



“Alembic Pharmaceuticals Limited Q1 FY'26 Earnings Conference Call”

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**MANAGEMENT: MR. PRANAV AMIN - MANAGING DIRECTOR
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Moderator: Ladies and gentlemen, good day and welcome to Q1 FY'26 Earnings Conference Call of Alembic Pharmaceuticals Limited.

We have with us today Mr. Pranav Amin – Managing Director, Mr. Shaunak Amin – Managing Director, Mr. R. K. Baheti – Executive Director, Mr. G. Krishnan – CFO, Mr. Ajay Kumar Desai – Senior Vice President (Finance).

As a reminder, this conference call is only for analysts, institutional investors. 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 '*' then '0' on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. R. K. Baheti. Thank you and over to you, sir.

R. K. Baheti: Thank you everyone for joining our 1st Quarter '26 Conference Call. I am very happy to introduce my colleague, Mr. G. Krishnan, who has joined us as our CFO, effective 7th of July 2025. And I am pleased to hand it over to him for the opening remarks. Krishnan.

G. Krishnan: Thank you. Thank you, Mr. Baheti for the introduction. Good afternoon, everyone. This is my First Earnings Call interaction with all of you as a CFO of Alembic. I am truly pleased to be here and it is an honor to join a company with such a rich legacy of innovation, operational excellence, and strong stakeholder trust.

Over the past few weeks, I have been spending time engaging with various teams, understanding our business levers, appreciating the disciplined approach that the company brings to execution. So, I look forward to working very closely with the leadership team to continue driving sustainable growth, operational efficiency, and long-term value creation.

So, now let me briefly take you through the numbers for the quarter ended June 30, 2025:

We delivered a good start to the financial year. Total revenue for the quarter grew by 10% year-on-year to Rs. 1,711 crores.

Growth was broad-based across businesses despite pricing pressure in US Generics and API.

Gross margin that is net of material cost improved from 74.8% in Q1 last year to 76.2% in Q1 this year, primarily driven by product mix and we also embarked on cost improvement programs in manufacturing operations that drove the margin uplift.

EBITDA margins before R&D expenses were at 25% of revenue at Rs. 424 crores for the quarter. It grew by about 23% over the last year, reflecting a revenue growth, better gross margins, and improved utilization in some of the facilities that were launched last year.

R&D expenses increased by 26% compared to the previous year to Rs. 145 crores and this is in line with the full year guidance that we gave at the beginning of this year, which is supposed to be around Rs. 600 to Rs. 650 crores in R&D expense.

EBITDA after R&D expense was at Rs. 288 crores, which is 17% of revenue and grew by 20% year-on-year.

Profit before tax grew by 21% to Rs. 191 crores. Net profit growth was at 15% to Rs. 154 crores.

EPS for the quarter stands at Rs. 7.85 per share compared to Rs. 6.84 for the previous year.

Working capital as of June was broadly similar to what we had in March. We had better collections, which was partially offset by increase in inventory in line with our strategic approach on managing working capital.

Borrowings, the gross debt was at Rs. 1,185 crores, while net debt stands at Rs. 967 crores for the quarter as of June 30th.

With this, I have given a broad overview of the financials and I will now request Shaunak to take you through the India branded business. Over to you, Shaunak.

Shaunak Amin: Good afternoon, everyone. This quarter on India business, we under delivered with only a 5% year-on-year growth, with reaching Rs. 599 crores in revenue for the quarter.

There are some Speciality areas which have shown some momentum, but in terms of building a more robust, sustainable business to deliver a strong double-digit growth, there have been some challenges which we have tried to tackle, including adjusting some underlying factors as well as having a far more vigorous and robust mechanism of what we build, how we capture in-market inventory also along with that a more vigorous alignment to UCPMP norms that we have to follow as an industry. Apart from these, we also understand that certain execution levels are not up to standard and we are working on those and trying to move people, but getting 7,000 plus people to move overnight does take a challenge, but we are definitely working on it. We have a very clear idea on where the gaps are and what we need to do to get back into a double-digit growth number that we have promised for the year. We are working on it on a daily basis and I am sure that very soon we should start seeing some of these start to flush out in terms of our growth numbers.

Animal Healthcare continues to do well because of our robust execution in that area, and we hope to match the rest of the product categories to that level, that standard of growth going forward. Thank you. I will pass it on to Pranav now. Thank you.

Pranav Amin: Thank you, Shaunak.

