Viyash with its performance would be more in the -- closer to the 20s range as far as the margins are concerned. And therefore, I think over the next 24 months, we should be seeing the company reach there.

In terms of top line growth, of course, a healthy double digit, which should be anywhere in the mid-teens is what we are expecting to do over the next 2 years. Dr. Hari, would you add to this?

**Hari Bodepudi:** Yes.

**Rajaram Narayanan:** Over to you.

**Hari Bodepudi:** Over. Just to add to Rajaram, what he mentioned, I can tell you guys, whatever we achieved this quarter is pretty sustainable, okay? And of course, whatever our guidance FY '27, what Rajaram mentioned, we are pretty confident to do that. We may do a little better than that. So we are pretty confident in achieving sustainable growth.

**Rajaram Narayanan:** You would have seen in our investor presentation also that the pillars which are there for growth. We have already, as Dr. Hari has just mentioned, the synergy plan as well as the benefits of the merger will begin to flow in during this next 1- to 2-year period. And therefore, obviously, the businesses in terms of the results which we have right now should be not only sustainable, but they're also likely to do better.

**Amey Chalke:** Sure. But just to clarify, this 18% of high teens kind of margin, what you said would be on stand-alone, right, before the merger as in the -- not including the merger synergies, right?

**Rajaram Narayanan:** I think it's a bit early for us to comment. But very clearly, we are -- on a combined basis, the company, which we had guided earlier also, should be looking closer to about -- I think we are today right now about INR3,000-plus crores in terms of top line. And we are heading towards closer to a INR4,000 crore kind of figure, if not better, in terms of top line in the next 2 to 2.5 years.

And we would be looking, therefore, at a margin profile, which should be closer to 20% on a combined basis at least. And I think that now we'll keep updating you as the year progresses. But that's a reasonable thing to sort of move forward with.

**Amey Chalke:** The second question I have, is there any plan for us to enter into CDMO business? And what are the opportunities considering the combined company in the CDMO side?

**Rajaram Narayanan:** Dr. Hari, I think would, I think would be best, yes, on that.

**Hari Bodepudi:** Yes, absolutely. This year, that's one of the key focus, actually expanding CDMO business as well as complex products development. As you see in Viyash, already we do CDMO business. We have business with the innovators. We do business with the innovators, 5, 6 clients. And also, we entered another 5, 6 development agreements with complex generics because the CDMO there are two, three things, right?

One is innovator business. Life cycle management already we are there in the commercial. And we are working with the new products. And the second thing is most important, we see where the opportunity for CDMO for complex generics.

There are many specialty companies in Europe, U.S. They have only focus on marketing and portfolio. They always look for partners for R&D development as well as manufacturing. We see a lot of interest. Already, we signed 3 contracts in the last 6 months, and it's working pretty well.

And this year, we are going to focus a lot on expanding in the CDMO. And you can see substantial sales in the next year. I think that's a great upside for the next 2, 3 years for this company because we are fully established to meet any CDMO customer expectations with respect to the EHS quality or R&D. All we have their capabilities. We are strengthening teams this year, and you can see a lot of growth next year so. Strengthening up is a key focus areas for us.

**Moderator:** Next question comes from the line of Shiwani with Monarch Networth.

**Shiwani:** Congratulations for the excellent set of numbers. My first question is on tax rate. For SeQuent in Q4 FY '25, the tax rate was at the higher range of 35%, 36%. Any specific reason for that?

**Saurav Bhala:** So tax rate for SeQuent is a combination of various sum of parts across the geographies. And there are impacts which happens for the full year, which gets accounted in Q4. So there are slight adjustments which happen for Q4. But on an overall year, if you see, it remains to be on a normal range. And I think that is going to be the new normal going ahead also.

**Shiwani:** Just to add on that, so what is the tax rate that we should build in for the next -- this year and the next year?

**Hari Bodepudi:** About 30%; 25% to 30% in that range.

**Shiwani:** 25% to 30%, right? Okay. My next question is I also wanted to get some clarity on the new launches in the companion animal health segment that we are looking at. So I think that currently, we have less than 10% companion animal health products. So just wanted to understand that how to look for this segment and what can be the contribution of the overall portfolio?

**Rajaram Narayanan:** Thank you. So right now, the businesses which are more geared towards companion animals for us are in Europe as well as in Latin America. Over there, we are -- we have a range which is coming out now in the area of anesthetics, which gets commercialized during this year. And that is the area which we are building very fast for companion animals. Apart from that, there are nutritionals in Latin America, which are getting launched. We are also looking at India seriously in the area of companion animals in developing a product portfolio.

So I think we should see launches coming every quarter, certainly in Europe and more towards end of the year in Brazil and in India. Our target would be that we should double the contribution of companion animals in the next 3 years in our portfolio.

**Shiwani:** Can I continue?

**Rajaram Narayanan:** Yes, please.

**Shiwani:** My next question is for Viyash. So Q-on-Q, Viyash revenue, we saw a decline of 3% and also there was a slight drop in the margin also. Is there any specific underlying reason for the same?

**Hari Bodepudi:** So the sequential quarter drop is mainly because there's some inventory buildup in finished product in U.S. Shiwani. We have U.S. formulation facility. So the customer, they build a little more inventory in previous quarters. So that's the phasing issue. So that's how the drop from the 3% is basically from formulation. But there is no gross margin drop on those things.

**Moderator:** Next question comes from the line of Jegadees, an individual investor.

**Jegadees:** Congratulations for a great set of numbers. Could you please explain a bit about the growth you are seeing in Europe? And what are the products we sell in Europe? And how is the outlook for Europe in the coming quarters or year?

**Rajaram Narayanan:** Yes. So I'll talk about the formulation piece. So our Europe business has a large setup, which is in Spain, which is both for manufacturing and marketing in Spain as well as manufacturing and marketing for countries in Europe, but we manufacture them in Spain. We have 4, sort of, broad product categories over there. We have the antimicrobials. We have the anesthetics. We then have the pain killers. And finally, we have the dermatology and nutritional products.

Now our growth, which we are seeing in Europe is on account of 2 reasons. One is that we have a range which is for gut health, which is called phytosolution, and that's the range which is expanding fast because there is more and more preference in the use of natural additives for feed animals. So that's one area which is we are growing. The second is in the area of anesthetics, which are used for -- largely for surgery and the hospital procedures for companion animals. That's the piece which is growing for us.

We also are a distribution business for some companies. So we have recently tied up for -- because we have a very strong front end in countries in Europe because that's an important capability to have, where we have feet on street over there in some countries in Belgium, Netherlands, in Spain, where people are able to contact doctors and veterinarian clinics. So we've also become a channel and a partner for vaccines for food production animals. And that's a business which started last year for us, and we think that's the other piece which will be growing.

So I think based on the infrastructure where we have, we should be able to add more and more products for the infrastructure. So that's the primary driver of growth for us. Apart from the other thing, of course, in margins, we are -- because this is a better product mix than the traditional low-end antibiotics, the margins are improving in Europe because the quality of the product mix is changing.

So that's really the 2 sort of drivers for growth, which are there in Europe. We are, of course, not present in a few very large markets like France or U.K. And the distribution opportunity for our existing products in those markets would be the next obvious headroom for us to be able to go.

**Jegadees:** My second question is like how is our business in Turkey doing? And have we been impacted by the recent political issues?

**Rajaram Narayanan:** So as far as the business in Turkey is concerned, it has had challenges which were there earlier in foreign exchange and economy. And those have largely been addressed because of some of the actions that we took in terms of improving our exports from there in terms of price increases, et cetera. And of course, the country situation also improved quite significantly in terms of the economic condition relating inflation dropped, et cetera. So that operating business over there, we -- it has come back and is doing well.

In terms of the current sort of conversations which are there around Turkey, we have to remember that the business in Turkey, which we have is a local operation. It's a local entity. It is in Turkey for Turkey. And therefore, it is meant really for sales and distribution within Turkey as well as some of the neighboring markets.

There is no real dependence either on India or India's dependence on Turkey as far as the business is concerned because it is managed completely locally. So we don't see any impact on that at all from the current sort of news, which is going around on that. But it's purely a local in Turkey for Turkey business.

**Jegadees:** My last question is, could you give us any guidance for Viyash stand-alone sales or margin for FY '26.

**Rajaram Narayanan:** Yes, Dr. Hari.

**Hari Bodepudi:** I think as Rajaram mentioned, we don't give guidance, but I can tell you, yes, we have pretty sustainable growth, whatever the margins we see today. It will continue. And definitely, next 1, 2 years, FY '26, '27, we also mentioned earlier it's going to cross 20% EBITDA margins. So it's a pretty consistent sustainable growth level.