I am pleased to present the performance of the 1st Quarter of FY'26 for the international business and the API. We began the 1st Quarter on a strong note. It was driven by a 21% increase in the rest of the world generics, reflecting a strategic expansion and execution across the geographies. Despite ongoing pricing pressure in the US, our US business also grew by 13%, supported by volume gains.

We launched four products in the market and we also picked up market share in some other products. We expect the US to continue growing in the next couple of quarters on the back of some interesting launches as well.

The API business was flat. I have said that it has been a little muted due to some issues due to data availability in India and was flat at Rs. 261 crores for the quarter.

As we ramp up the utilization of our new manufacturing facilities and continue to drive cost optimization initiatives, we expect to benefit with improved operating leverage, which will help our margins as well.

We filed 2 ANDAs during the quarter. We received 6 approvals and launched 4 products in the US. We expect to launch 4 to 5 more products in Q2 of this year as well.

With that, I will open the floor for Q&A.

Moderator: Thank you. We will now begin the question-and-answer session. The first question is from the line of Mr. Tushar Manudhane from Motilal Oswal. Please go ahead, sir.

Tushar Manudhane: Sir, just on domestic formulation while there was an underperformance, but if you could throw some light on specialty segment in particular, while after many quarters we have seen muted performance for this quarter. That was first. And secondly, in terms of you highlighted rebuilding the team, if you could just elaborate in terms of what exactly are you trying to do here?

Shaunak Amin: Yes, what I was trying to allude to is that the way we build sales, we are trying to keep it far more strict compared to what the Industry norm is as well as where we used to be in the past. In terms of our primaries versus secondaries, we also implemented a mechanism to capture secondaries from the market automatically. So, we have a better control on what our inventory levels in market. Some of that also impacted our sales in Q1. But largely, like I said, we have to focus more on execution. We are more committed to driving underlying growth through our prescribers and prescriptions for a sales that is more sustainable in the future.

Tushar Manudhane: Is this impacting a particular therapy or this has been across the therapies?

Shaunak Amin: No, this is across the therapies. It's for the whole organization. So, there is no specific therapy which will have it. But like I said, we are quite confident we have full visibility on what's going on. And we are quite confident of where the gaps are and what we need to do to address these.

Tushar Manudhane: And sir, Acute has been better. So, any particular attributes to this?

Shaunak Amin: Acute were coming off, if you know the history, we came off a very high base. And then last year market was extremely low base. So, from a base point of view, there is some advantage there. But again, like I said, a little better execution on the Acute side also, along with some better stability in the market has allowed us to do this.

Tushar Manudhane: Got it, sir. That is it from my side. I will come back in the queue.

Moderator: Thank you. The next question is from the line of Nirali Shah from Ashika Stock Services. Please go ahead, ma'am.

Nirali Shah: Yes, thanks for the opportunity. I have two questions. First is on the peptide front. So, now that we have a dedicated block, which is a commission and correct me if I am wrong, we have allocated almost

35% of R&D towards this peptide and complex injectables. I just wanted to know if you could update us on the timeline for the first peptide filing. Also, any update on filing for Semaglutide and RoW markets? And like you had indicated about Tirzepatide, so we are planning for a day 1 launch in US. So, any filings or any progress on that front?

Pranav Amin: We haven't said that we've allocated 35% of R&D to peptides. I think that's not what we've said ever. But yes, peptides is something that we are looking and pursuing. What I have said is that we were late for the first peptide, which is Semaglutide for the US market. So, we won't be there in the first wave of launch for Semaglutide. Tirzepatide which is the second one, Mounjaro, is something that we are looking at and the follow on GLP-1s that we are doing. Apart from that, we have other peptides in the system as well that we are working on, which are going into some of the complex injectables.

Nirali Shah: Yes, understood. It's like you mentioned, we are late for Semaglutide, but we were aiming for RoW markets.

Pranav Amin: Yes, so we are looking at some of the RoW markets for Semaglutide. As I said, we were a little late for the first wave markets. After the second wave markets is something that we will pursue.

Nirali Shah: Any specific, if you can name which RoW segment are you looking at, which market?

Pranav Amin: I would not like to name them right now because I just want to get the filings done and ensure that the regulatory strategy is in place before we give a comment on that.

Nirali Shah: Okay. And my second question is, you had earlier indicated that we do have limited competition injectable launches, which will probably start contributing by FY'27. So, any launch expected in FY'26 and if you can elaborate more on the segments, are they niche segments or any complex dosage forms?