**Moderator:** Next question comes from the line of Thomas Priju with AlfAccurate.

**Thomas Priju:** So I just wanted to clarify, we are talking of margins for SeQuent. We are talking of 20% plus margins for Viyash and close to 20% margins at the combined level by FY '27 at ESOP level or post ESOP level?

**Rajaram Narayanan:** So all the conversation that we have all the comparisons are right now at a pre-ESOP level. Everything we do on a pre-ESOP level.

**Thomas Priju:** So how much should we budget for FY '26 for ESOP for both SeQuent and Viyash and if possible, even for FY '27?

**Rajaram Narayanan:** We can give you a bit on what we know right now for SeQuent because the other pieces, I think we would like to share only after we complete the merger process. But for SeQuent, you should expect around INR30 crores, INR32 crores to be the ESOP cost for next financial year.

And it's, of course, on a declining basis, that's what it will be. They are trending down. And on the rest, we -- I think once the formalities are completed, that is when we would. But I think as Dr. Hari also indicated, fundamentally, this is a business that is moving very clearly on a sustainable basis to close to 18% to 20% kind of a business with a higher skew on the positive side of 20% for Viyash and maybe a point below or 2 points below for SeQuent.

**Thomas Priju:** Understood. So we are looking at more than a 300 bps expansion in terms of SeQuent and maybe 200 bps in case of Viyash. Is it possible to provide some color on what is the underlying factors which will lead to this margin expansion?

**Rajaram Narayanan:** I think on SeQuent, we've been giving it the first, I'll give a chance to Dr. Hari to sort of explain on the Viyash side and the API part of it, and then we'll add a top-up on the SeQuent part, yes. Dr. Hari, on the margin expansion, please go ahead?

**Hari Bodepudi:** No, as you'll see in our investor presentation, we have 2 initiatives, especially we do every year, 10, 15 products development and file. And most of the products are the slightly differentiated or complex products. So year-on-year, when you are developing 10, 12 products, and we are able to launch at least 6 to 8 products. And all these products are new products and margins are reasonably good.

And the other thing, margin expansion for Viyash basically, our current capacity utilization is around 60%, 65%. When the revenue is growing, our opex percentage is continuously coming down. That's where you can see from last 2, 3 years. It's continuously coming down our opex. It straight goes to bottom line margin.

So there's two, three things. One is our opex reduction. The second thing is all our new products, whatever we developed and filed expected approval. And the third thing is, as I mentioned, we are expanding business a lot in CDMO and other few complex areas. I think this will generate good business in FY '27, '28 and the margin will be much better than what we anticipate. These are the 3 areas I can say that.

**Rajaram Narayanan:** I think that -- thank you, Dr. Hari. And that pretty much would be the typical model anyway. So I think even for the formulations business, it's largely going to be driven by an improvement in the mix of what we sell because I think that's a big driver for growth in formulations as we improve the quality of the product mix with higher margins, which are a combination of the kind of therapies you are in as well as more and more as you move towards companion animals, the margins are substantially better.

And second, of course, is a set of new product introductions and innovations in these markets, which we are already sort of seeing that momentum come in, in FY '25. So the key -- these are going to be the key 2 drivers for growth for the formulations business.

**Thomas Priju:** And does the slightly hostile environment with Turkey currently at the diplomatic level affect our business in any way in that country?

**Rajaram Narayanan:** No. I mean, I think I just answered on that question. The business in Turkey is in Turkey for Turkey. It's a local company, which had been acquired by us. It's a robust business within Turkey and for the neighboring markets. I think there is no commercial exchange in terms of exports, imports, et cetera, of materiality between Turkey and India. I mean, our Turkish business and India. And therefore, we don't see any impact at all coming from this. It is completely an international operation for that part of the world.

**Thomas Priju:** On the Viyash side, in terms of CDMO, are we trying to develop a CDMO work with innovators on the ingredient side or on the final API side, is it possible to provide some color on what is the sort of CDMO work we are trying to develop?

**Rajaram Narayanan:** So today, what we do in CDMO, there are 2 parts. One is with innovators, we do APIs and also a few key starting materials. Whatever we signed a few things, a few starting materials, most of these are for their life cycle management. Once the patent comes out, they try to move their manufacturing from okay, expensive countries to India.

That's where we are able to get a few contracts. Few products, 2, 3 APIs, we are their global supplier for that. And second thing is we are able to get some contracts for advanced intermediates from innovators. That will continue.

The second part where we have initiated last year, it's working pretty well. CDMO with complex generic or some specialty company. There are quite a number of companies in especially Europe. They identify the product, but they look for CRO or CDMO players. So we are able to attract that business. And the advantage of that business is even unlike with innovator business, we are able to get actually revenue for even R&D development as well as validation.

And most important, actually, we are able to negotiate with some profit share during their commercial sales. So that's a pretty well model. We are able to attract 2, 3 contracts already, and this is going to continue. And also large generic, okay?

Large generic companies, they are struggling with their cost. That's where they are looking for CDMO players, not for matured products, contract manufacturing side. They are looking for some CDMO players for the complex API. That's where we are able to partner a few generic companies actually, a few things, partner with co-investment taking risk together and taking profits also together.

And a few things purely in CDMO play, we partner with them with R&D and manufacturing and contract with manufacture. So basically, these 3 areas for next 1, 2 years. Innovators, we are going to do more and more life cycle management business, both API intermediaries. And most important, the complex API specialty companies, that's all for those next. So this year is the building phase for next level, whatever is Phase I, Phase II, maybe we'll start from end of 2026. That's where we are trying to build a little more infrastructure for that. Hope I answered your question.

**Moderator:** Next question comes from the line of Sajal Kapoor with Antifragile Thinking.

**Sajal Kapoor:** Happy to see the gross margin recover and cross the 50% mark. However, our EBITDA conversion into cash flows for SeQuent it stays too low. I mean, not just for F '25, but this has been very low around 45-odd percent EBITDA to OCF operating cash flow for almost 4 years now, and mainly due to cash getting stuck in things like receivables and higher than normal inventory. So the question really is how can we fix this in the future?

**Rajaram Narayanan:** Saurav?

**Saurav Bhala:** Thanks for the question. Your observation is right, it has been low. But if you see quarter-on-quarter, we have been focusing and improving very specifically on that area. In fact, last financial year, there was a significant operating cash flow, which got generated after, I think, 2 years, which you mentioned. And with a clear focus on optimizing our working capital across the geographies and various other initiatives we are taking. This remains to be an area where we'll keep on improving quarter-on-quarter. And next year is going to be substantially better than the last year.

**Moderator:** Next question comes from the line of Bhavesh Gandhi from Yes Securities.

**Bhavesh Gandhi:** So one question on the SeQuent API business. So any color or update here in terms of what we see the outlook over the next 2 years in terms of growth drivers and any push and pull that we are seeing in this business that will be helpful because it is still a meaningful business for us.

**Rajaram Narayanan:** Yes. So I'll just first say, yes, it is an important business for us. And we have been looking firstly on the revenue side to start sort of coming and crossing the INR100 crores a quarter kind of a mark. I think we expect to get into that zone next year, yes.

There is a lot of work which is going on with the help of the team with Dr. Hari and the Viyash team working both on the R&D and on the improvement for the pace at which we're introducing new products. So we certainly expect that this business will begin to accelerate towards the second half of next year.

In terms of the direction of the business, I think there are 2 clear areas. One is that future growth will come from acceleration of new products. We have some in the pipeline, which are due to be commercialized. And the second is, of course, to make sure that our operating efficiencies are much better.

That is something which is an inevitable outcome of the merger because I think we will get benefits coming in there. Of course, these will take a couple of quarters before you begin to sort of get that in. Having said that, there's a big shift in the interest in the company from the innovators and from large companies after we've announced the merger.

So we have more companies now coming to us to have conversations around new projects. And I think that is going to be where we will get growth coming from because with the infrastructure of Viyash, we should be able to give much more confidence around some of the new projects.

On the existing business, we are seeing an upside, which is coming right now on the albendazole business, which we have, which is an important product for us because there is a requirement with the WHO part of the demand, which is increasing. And we are one of the few companies which has the prequalified approval for WHO as well as the kind of grade that we supply, which meets the quality requirements.

So I think there's an inherent momentum which is coming on our existing business, which will take us through for next year. But at the same time, I think in the second half of the year, you'll begin to see a more acceleration coming with our announcements on new product development, et cetera. So that's really the direction in which we will go. Dr. Hari, you want to add anything on this?

**Hari Bodepudi:** I think you covered very well.

**Rajaram Narayanan:** I think it's also important just to add that on the sheer margin profile, this business has substantially improved in the last 18 months. So I think we are on a healthier gross margin profile on the business, and we, therefore, see that, that gives us the leverage to sort of build on this business faster going ahead.

**Moderator:** Next question comes from the line of Bharat Sheth with Quest Investment Advisors Private Limited.

**Bharat Sheth:** Congratulations on excellent performance and turnaround. And more about that is that setting up of new platform for accelerated growth in both top line as well as EBITDA side. If I have to think now from, say, you have up to '27 kind of a guidance. But if I have to think beyond that, so say, 3 to 5 years perspective, how should we think about that?

**Rajaram Narayanan:** Yes, that we are working now maybe next 6, 9 months, we are going to get that 3 to 5 years plan. And if possible, we'll try to give guidance.

**Bharat Sheth:** Okay. And sir, second thing, if you can give some color -- up to '27 you have given EBITDA side. But below the EBITDA, say, for any noncash item on nonrecurring or depreciation and interest, as well as on the balance sheet side, that will be more helpful, sir.

**Saurav Bhala:** Yes. Definitely, we can give detail later. But if you see our balance sheets are going to strengthen day by day. So coming to Viyash balance sheet, even today, it's very strong balance sheet. When I mentioned actually, we were able to pay debt INR145 crores this year. And this year, FY '26, Viyash is going to be debt-free company and we'll have some free cash.

And Viyash another thing is actually also that EBITDA below items, as we mentioned. A couple of things actually. One is the regular depreciation, that's not abnormal. The second thing is depreciation related to the goodwill. That's going away in FY '27. Actually, you can see almost INR100-odd crores in this year, okay? That's going away in FY '27.

And SeQuent balance sheet also, if you see actually, it's improved a lot this year, even that debt-to-EBITDA ratio has come down to 1.9. But once we complete merger, day 1 itself, actually, it's going to be more or less debt-free or very little debt. And all our interest costs are going to go down a big thing. Interest cost, you can see Viyash is still around INR25 crores, INR30 crores and SeQuent is a little higher. All these things will go away, and we have leverage to do, a lot of new things. That's what we are going to think from next year.

**Bharat Sheth:** We'll see you once we are ready with our 3, 2-year site plan and to remain associated with our company for a longer period.

**Rajaram Narayanan:** Yes, Bharat. Thank you.

**Bharat Sheth:** Thank you very much, sir.

**Rajaram Narayanan:** Good times just started.

**Moderator:** Next question comes from the line of Harish with Monarch Networth Capital Limited.

**Harish:** My question was on the line. Can we narrow the margin expansion down to a particular product sale when you talk about albendazole-based or certain other API-based products. So is it possible to narrow it down?

**Rajaram Narayanan:** No, because I'm saying these are one day -- I think it's an ongoing business. So we can't really give you a split between one. I mean there is clearly margin improvement comes from a variety of reasons, right? I mean, one, it comes from -- like if you look like Dr. Hari said, in the API business, it will come from the new R&D pipeline, which is over there, the new CDMO arrangements, which will be there. There is no -- there's enough surplus capacity, and therefore, there will be an opex leverage, which will come from there.

In the case of formulations, there are 2 clear routes -- 3 clear routes. One is we already have close to 1,000 FDFs of fixed dose formulation filings everywhere. So we have the ability to have geo expansion as and take the same products to different markets. Second is new products. And the third is change the composition of the product mix so that a larger part of higher-margin products are part of that.

So these are the levers. The real thing is about have we got the -- have we built the strength to execute this because I think all of these things have come in place. And last year is an evidence that companies, we are able to execute it. So I think you should really look at it as the way we look at it, which is that these are the 3 big levers for us to drive it. Yes.

**Harish:** Yes. Okay. Understood. I have one more question. So you talked about the vaccine opportunity that we have in Europe. Can you please expand on that?

**Rajaram Narayanan:** So we have -- the vaccine opportunity, some of it is opportunistic and some of it becomes consistent once you launch the first vaccine, right? So we have a field strength. So we have physically salespeople who today are doing distribution for our products in Belgium, Netherlands, Spain, a small team, which is there in Italy.

So these are teams which are doing traditionally selling our own products, but there are vaccine companies which need a front end to be able to launch and distribute vaccines beyond just the 3 or 4 large multinationals, the other vaccine developers need an opportunity to do that.

So we have tie-ups where we work with the local agriculture or the government authority as and when there is a disease outbreak. And we are able to source vaccines which are appropriate for that particular disease. Recently, in Belgium, there was an outbreak of something called a Bluetongue disease, which is for sheep. We have a large presence over there. The government required vaccines, and this is -- and we were able to distribute that.

Based on that, we have now got tie-ups for additional vaccines with the same company, and we are looking at opportunities to be able to do that. So we're not in the manufacturing of vaccines, but we are one of the important front-end distributors as well as marketers of vaccines in Europe.

**Harish:** Understood, sir. And I had one more question regarding the Zoetis distribution that we had stopped. So any update there in the India business?

**Rajaram Narayanan:** No, no. So we have not stopped. We continue to distribute for Zoetis, the cattle product, which is -- and we are the sole distributors in India for that. Not just distributors, we actually have taken over that entire front-end part of the business. There was an important product there, which was pretty large. I think it was almost INR12 crores to INR14 crores of sales, which got discontinued by Zoetis.

And we're expecting that to get back in the coming financial year. And that was discontinued by Zoetis because of supply problems they had at their manufacturing site. And therefore, it was not available. So now we are working to relaunch that product in India, and that will, of course, be incremental as and when it comes, but we are waiting for them to confirm it. But otherwise, the rest of the business of Zoetis continues and is growing for us. Okay. I think we'll take one more question. One last question.

**Moderator:** Next question comes from the line of Kiran with Table Tree Capital.

**Kiran:** I have 2 questions, one on Viyash and one on the combined entity. The question on Viyash essentially is, sir, do we see -- I mean, we have grown year-on-year about 11% in revenue. And I'm just focusing on revenue because given your pedigree, we are sure the efficiencies will be squeezed, right?

So on the revenue, do we have a confidence of growing by 20% on the revenue base that we currently have, which is around INR1,500 crores over the next 2 years as year-on-year. The reason why I'm asking this question is, sir, not for guidance per se because top 10 products of Viyash, we are close to 45%, 50% market share globally. So I don't know if you have the ramp to grow at 20% year-on-year in Viyash. So that's my first question on Viyash.

**Hari Bodepudi:** Okay. If you see our presentation also, as we mentioned, our top 10 products, we've grown almost 23% last 3 years CAGR. That shows our strength on the existing products. Why 11% last 2 years? You know we acquired these companies 3 years back. And not many new products we got when we acquired. All the new product development or the new arrangements with new clients are happening last 1, 2 years. And also, you can see a lot of new products developed and filed. And the cycle time to develop file is generally 3 to 5 years kind of thing.

So that's whatever we developed last 2, 3 years, it started coming commercialization while maintaining our existing product growth, strong growth. With the new product additions, definitely, we'll grow much better than what we have today. And you can see a lot of new products every year. Last year, I think we were in top 10. We were in fifth place of filing total number of DMF. And last 11 months, we did 15, 20 audits, including 5, 6 FDA audits. That shows our strength of new products, why FDA is coming actually, that's one of the reasons we are filing more products.

So the new products, whatever we filed, it's going to grow next 2, 3 years. That's a big thing, while maintaining our existing products of growth. So that's where we are confident to grow much better than what we have today on the top line. Of course, bottom line, it will continue because, as I mentioned, our operational leverage, whatever our capacity utilization is 60%, 65%. And continuously adding some capacity this year also, we are adding some capacity for a few products which are coming for launch that's where we can see growth.

**Kiran:** Sir, the CDMO leg of FY '27, would it take us to a 20% revenue growth, sir? Is that a fair assumption?

**Hari Bodepudi:** 20% in CDMO, yes. So I think if I put it today, whatever we do innovators and few generic companies, today, it's working out at 5%, 6% of our revenue, but it's going to grow substantially. But how much it's going to contribute in 20% growth, we have to work. That's one of the area, of course.

**Kiran:** One last question on the combined entity, sir. So we have -- in FY '25 in the presentation, we have exceptional items of about INR102 crores. I understand all of this is noncash, but just trying to understand how we see through FY '27. So exceptional item, we've seen INR1 crore or INR2 crores. Then we are seeing amortization of acquisition intangible INR100 crores. So this is combined of INR200 crores, are all of this going away from FY '27? FY '26, do we still expect some expenses to come here and FY '27, both of these items will be 0. Is that a fair assumption?