- Pranav Amin:** Yes, we have a few complex injectable filings that we will get. One approval that we did receive, it's in the public domain, is on the Doxorubicin product. Like that, we will get a few more as we go along, slowly, slowly, as we keep getting approvals.
- Nirali Shah:** Okay, understood. Thank you.
- Pranav Amin:** Thank you.
- Moderator:** Thank you. The next question is from the line of Damayanti Kerai from HSBC. Please go ahead.
- Damayanti Kerai:** Yes, hi. Thank you for the opportunity. My question is again on India business. So, Shaunak, you mentioned you are clear about the gaps and you are working towards fulfilling those gaps, etc. So, according to you, how long it will take before you can catch up with the market growth rate first and then may outpace the IPM growth? So, approximately, this will be how many years of effort according to you?
- Shaunak Amin:** No, what we are talking about is not years. We are talking in months in terms of timeframes.
- Damayanti Kerai:** So, when do you see your India growth going back to say a market level growth?
- Shaunak Amin:** I can't give you exact comment, but like I have said, some of these things, India is a big country, executing in the country is challenging. To get to 100% of execution for every district in the country is that we cover. I can't give you exact timeframe, but like I said, it's a matter of months that we start seeing double-digit growth and beating or matching market growth.
- Damayanti Kerai:** Okay, but you're confident about the steps which you might have outlined and which will help you to really pick up from here on?
- Shaunak Amin:** We have benchmarked couple of the top of 2-3 companies which we feel have set an example of this and a lot of the work we've done is

based on those benchmarks and in terms of companies which we feel are UCMP compliant and have been able to deliver strong growth over the last few years. So, we have benchmarked those kind of companies and we have worked on operations to ensure that we meet those benchmarks and we can get the people aligned to drive double-digit growth.

Damayanti Kerai: Okay, and on the people part, you don't need to add any more?

Shaunak Amin: No, we don't need to add any more people.

Damayanti Kerai: Okay, so it's basically more execution, more expansion?

Shaunak Amin: Yes, it's more about better execution, like I said, in every district, in every headquarter we cover in the country.

Damayanti Kerai: Okay, that's helpful. My second question is on international business. So, first on the US, Pranav, just want to understand, you have seen, pickup in the US sales despite price losses which you mentioned due to volume expansion etc. So, a couple of your peers have mentioned that in the US they are seeing channels de-stocking a bit. I think in anticipation of this tariff etc. they were stocking up and now it's getting unwind. So, do you see the similar situation?

Pranav Amin: No, we haven't seen as yet. At least channels stocking or de-stocking, we haven't seen because it's been so uncertain, right? Sometimes you're talking about tariffs and there is no tariffs and there is tariffs. We have not seen that. At least from our buyers, we haven't seen it so far. Where we saw growth in the US is, as I know, as I said, we launched four products. Apart from that, some of the other older products, where there was some uncertainty in the market is where the buyers came to us and we managed to pick up accounts at a pricing that worked for us.

Damayanti Kerai: Okay. And going ahead also, while the uncertainty remains on the tariff part, you will be focusing more on new launches, right, to see pickup from...?

Pranav Amin: Yes, exactly. I think. So, on the tariffs, there is nothing you can do about the tariffs. I have a theory that it's going to be tough for pharma, right? Because what's going to happen is the issue is going to be on the high volume, wafer-thin margin products, where you will have an issue with the tariffs. And by putting tariffs there, because of wafer-thin margins, they are not going to be viable to manufacture in the US as well. So, that's the catch-22 that's going to come. As for us, we are continuing with what we do, just trying to get whatever products we can, work on better supply chain, work on being a better supply chain partner. And as we get a little more complex and a little more injectable business, that will help a little bit as well.

Damayanti Kerai: Sure. And some of your peers are again focusing on increasing a bit of manufacturing footprint in the US as a risk management strategy. Any thoughts from your side?

Pranav Amin: No. Okay let's put it this way. Increasing manufacturing footprint in the US just because of tariffs is something, in my opinion, not something that we are considering. If there was a strategy based on US government business or something that you can get at a better pricing, then we would look at a manufacturing strategy in the US. But purely for the de-risk perspective, it doesn't make sense to allocate so much capital for setting a manufacturing in the US. And again if there is going to be more generic pricing and competition. So, we are not approaching it from that angle.

Damayanti Kerai: Okay. That's helpful. And my last question is on your API business. So, you mentioned pricing erosion is something which impacted the performance during the quarter. So, it is something specific to your portfolio or it is an industry-wide phenomenon which you are observing?