**Hari Bodepudi:** This amortization acquisition related to INR100 crores, right? That's going to go away in FY '27. I think it will go completely in FY '27. It will remain in FY '26 because -- it may come down, but it's going away completely in FY '27. But the remaining INR102 crores -- sorry?

**Kiran:** Yes, sir. It's INR102 crores.

**Hari Bodepudi:** INR102 crores, I'm just looking at. Saurav, can you help me where is this INR102 crores?

**Saurav Bhala:** Slide 22, sir.

**Hari Bodepudi:** Slide 22, INR100 crores is for this amortization.

**Saurav Bhala:** The balance, doctor is for the provision to --

**Hari Bodepudi:** Yes, yes, let me, it's INR102 crores. Yes, this INR102 crores majority are related to merger things. One is we have some accelerated share warrants. And also, there were actually some merger-related expenses and a few things actually related to actually what is the contractual obligation for these mergers. So all this INR102 crores also will go to maximum.

**Kiran:** FY '26, it will repeat or FY '27, it will go away?

**Hari Bodepudi:** No, no, FY '26, it will go away, majority. These are actually -- this is purely onetime. Amortization-related will go in '27, it will remain '26. But this exceptional item, INR1 crores or INR2 crores, right now, it will go in FY '26.

**Rajaram Narayanan:** That's the last question. Thank you.

**Moderator:** Thank you. Ladies and gentlemen, due to time constraints, we have reached the end of question-and-answer session. I would now like to hand the conference over to the management for closing comments.

**Rajaram Narayanan:** Thank you very much for attending this call. It's been a very exciting and successful year for the company as well as how we are moving into the next financial year with the merger, which is on the cards. So we look forward to giving you an update next quarter and look forward to your continued support in asking these questions as well as participating on these calls. 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.

"SeQuent Scientific Limited

Q4 FY25 Earnings Conference Call"

May 21, 2025

**MANAGEMENT:** **MR. RAJARAM NARAYANAN – MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER– SEQUENT SCIENTIFIC LIMITED**
**DR. HARI BABU BODEPUDI – WHOLE TIME DIRECTOR AND CHIEF EXECUTIVE OFFICER – VIYASH LIFE SCIENCES**
**MR. RAMAKANT SINGANI – CHIEF FINANCIAL OFFICER – VIYASH LIFE SCIENCES**
**MR. SAURAV BHALA – CHIEF FINANCIAL OFFICER – SEQUENT SCIENTIFIC LIMITED**
**MR. ABHISHEK SINGHAL – HEAD OF INVESTOR RELATIONS – SEQUENT SCIENTIFIC LIMITED**

**Moderator:** Ladies and gentlemen, good day, and welcome to SeQuent Scientific Limited Q4 FY '25 Earnings 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. Thank you, and over to you, sir.

**Abhishek Singhal:** A very good morning to all of you and thank you for joining us today for SeQuent Scientific's earnings conference call for the fourth quarter and full year ended financial year 2025.

Today, we have with us Mr. Rajaram, MD and CEO of SeQuent Scientific; Dr. Hari Babu, Whole-Time Director and CEO, Viyash Life Sciences; Mr. Saurav, CFO, SeQuent Scientific; and Mr. Ramakant, CFO, Viyash Life Sciences, to share the highlights of the business and financials for the quarter.

I hope you've gone through our results release and the quarterly investor presentation, which have been uploaded on our website as well as the stock exchange website. The transcript of 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 risks pertaining to our business. After the end of this call, in case you have any further questions, please feel free to reach out to the Investor Relations team.

I now hand over the call to Rajaram to make his opening remarks.

**Rajaram Narayanan:** Thank you, Abhishek and good morning, everyone, and a very warm welcome to all the participants. Joining me on this call is Dr. Hari Babu, Whole-Time Director and CEO of Viyash Life Sciences, along with Saurav Bhala, the CFO of SeQuent and Mr. Ramakant, CFO of Viyash.

You would have gone through the results and the investor presentation, which was released yesterday for the financials of quarter 4 and full year financial year '24-'25. My colleagues on the call and I are delighted to share with you more details and answer your questions today.

Coming to the performance of this quarter, I'm pleased to announce that we continued our strong performance and closed the last quarter of FY '25 with revenues of INR4,017 million, which is INR401.7 crores, reflecting a double-digit growth of 11.2% over the same quarter last year.

I'm also happy to share that this quarter's revenue has been the highest in the last few years and continues on the trend of sequential growth that we are seeing every quarter. This performance came in with a 38.7% growth in our pre-ESOP EBITDA, which grew to INR56.9 million crores or INR569 million, which translates to a margin of 14.2%, which is broadly in line with the guidance that we have given for the exit margin for the year.

The company sustained the strong momentum during the year as a result of various initiatives that it has undertaken over the last 18 months to strengthen the business fundamentals and prepare us for the next phase of growth.

Coming to the performance for the full year, financial year '24-'25, our revenues grew at a healthy 13% to reach INR15,516 million, which is INR1,551.6 crores. And at an EBITDA pre-ESOP of INR199 crores, that's a very, very healthy growth year-on-year. While Saurav will talk a bit more about the financials in more detail, let me cover some aspects of the business.

Our formulations business, which is the largest part of the company, continues to trend very well. It sustained the high base of the last quarter. And on a year-on-year basis, it has grown in healthy double digits, nearly 20%, and that was driven by a strong performance across all geographies.

In Europe, the growth in the year was led by new sales avenues, which were created, especially in vaccine partnerships, higher exports from Europe, as well as the expansion of the fast-growing CytoSolutions segment. In emerging markets, the 26% growth was supported by a change in product mix towards better margin products, organization restructuring in Mexico, higher export volumes from Turkey, along with some very judicious price increases across the board.

We believe that our position in these local markets, where we have teams over there, allow us to maintain a unique position in the key animal health markets of those countries and the regions which they are present in, and that remains a strategic priority for us in the long run as well. We've also initiated groundwork for the entry of the CytoSolutions portfolio in the Latin American region.

The formulations business in India is a top priority for us. It has continued to do well on the back of field expansion that we undertook during the year, and that has resulted in a 13% year-on-year sales growth, which we expect to accelerate in the coming year. To further our presence, we have identified the next set of levers, which are required to build this business, and it includes a second phase of field expansion in the early part of FY '26, as well as new product introduction. We believe this will go a long way in building a very strong foundation for deeper penetration in India, while also providing a platform for our brand-building efforts.

On the API front, I'm quite pleased with the transformation in the business. The strength is visible in the improvement of margins and sequential recovery. We expect to see the acceleration from quarter 1 this year. Importantly, the fundamentals for growth are in place.

We filed 2 VMFs during the year, and our sales from our top customers, the top 10 customers grew vis-a-vis last year, and the contribution has increased from 51% to 54% during this year. We also received WHO prequalification for albendazole and many prestigious awards for safety and quality. The long-term relationship that we have with our global formulation companies helps us partner them in new product efforts, and we expect to see some of the new business materialize in FY '26.

With the forthcoming merger, we expect the benefits of R&D and manufacturing to flow in, thus enabling us to grow faster and build new segments such as companion animals. I would like to take this opportunity to thank the entire team of SeQuent Alivira and all the stakeholders involved for their efforts and the support that they have provided this year, which has resulted in a strong performance for the year, but more importantly, created the platform for future growth.

I will now hand over to Saurav to share the financial details of SeQuent and then invite Dr. Hari to share the highlights of the Viyash performance. Over to you, Saurav.

**Saurav Bhala:** Thank you, Raja. Good morning, everyone. It's a pleasure to join today and share key highlights into the strong financial performance of SeQuent Scientific Limited for quarter 4 and for the entire financial year financial year '24 and '25. I'll also provide an update on the progress of our strategic merger.

Starting with the Q4 highlights for SeQuent Scientific Limited. In Q4 '25, we recorded a total revenue of INR4,017 million, reflecting a strong growth of 11.2% year-on-year basis and a 2.8% growth on a quarter-on-quarter basis. Our formulation business reported a revenue of INR3,015 million, delivering a 22% year-on-year growth. The API business generated INR869 million in revenue, delivering a 7% growth on a quarter-on-quarter basis.

Gross margin saw a notable improvement of 420 basis points on a year-on-year basis, increasing from 46.1% to 50.3% in quarter 4. On a sequential basis, margins improved by 210 basis points, up from 48.2% to 50.3%.

Our EBITDA pre-ESOP for the quarter was INR5,691 million, reflecting a robust growth of 38.7% year-on-year basis and a 15.5% rise on a quarter-on-quarter basis. The EBITDA margin stood at 14.2%, up by 280 basis points year-on-year basis and 160 basis points on a quarter-on-quarter basis. The profit after tax for the quarter stood at INR103 million, improving substantially from INR13 million in Q4 of last financial year, which is a very remarkable growth of about 712%.

Now coming to financial highlights for the entire financial year '24-'25. For the full year, the total revenue delivered is INR15,514 million, marking a 13.3% year-on-year growth. The formulation business contributed INR11,858 million, registering a 19% increase on a year-on-year basis. The API business reported a revenue of INR3,378 million, reflecting a growth of 4% on a year-on-year basis.

Gross margins for the year improved by 320 basis points from 44.5% in the last financial year to 47.7% in the current financial year, driven by the various strategic initiatives, including our sales mix optimization, geographical expansion, deeper market penetration and selective pricing actions across geographies.

EBITDA pre-ESOP delivered is INR1,993 million for the financial year '24-'25, delivering an impressive 18.6% growth on a year-on-year basis. The EBITDA margin expanded by 500 basis points, increasing from 7.8% in financial year '24 to 12.9% in financial year '25. This reflects our consistent focus on driving profitable growth.

We achieved a significant turnaround in PAT or profit after tax, improving from a loss of last year to a profit of INR322 million, a remarkable growth of 208.9%. Now coming to the update on the merger process. I'm pleased to share we have made meaningful progress on the strategic merger of Viyash Life Science Limited and its subsidiaries, along with one of our subsidiaries, SeQuent Research Limited into SeQuent Scientific Limited.

The milestone achieved so far are as follows: We got the Board approval for the merger on 26th September '24. We got the Competition Commission of India approval on 21st Jan '25. The stock exchange approval is currently under progress and is at an advanced level. We expect the approval soon. Upon receiving the exchange approval, the scheme will be submitted to NCLT or National Company Law Tribunal for the final clearance.

In summary, our performance for Q4 and the full financial year '24-'25 reflects the strength of our strategic plan and execution excellence, focused on driving the profitable growth as a central theme. We are more confident than ever for the stronger growth continuity in the coming quarters based on the robust foundation created. We remain committed to creating enduring value for all our stakeholders.

With this, now I hand over the call to Dr. Hari, who will take you through the performance highlights of Viyash Group. Thank you.

**Hari Bodepudi:** Thank you, Saurav, and Rajaram. Congratulations to SeQuent team, entire team, for great performance. And good morning, all, guys. Let me take you through the Viyash performance now.

Viyash recorded strong performance in Q4 with the acceleration in revenue growth and margin expansion year-on-year. As you know, our core strength remain R&D, manufacturing, and intellectual property.

For Q4 FY '25, revenue grew by 15% to the corresponding year last quarter of INR370 crores and adjusted EBITDA grew by 93% over last year same quarter to INR65.3 crores. Viyash had strong EBITDA margins of 17.6%, continuously improving that EBITDA.

For full financial year, consolidated revenue of INR1,458 crores represents growth of 11.2% when compared to FY '24 revenue of INR1,311 crores. Adjusted EBITDA for the full year FY '25 INR254.6 crores represents a growth of 52.4% compared to FY '24 EBITDA. And EBITDA percentage improved from 12.7% in FY '24 to 17.5% for FY '25.

During the year, financial year FY '25, the business has generated healthy free cash flow of around INR201 crores. This shows that actually the company balance sheet. And also, we repaid borrowings, about INR145 crores during FY '25. So with this repayment, our current debt actually remains at around INR74 crores and net EBITDA ratio is around 0.3x.

We want to reiterate that a lot of costs below EBITDA, particularly exceptional items and amortization of acquisition intangibles are largely noncash or nonrecurring and steady-state PAT margins, excluding exceptional items this year should be above 10%. And also this is reflected in our free cash generation of INR200 crores in FY '25. Business growth is supported by investments in critical areas and a strong operating base, which we'll cover now.

Our business has strong momentum across portfolio selection, validations, filings and launches. New product launches and filings, we filed 4 new products in last quarter, and also we filed 3 products in this quarter. Strong portfolio selection, of course, we have strengthened R&D and portfolio. So we have 25 products in our portfolio, which includes a lot of NC minus 1 and also CCT. We completed 4 validations this quarter, and we got 6 regulatory approvals from various countries.

Operating base. We look at our business across 3 segments, and these are covered on Page 18. For API++, as you know, we have a well-diverse portfolio of 70-plus products commercially, which includes high value and most of the products are a little bit differentiated and medium volume products. And also this reflects our top 10 products has grown at 23% CAGR over the last 3 years and an average of very strong material margin of about 58%.

As you know, we have a global customer base across 150-plus countries. And we have an extremely backward integrated manufacturing setup with cost leadership and have cleared multiple regulatory audits over the last decade. And even this week, there's a Europe audit is going on at one of the site, it's going pretty well. So we are capable to handle multiple inspections, whether USA or Europe, any country, and strongly capable to manage everything.

As the business has grown, we have leveraged our innovator and large generic customers to build our development business. This is a key area for our future growth. We have added almost 10-plus development contracts over the last 2 years, which includes couple of products like the life cycle management for innovators, as well as a few contracts with complex generic companies.

We have a few small formulation business, as you know, in the U.S. with local manufacturing. We are moving that business to complex portfolio and integrating with our API to get cost leadership.

Now moving to combined performance and merger benefits. For Q4 FY '25, combined revenue of the 2 entities grew by 13% year-on-year and EBITDA grew by 63% year-on-year. The combined business had an adjusted EBITDA of INR120 crores in Q4 with 15.8% margin. For FY '25, combined revenue of the 2 entities, 12%, and EBITDA grew by 66% year-on-year. So the combined business had an adjusted EBITDA of INR450 crores with 15.1% margin. The combined net debt EBITDA ratio is now at 1x compared to 1.2x in last previous quarter.

As updated last quarter and also now Saurav updated the merger status, we have started to plan for integration of the 2 companies and realizing synergies. We had received CCI approval, of course, as explained by Saurav. And most important, we have made substantial progress in R&D and manufacturing, and we'll present a granular action plan and estimated synergy value to the Board -- we are going to present to the Board sometime in first half of FY '26.

We had said last quarter that R&D will be a big win for both companies and integration is going very well. And we expect the merger process to close, as explained by Saurav in 12 to 15 months, mostly by end of this year.

Thank you. I think with this, we can now open for questions.

**Abhishek Singhal:** Can we take the Q&A, please.

**Moderator:** The first question comes from the line of Amey Chalke with JM Financial.

**Amey Chalke:** Congrats to the management on good numbers this quarter. First question I have, basically, the previous call, we have been mentioning that we would get to a double-digit kind of a growth and kind of a mid-teens margins. This quarter, we have already achieved that. Going ahead in FY '26, what would be the outlook for the growth and margins, sir?

**Rajaram Narayanan:** Thank you, Amey. I mean, yes, we had guided that we would -- and that's on SeQuent alone, right? We had said that we would come closer to a mid-teen margin and double-digit growth as we exited this year, and I'm happy that we have reached there.

Clearly, right now, we will not be able to tell you a guidance for next year, but I think we have already laid out the plan that by FY '27, we are looking for SeQuent to come closer to high teens kind of a margin. And we would, of course, Viyash with its performance would be more in the -- closer to the 20s range as far as the margins are concerned. And therefore, I think over the next 24 months, we should be seeing the company reach there.

In terms of top line growth, of course, a healthy double digit, which should be anywhere in the mid-teens is what we are expecting to do over the next 2 years. Dr. Hari, would you add to this?

**Hari Bodepudi:** Yes.

**Rajaram Narayanan:** Over to you.

**Hari Bodepudi:** Over. Just to add to Rajaram, what he mentioned, I can tell you guys, whatever we achieved this quarter is pretty sustainable, okay? And of course, whatever our guidance FY '27, what Rajaram mentioned, we are pretty confident to do that. We may do a little better than that. So we are pretty confident in achieving sustainable growth.

**Rajaram Narayanan:** You would have seen in our investor presentation also that the pillars which are there for growth. We have already, as Dr. Hari has just mentioned, the synergy plan as well as the benefits of the merger will begin to flow in during this next 1- to 2-year period. And therefore, obviously, the businesses in terms of the results which we have right now should be not only sustainable, but they're also likely to do better.

**Amey Chalke:** Sure. But just to clarify, this 18% of high teens kind of margin, what you said would be on stand-alone, right, before the merger as in the -- not including the merger synergies, right?

**Rajaram Narayanan:** I think it's a bit early for us to comment. But very clearly, we are -- on a combined basis, the company, which we had guided earlier also, should be looking closer to about -- I think we are today right now about INR3,000-plus crores in terms of top line. And we are heading towards closer to a INR4,000 crore kind of figure, if not better, in terms of top line in the next 2 to 2.5 years.