Pranav Amin: Yes, it's a good question. I think it's an industry-wide phenomenon and it's not the quarter, it's over the last 6-7 quarters. If you see our API business has been quite muted and it's de-grown. Because the API business, our API business over the last decade or so has been a

fantastic business. Very high margin business, very high EBITDA business for us. And so what's happening is, because again, we had a record of compliance, we could get better pricing in the market. Now with this data that is getting leaked through Chinese traders, everyone knows what price you're selling it at, to which buyer. And that's really caused a lot of appeal and a lot of uncertainty in terms of our pricing.

Damayanti Kerai: Sorry Pranav, what is this update from Chinese players you mentioned? Can you elaborate a bit?

Pranav Amin: As I mentioned, there is a lot of data that is leaked by Chinese traders who give data about all exports from India. That is what is causing this. It's not just pharma, it's every sector they have data from. And that is what is causing this issue in the API business.

Damayanti Kerai: And how do you see this business in coming quarters? Maybe in near term we can see similar trends to continue, but any scope of improvement?

Pranav Amin: Of course, we will continue doing well. See, it's just the pricing that is coming to the issue, right? The pricing is coming in and we may have lost some accounts, but the inherent business and our strength of being a good supply chain partner, development partner that continues, right? So, you'll see it. I think it's in a couple of quarters it'll be tough and then slowly we will start growing again from there.

Damayanti Kerai: Okay, sure. Very helpful comment. Thank you. I will get back in the queue.

Moderator: Thank you. The next question is from the line of Foram Parekh from Bank of Baroda Capital Market. Please go ahead, sir.

Foram Parekh: Thank you for the opportunity. My first question is on RoW market. We have been doing very well in this region. So, is it possible for the management to give us a detailed idea? I mean, what's going right in this region?

- Pranav Amin:** Thank you. Yes, the RoW part of our business has been a good business for us. If you see over the last decade or so, the CAGR has been well over 15%, almost 20% if I am not mistaken. It's been a very good business. It's nothing, no rocket science per se. Just the clarity and strategy in terms of what markets we wanted to go and number two, in execution in terms of supply chain. At the heart of everything, what's worked for us has been the supply chain execution. Some good supply chain execution has led us to good partners who trust us with the products. And we've been able to supply and grow in these markets with a better margin profile.
- Foram Parekh:** So, this kind of growth rate, is it sustainable going forward also?
- Pranav Amin:** If you see Q1 of last year was a little muted quarter for the RoW business. That's why this quarter, it looks much higher. But having said that, I expect for the full year, we will grow. We will grow close to about 10%-15% at least in the RoW markets.
- Foram Parekh:** Okay. And my second question is on the raw material cost contribution, which has come quite low in this quarter, which has aided in growth margin. So, going forward, how should we look? I mean, should we look at this contribution as the base or a benchmark and go about it? How should we look at it?
- G. Krishnan:** See, raw material cost is a combination of product mix and how things happen between API and generics. So it will be anywhere between 25%-30% depending on which quarter you're looking at and how the product mix is going on. And historically, we've been in that range. We will continue to be in that range going forward as well.
- Foram Parekh:** Okay. And lastly, on the ETR, if you can just guide us for full year ETR rate?
- G. Krishnan:** Current quarter, we are at around 19%. I think we will be in the range of 17%-18% overall for the full year.

- Foram Parekh:** Sure. That's helpful. Thank you.
- Moderator:** Thank you. The next question is from the line of Mr. Sanjay from Renaissance Investment Managers. Please go ahead, sir.
- Sanjay:** Thank you for the opportunity, I have a question on the US generic business. You know, excluding the oral solids, you've got about 70 ANDAs across Derma, Opthal, and Injectables. For these 70 ANDAs, how many products have been launched and broadly, if you can indicate what would be the contribution to your US revenues?
- Pranav Amin:** The US revenues as a total from all our businesses is about 29% of business. In terms of the products that are launched, Nilesh, can you just, I don't have the data with me, can you just mention?
- Sanjay:** I am referring to only these, the 70 ANDAs across non-oral solids.
- Pranav Amin:** Non-oral solids. Okay. Sorry. We don't give a revenue breakup between the non-oral solids and OSDs.
- Nilesh Wadhwa:** We will get back to you offline. We don't have it handy.
- Sanjay:** Okay. Could you indicate like how many products have been launched out of these 70 so far?
- Nilesh Wadhwa:** We can get back to you later on this one.
- Sanjay:** Okay. Sure. And my second question is, I probably missed the exact number. Can you just indicate your gross debt and net debt?
- G. Krishnan:** Gross debt was at Rs. 1,185 crores as of June and net debt was at Rs. 967 crores.
- Sanjay:** Okay. Thank you so much.
- Moderator:** Thank you. The next question is from the line of Saion Mukherjee from Nomura Securities. Please go ahead.