And we would be looking, therefore, at a margin profile, which should be closer to 20% on a combined basis at least. And I think that now we'll keep updating you as the year progresses. But that's a reasonable thing to sort of move forward with.

**Amey Chalke:** The second question I have, is there any plan for us to enter into CDMO business? And what are the opportunities considering the combined company in the CDMO side?

**Rajaram Narayanan:** Dr. Hari, I think would, I think would be best, yes, on that.

**Hari Bodepudi:** Yes, absolutely. This year, that's one of the key focus, actually expanding CDMO business as well as complex products development. As you see in Viyash, already we do CDMO business. We have business with the innovators. We do business with the innovators, 5, 6 clients. And also, we entered another 5, 6 development agreements with complex generics because the CDMO there are two, three things, right?

One is innovator business. Life cycle management already we are there in the commercial. And we are working with the new products. And the second thing is most important, we see where the opportunity for CDMO for complex generics.

There are many specialty companies in Europe, U.S. They have only focus on marketing and portfolio. They always look for partners for R&D development as well as manufacturing. We see a lot of interest. Already, we signed 3 contracts in the last 6 months, and it's working pretty well.

And this year, we are going to focus a lot on expanding in the CDMO. And you can see substantial sales in the next year. I think that's a great upside for the next 2, 3 years for this company because we are fully established to meet any CDMO customer expectations with respect to the EHS quality or R&D. All we have their capabilities. We are strengthening teams this year, and you can see a lot of growth next year so. Strengthening up is a key focus areas for us.

**Moderator:** Next question comes from the line of Shiwani with Monarch Networth.

**Shiwani:** Congratulations for the excellent set of numbers. My first question is on tax rate. For SeQuent in Q4 FY '25, the tax rate was at the higher range of 35%, 36%. Any specific reason for that?

**Saurav Bhala:** So tax rate for SeQuent is a combination of various sum of parts across the geographies. And there are impacts which happens for the full year, which gets accounted in Q4. So there are slight adjustments which happen for Q4. But on an overall year, if you see, it remains to be on a normal range. And I think that is going to be the new normal going ahead also.

**Shiwani:** Just to add on that, so what is the tax rate that we should build in for the next -- this year and the next year?

**Hari Bodepudi:** About 30%; 25% to 30% in that range.

**Shiwani:** 25% to 30%, right? Okay. My next question is I also wanted to get some clarity on the new launches in the companion animal health segment that we are looking at. So I think that currently, we have less than 10% companion animal health products. So just wanted to understand that how to look for this segment and what can be the contribution of the overall portfolio?

**Rajaram Narayanan:** Thank you. So right now, the businesses which are more geared towards companion animals for us are in Europe as well as in Latin America. Over there, we are -- we have a range which is coming out now in the area of anesthetics, which gets commercialized during this year. And that is the area which we are building very fast for companion animals. Apart from that, there are nutritionals in Latin America, which are getting launched. We are also looking at India seriously in the area of companion animals in developing a product portfolio.

So I think we should see launches coming every quarter, certainly in Europe and more towards end of the year in Brazil and in India. Our target would be that we should double the contribution of companion animals in the next 3 years in our portfolio.

**Shiwani:** Can I continue?

**Rajaram Narayanan:** Yes, please.

**Shiwani:** My next question is for Viyash. So Q-on-Q, Viyash revenue, we saw a decline of 3% and also there was a slight drop in the margin also. Is there any specific underlying reason for the same?

**Hari Bodepudi:** So the sequential quarter drop is mainly because there's some inventory buildup in finished product in U.S. Shiwani. We have U.S. formulation facility. So the customer, they build a little more inventory in previous quarters. So that's the phasing issue. So that's how the drop from the 3% is basically from formulation. But there is no gross margin drop on those things.

**Moderator:** Next question comes from the line of Jegadees, an individual investor.

**Jegadees:** Congratulations for a great set of numbers. Could you please explain a bit about the growth you are seeing in Europe? And what are the products we sell in Europe? And how is the outlook for Europe in the coming quarters or year?

**Rajaram Narayanan:** Yes. So I'll talk about the formulation piece. So our Europe business has a large setup, which is in Spain, which is both for manufacturing and marketing in Spain as well as manufacturing and marketing for countries in Europe, but we manufacture them in Spain. We have 4, sort of, broad product categories over there. We have the antimicrobials. We have the anesthetics. We then have the pain killers. And finally, we have the dermatology and nutritional products.

Now our growth, which we are seeing in Europe is on account of 2 reasons. One is that we have a range which is for gut health, which is called phytosolution, and that's the range which is expanding fast because there is more and more preference in the use of natural additives for feed animals. So that's one area which is we are growing. The second is in the area of anesthetics, which are used for -- largely for surgery and the hospital procedures for companion animals. That's the piece which is growing for us.

We also are a distribution business for some companies. So we have recently tied up for -- because we have a very strong front end in countries in Europe because that's an important capability to have, where we have feet on street over there in some countries in Belgium, Netherlands, in Spain, where people are able to contact doctors and veterinarian clinics. So we've also become a channel and a partner for vaccines for food production animals. And that's a business which started last year for us, and we think that's the other piece which will be growing.

So I think based on the infrastructure where we have, we should be able to add more and more products for the infrastructure. So that's the primary driver of growth for us. Apart from the other thing, of course, in margins, we are -- because this is a better product mix than the traditional low-end antibiotics, the margins are improving in Europe because the quality of the product mix is changing.

So that's really the 2 sort of drivers for growth, which are there in Europe. We are, of course, not present in a few very large markets like France or U.K. And the distribution opportunity for our existing products in those markets would be the next obvious headroom for us to be able to go.

**Jegadees:** My second question is like how is our business in Turkey doing? And have we been impacted by the recent political issues?

**Rajaram Narayanan:** So as far as the business in Turkey is concerned, it has had challenges which were there earlier in foreign exchange and economy. And those have largely been addressed because of some of the actions that we took in terms of improving our exports from there in terms of price increases, et cetera. And of course, the country situation also improved quite significantly in terms of the economic condition relating inflation dropped, et cetera. So that operating business over there, we -- it has come back and is doing well.

In terms of the current sort of conversations which are there around Turkey, we have to remember that the business in Turkey, which we have is a local operation. It's a local entity. It is in Turkey for Turkey. And therefore, it is meant really for sales and distribution within Turkey as well as some of the neighboring markets.

There is no real dependence either on India or India's dependence on Turkey as far as the business is concerned because it is managed completely locally. So we don't see any impact on that at all from the current sort of news, which is going around on that. But it's purely a local in Turkey for Turkey business.

**Jegadees:** My last question is, could you give us any guidance for Viyash stand-alone sales or margin for FY '26.

**Rajaram Narayanan:** Yes, Dr. Hari.

**Hari Bodepudi:** I think as Rajaram mentioned, we don't give guidance, but I can tell you, yes, we have pretty sustainable growth, whatever the margins we see today. It will continue. And definitely, next 1, 2 years, FY '26, '27, we also mentioned earlier it's going to cross 20% EBITDA margins. So it's a pretty consistent sustainable growth level.

**Moderator:** Next question comes from the line of Thomas Priju with AlfAccurate.

**Thomas Priju:** So I just wanted to clarify, we are talking of margins for SeQuent. We are talking of 20% plus margins for Viyash and close to 20% margins at the combined level by FY '27 at ESOP level or post ESOP level?

**Rajaram Narayanan:** So all the conversation that we have all the comparisons are right now at a pre-ESOP level. Everything we do on a pre-ESOP level.

**Thomas Priju:** So how much should we budget for FY '26 for ESOP for both SeQuent and Viyash and if possible, even for FY '27?

**Rajaram Narayanan:** We can give you a bit on what we know right now for SeQuent because the other pieces, I think we would like to share only after we complete the merger process. But for SeQuent, you should expect around INR30 crores, INR32 crores to be the ESOP cost for next financial year.

And it's, of course, on a declining basis, that's what it will be. They are trending down. And on the rest, we -- I think once the formalities are completed, that is when we would. But I think as Dr. Hari also indicated, fundamentally, this is a business that is moving very clearly on a sustainable basis to close to 18% to 20% kind of a business with a higher skew on the positive side of 20% for Viyash and maybe a point below or 2 points below for SeQuent.

**Thomas Priju:** Understood. So we are looking at more than a 300 bps expansion in terms of SeQuent and maybe 200 bps in case of Viyash. Is it possible to provide some color on what is the underlying factors which will lead to this margin expansion?

**Rajaram Narayanan:** I think on SeQuent, we've been giving it the first, I'll give a chance to Dr. Hari to sort of explain on the Viyash side and the API part of it, and then we'll add a top-up on the SeQuent part, yes. Dr. Hari, on the margin expansion, please go ahead?

**Hari Bodepudi:** No, as you'll see in our investor presentation, we have 2 initiatives, especially we do every year, 10, 15 products development and file. And most of the products are the slightly differentiated or complex products. So year-on-year, when you are developing 10, 12 products, and we are able to launch at least 6 to 8 products. And all these products are new products and margins are reasonably good.

And the other thing, margin expansion for Viyash basically, our current capacity utilization is around 60%, 65%. When the revenue is growing, our opex percentage is continuously coming down. That's where you can see from last 2, 3 years. It's continuously coming down our opex. It straight goes to bottom line margin.

So there's two, three things. One is our opex reduction. The second thing is all our new products, whatever we developed and filed expected approval. And the third thing is, as I mentioned, we are expanding business a lot in CDMO and other few complex areas. I think this will generate good business in FY '27, '28 and the margin will be much better than what we anticipate. These are the 3 areas I can say that.

**Rajaram Narayanan:** I think that -- thank you, Dr. Hari. And that pretty much would be the typical model anyway. So I think even for the formulations business, it's largely going to be driven by an improvement in the mix of what we sell because I think that's a big driver for growth in formulations as we improve the quality of the product mix with higher margins, which are a combination of the kind of therapies you are in as well as more and more as you move towards companion animals, the margins are substantially better.

And second, of course, is a set of new product introductions and innovations in these markets, which we are already sort of seeing that momentum come in, in FY '25. So the key -- these are going to be the key 2 drivers for growth for the formulations business.

**Thomas Priju:** And does the slightly hostile environment with Turkey currently at the diplomatic level affect our business in any way in that country?

**Rajaram Narayanan:** No. I mean, I think I just answered on that question. The business in Turkey is in Turkey for Turkey. It's a local company, which had been acquired by us. It's a robust business within Turkey and for the neighboring markets. I think there is no commercial exchange in terms of exports, imports, et cetera, of materiality between Turkey and India. I mean, our Turkish business and India. And therefore, we don't see any impact at all coming from this. It is completely an international operation for that part of the world.

**Thomas Priju:** On the Viyash side, in terms of CDMO, are we trying to develop a CDMO work with innovators on the ingredient side or on the final API side, is it possible to provide some color on what is the sort of CDMO work we are trying to develop?

**Rajaram Narayanan:** So today, what we do in CDMO, there are 2 parts. One is with innovators, we do APIs and also a few key starting materials. Whatever we signed a few things, a few starting materials, most of these are for their life cycle management. Once the patent comes out, they try to move their manufacturing from okay, expensive countries to India.

That's where we are able to get a few contracts. Few products, 2, 3 APIs, we are their global supplier for that. And second thing is we are able to get some contracts for advanced intermediates from innovators. That will continue.

The second part where we have initiated last year, it's working pretty well. CDMO with complex generic or some specialty company. There are quite a number of companies in especially Europe. They identify the product, but they look for CRO or CDMO players. So we are able to attract that business. And the advantage of that business is even unlike with innovator business, we are able to get actually revenue for even R&D development as well as validation.

And most important, actually, we are able to negotiate with some profit share during their commercial sales. So that's a pretty well model. We are able to attract 2, 3 contracts already, and this is going to continue. And also large generic, okay?

Large generic companies, they are struggling with their cost. That's where they are looking for CDMO players, not for matured products, contract manufacturing side. They are looking for some CDMO players for the complex API. That's where we are able to partner a few generic companies actually, a few things, partner with co-investment taking risk together and taking profits also together.

And a few things purely in CDMO play, we partner with them with R&D and manufacturing and contract with manufacture. So basically, these 3 areas for next 1, 2 years. Innovators, we are going to do more and more life cycle management business, both API intermediaries. And most important, the complex API specialty companies, that's all for those next. So this year is the building phase for next level, whatever is Phase I, Phase II, maybe we'll start from end of 2026. That's where we are trying to build a little more infrastructure for that. Hope I answered your question.

**Moderator:** Next question comes from the line of Sajal Kapoor with Antifragile Thinking.

**Sajal Kapoor:** Happy to see the gross margin recover and cross the 50% mark. However, our EBITDA conversion into cash flows for SeQuent it stays too low. I mean, not just for F '25, but this has been very low around 45-odd percent EBITDA to OCF operating cash flow for almost 4 years now, and mainly due to cash getting stuck in things like receivables and higher than normal inventory. So the question really is how can we fix this in the future?

**Rajaram Narayanan:** Saurav?

**Saurav Bhala:** Thanks for the question. Your observation is right, it has been low. But if you see quarter-on-quarter, we have been focusing and improving very specifically on that area. In fact, last financial year, there was a significant operating cash flow, which got generated after, I think, 2 years, which you mentioned. And with a clear focus on optimizing our working capital across the geographies and various other initiatives we are taking. This remains to be an area where we'll keep on improving quarter-on-quarter. And next year is going to be substantially better than the last year.

**Moderator:** Next question comes from the line of Bhavesh Gandhi from Yes Securities.

**Bhavesh Gandhi:** So one question on the SeQuent API business. So any color or update here in terms of what we see the outlook over the next 2 years in terms of growth drivers and any push and pull that we are seeing in this business that will be helpful because it is still a meaningful business for us.

**Rajaram Narayanan:** Yes. So I'll just first say, yes, it is an important business for us. And we have been looking firstly on the revenue side to start sort of coming and crossing the INR100 crores a quarter kind of a mark. I think we expect to get into that zone next year, yes.

There is a lot of work which is going on with the help of the team with Dr. Hari and the Viyash team working both on the R&D and on the improvement for the pace at which we're introducing new products. So we certainly expect that this business will begin to accelerate towards the second half of next year.

In terms of the direction of the business, I think there are 2 clear areas. One is that future growth will come from acceleration of new products. We have some in the pipeline, which are due to be commercialized. And the second is, of course, to make sure that our operating efficiencies are much better.

That is something which is an inevitable outcome of the merger because I think we will get benefits coming in there. Of course, these will take a couple of quarters before you begin to sort of get that in. Having said that, there's a big shift in the interest in the company from the innovators and from large companies after we've announced the merger.

So we have more companies now coming to us to have conversations around new projects. And I think that is going to be where we will get growth coming from because with the infrastructure of Viyash, we should be able to give much more confidence around some of the new projects.

On the existing business, we are seeing an upside, which is coming right now on the albendazole business, which we have, which is an important product for us because there is a requirement with the WHO part of the demand, which is increasing. And we are one of the few companies which has the prequalified approval for WHO as well as the kind of grade that we supply, which meets the quality requirements.

So I think there's an inherent momentum which is coming on our existing business, which will take us through for next year. But at the same time, I think in the second half of the year, you'll begin to see a more acceleration coming with our announcements on new product development, et cetera. So that's really the direction in which we will go. Dr. Hari, you want to add anything on this?

**Hari Bodepudi:** I think you covered very well.

**Rajaram Narayanan:** I think it's also important just to add that on the sheer margin profile, this business has substantially improved in the last 18 months. So I think we are on a healthier gross margin profile on the business, and we, therefore, see that, that gives us the leverage to sort of build on this business faster going ahead.

**Moderator:** Next question comes from the line of Bharat Sheth with Quest Investment Advisors Private Limited.

**Bharat Sheth:** Congratulations on excellent performance and turnaround. And more about that is that setting up of new platform for accelerated growth in both top line as well as EBITDA side. If I have to think now from, say, you have up to '27 kind of a guidance. But if I have to think beyond that, so say, 3 to 5 years perspective, how should we think about that?

**Rajaram Narayanan:** Yes, that we are working now maybe next 6, 9 months, we are going to get that 3 to 5 years plan. And if possible, we'll try to give guidance.

**Bharat Sheth:** Okay. And sir, second thing, if you can give some color -- up to '27 you have given EBITDA side. But below the EBITDA, say, for any noncash item on nonrecurring or depreciation and interest, as well as on the balance sheet side, that will be more helpful, sir.

**Saurav Bhala:** Yes. Definitely, we can give detail later. But if you see our balance sheets are going to strengthen day by day. So coming to Viyash balance sheet, even today, it's very strong balance sheet. When I mentioned actually, we were able to pay debt INR145 crores this year. And this year, FY '26, Viyash is going to be debt-free company and we'll have some free cash.

And Viyash another thing is actually also that EBITDA below items, as we mentioned. A couple of things actually. One is the regular depreciation, that's not abnormal. The second thing is depreciation related to the goodwill. That's going away in FY '27. Actually, you can see almost INR100-odd crores in this year, okay? That's going away in FY '27.

And SeQuent balance sheet also, if you see actually, it's improved a lot this year, even that debt-to-EBITDA ratio has come down to 1.9. But once we complete merger, day 1 itself, actually, it's going to be more or less debt-free or very little debt. And all our interest costs are going to go down a big thing. Interest cost, you can see Viyash is still around INR25 crores, INR30 crores and SeQuent is a little higher. All these things will go away, and we have leverage to do, a lot of new things. That's what we are going to think from next year.

**Bharat Sheth:** We'll see you once we are ready with our 3, 2-year site plan and to remain associated with our company for a longer period.

**Rajaram Narayanan:** Yes, Bharat. Thank you.

**Bharat Sheth:** Thank you very much, sir.

**Rajaram Narayanan:** Good times just started.

**Moderator:** Next question comes from the line of Harish with Monarch Networth Capital Limited.

**Harish:** My question was on the line. Can we narrow the margin expansion down to a particular product sale when you talk about albendazole-based or certain other API-based products. So is it possible to narrow it down?

**Rajaram Narayanan:** No, because I'm saying these are one day -- I think it's an ongoing business. So we can't really give you a split between one. I mean there is clearly margin improvement comes from a variety of reasons, right? I mean, one, it comes from -- like if you look like Dr. Hari said, in the API business, it will come from the new R&D pipeline, which is over there, the new CDMO arrangements, which will be there. There is no -- there's enough surplus capacity, and therefore, there will be an opex leverage, which will come from there.

In the case of formulations, there are 2 clear routes -- 3 clear routes. One is we already have close to 1,000 FDFs of fixed dose formulation filings everywhere. So we have the ability to have geo expansion as and take the same products to different markets. Second is new products. And the third is change the composition of the product mix so that a larger part of higher-margin products are part of that.

So these are the levers. The real thing is about have we got the -- have we built the strength to execute this because I think all of these things have come in place. And last year is an evidence that companies, we are able to execute it. So I think you should really look at it as the way we look at it, which is that these are the 3 big levers for us to drive it. Yes.

**Harish:** Yes. Okay. Understood. I have one more question. So you talked about the vaccine opportunity that we have in Europe. Can you please expand on that?

**Rajaram Narayanan:** So we have -- the vaccine opportunity, some of it is opportunistic and some of it becomes consistent once you launch the first vaccine, right? So we have a field strength. So we have physically salespeople who today are doing distribution for our products in Belgium, Netherlands, Spain, a small team, which is there in Italy.

So these are teams which are doing traditionally selling our own products, but there are vaccine companies which need a front end to be able to launch and distribute vaccines beyond just the 3 or 4 large multinationals, the other vaccine developers need an opportunity to do that.

So we have tie-ups where we work with the local agriculture or the government authority as and when there is a disease outbreak. And we are able to source vaccines which are appropriate for that particular disease. Recently, in Belgium, there was an outbreak of something called a Bluetongue disease, which is for sheep. We have a large presence over there. The government required vaccines, and this is -- and we were able to distribute that.

Based on that, we have now got tie-ups for additional vaccines with the same company, and we are looking at opportunities to be able to do that. So we're not in the manufacturing of vaccines, but we are one of the important front-end distributors as well as marketers of vaccines in Europe.

**Harish:** Understood, sir. And I had one more question regarding the Zoetis distribution that we had stopped. So any update there in the India business?

**Rajaram Narayanan:** No, no. So we have not stopped. We continue to distribute for Zoetis, the cattle product, which is -- and we are the sole distributors in India for that. Not just distributors, we actually have taken over that entire front-end part of the business. There was an important product there, which was pretty large. I think it was almost INR12 crores to INR14 crores of sales, which got discontinued by Zoetis.

And we're expecting that to get back in the coming financial year. And that was discontinued by Zoetis because of supply problems they had at their manufacturing site. And therefore, it was not available. So now we are working to relaunch that product in India, and that will, of course, be incremental as and when it comes, but we are waiting for them to confirm it. But otherwise, the rest of the business of Zoetis continues and is growing for us. Okay. I think we'll take one more question. One last question.

**Moderator:** Next question comes from the line of Kiran with Table Tree Capital.

**Kiran:** I have 2 questions, one on Viyash and one on the combined entity. The question on Viyash essentially is, sir, do we see -- I mean, we have grown year-on-year about 11% in revenue. And I'm just focusing on revenue because given your pedigree, we are sure the efficiencies will be squeezed, right?

So on the revenue, do we have a confidence of growing by 20% on the revenue base that we currently have, which is around INR1,500 crores over the next 2 years as year-on-year. The reason why I'm asking this question is, sir, not for guidance per se because top 10 products of Viyash, we are close to 45%, 50% market share globally. So I don't know if you have the ramp to grow at 20% year-on-year in Viyash. So that's my first question on Viyash.

**Hari Bodepudi:** Okay. If you see our presentation also, as we mentioned, our top 10 products, we've grown almost 23% last 3 years CAGR. That shows our strength on the existing products. Why 11% last 2 years? You know we acquired these companies 3 years back. And not many new products we got when we acquired. All the new product development or the new arrangements with new clients are happening last 1, 2 years. And also, you can see a lot of new products developed and filed. And the cycle time to develop file is generally 3 to 5 years kind of thing.

So that's whatever we developed last 2, 3 years, it started coming commercialization while maintaining our existing product growth, strong growth. With the new product additions, definitely, we'll grow much better than what we have today. And you can see a lot of new products every year. Last year, I think we were in top 10. We were in fifth place of filing total number of DMF. And last 11 months, we did 15, 20 audits, including 5, 6 FDA audits. That shows our strength of new products, why FDA is coming actually, that's one of the reasons we are filing more products.

So the new products, whatever we filed, it's going to grow next 2, 3 years. That's a big thing, while maintaining our existing products of growth. So that's where we are confident to grow much better than what we have today on the top line. Of course, bottom line, it will continue because, as I mentioned, our operational leverage, whatever our capacity utilization is 60%, 65%. And continuously adding some capacity this year also, we are adding some capacity for a few products which are coming for launch that's where we can see growth.

**Kiran:** Sir, the CDMO leg of FY '27, would it take us to a 20% revenue growth, sir? Is that a fair assumption?

**Hari Bodepudi:** 20% in CDMO, yes. So I think if I put it today, whatever we do innovators and few generic companies, today, it's working out at 5%, 6% of our revenue, but it's going to grow substantially. But how much it's going to contribute in 20% growth, we have to work. That's one of the area, of course.

**Kiran:** One last question on the combined entity, sir. So we have -- in FY '25 in the presentation, we have exceptional items of about INR102 crores. I understand all of this is noncash, but just trying to understand how we see through FY '27. So exceptional item, we've seen INR1 crore or INR2 crores. Then we are seeing amortization of acquisition intangible INR100 crores. So this is combined of INR200 crores, are all of this going away from FY '27? FY '26, do we still expect some expenses to come here and FY '27, both of these items will be 0. Is that a fair assumption?

**Hari Bodepudi:** This amortization acquisition related to INR100 crores, right? That's going to go away in FY '27. I think it will go completely in FY '27. It will remain in FY '26 because -- it may come down, but it's going away completely in FY '27. But the remaining INR102 crores -- sorry?

**Kiran:** Yes, sir. It's INR102 crores.

**Hari Bodepudi:** INR102 crores, I'm just looking at. Saurav, can you help me where is this INR102 crores?

**Saurav Bhala:** Slide 22, sir.

**Hari Bodepudi:** Slide 22, INR100 crores is for this amortization.

**Saurav Bhala:** The balance, doctor is for the provision to --

**Hari Bodepudi:** Yes, yes, let me, it's INR102 crores. Yes, this INR102 crores majority are related to merger things. One is we have some accelerated share warrants. And also, there were actually some merger-related expenses and a few things actually related to actually what is the contractual obligation for these mergers. So all this INR102 crores also will go to maximum.

**Kiran:** FY '26, it will repeat or FY '27, it will go away?

**Hari Bodepudi:** No, no, FY '26, it will go away, majority. These are actually -- this is purely onetime. Amortization-related will go in '27, it will remain '26. But this exceptional item, INR1 crores or INR2 crores, right now, it will go in FY '26.

**Rajaram Narayanan:** That's the last question. Thank you.

**Moderator:** Thank you. Ladies and gentlemen, due to time constraints, we have reached the end of question-and-answer session. I would now like to hand the conference over to the management for closing comments.

**Rajaram Narayanan:** Thank you very much for attending this call. It's been a very exciting and successful year for the company as well as how we are moving into the next financial year with the merger, which is on the cards. So we look forward to giving you an update next quarter and look forward to your continued support in asking these questions as well as participating on these calls. 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.