Saion Mukherjee: Hi. Thanks for taking my question and good afternoon. Pranav, you mentioned about the tariff and its impact. I mean, it looks it's inevitable. I am just wondering, let's say if you have a 10% tariff tomorrow or 20% or even higher, how do you think the industry would be reacting? And I am wondering for Alembic, given your size of around \$250 odd million with a wide basket of products, how in that scenario, do you think Alembic will be impacted? If you can just, you know, take me through your thoughts?

Pranav Amin: There is too many variables there. And it's very tough to say. We have to be very clear. As I said, you have to have clarity of thought what we want to do as a company. As I said earlier to the last comment about the tariffs earlier, that manufacturing in the US, for me, right now, it's not making sense. I don't see it. Because I don't want to do a large capital allocation for setting up a manufacturing in the US for the generic business, which we are already seeing pricing pressure. It really depends on what kind of tariffs come and what kind of pass-through you can do. Now, the pass-through that will go to the end consumer, it's not up to me, I would like to pass on everything. It really depends on what the competition also does. If everybody else says that, no, we will work on wafer thin margins, or we will reduce some margins, we want to supply to losses, then the business would get dumped. Then the business would, of course, be unviable. As far as we are concerned, we are cognizant of our bottom-line and if we feel that it doesn't make sense to manufacture for the US, then we will walk away from some of the businesses if need be.

Saion Mukherjee: And currently, how would you think about your profitability, let's say pre or post R&D at the scale that you're operating?

Pranav Amin: So, our profitability right now across the RoW and the US is pretty good at a pre R&D level, of course, is a higher R&D allocation for the US market. So, at a pre R&D level, we have very healthy margins. At a post R&D level also, the US has a decent margin. The only thing that drags down the margins for the US to operate with the facility is the facilities

which are not fully utilized. So, as we go along, as we have more utilization from these facilities, that will aid the margins as well. But at a gross margin and at a net level, even after R&D, margins are pretty good for all the businesses.

Saion Mukherjee: And sir, there is no discussion on tariff with the trade and channel yet, is it? I mean, is the industry discussing any feedback you're getting?

Pranav Amin: Nothing. I think it will come down to who can negotiate or what kind of deals you can do. But as I said, if everybody else decides to take the brunt of the tariff hike, then the trade is not going to accept one company going. So, it's a lot of conversations, but I think everyone's still varying. It's a lot of variables here right now.

Saion Mukherjee: Okay. Thank you. And all the best.

Moderator: Thank you. The next question is from the line of Mr. Tushar from Motilal Oswal. Please go ahead, sir.

Tushar: Thanks. Sir, just on the US generic side where the launches have helped us track \$60 million-\$62 million dollars per quarter. But how do you think about this given that, you have a good pace of launches in the coming quarters as well?

Pranav Amin: So, yes. I think for the US business, the Quarter 1 was a good quarter. Moving forward, Q2 also is going to be an interesting quarter. Q2, Q3 and Q4. And I expect to grow by at least 10% in the US business and all across in every quarter at least. We have a few interesting launches that are going to happen in the second quarter as well. One just got launched. It's a big product Entresto. There is a fair bit of generic competition, but I think we should do okay on that product. And the US this year should have a good growth.

Tushar: So, specifically for Entresto, as I understand, the API, we don't have API in-house and many other players have...

Pranav Amin: No. We have in-house API.

- Tushar:** Okay. Thank you. So, any price erosion we have seen in this product inhouse? If you could share some?
- Pranav Amin:** Entresto?
- Tushar:** Yes.
- Pranav Amin:** So, there is price erosion, of course, because it was an innovative product and generics have gotten --the launch just happened a couple of weeks back. But yes, there is a fair bit of price erosion. But it's still a decent market. Let's see over the next few weeks, how it shapes up with more entrants come in and they try picking a business.
- Tushar:** Got it. Thanks for this.
- Moderator:** Thank you. The next question is from the line of Gagan Thareja from ASK Investment Managers. Please go ahead.
- Gagan Thareja:** Yes, good evening. So, the first question is pertaining to the tariffs. First of all, there is some, at least in my mind, there is some confusion as to whether the 25% duties tariffs that were announced, do they exempt pharmaceuticals? In your assessment, do they exempt pharmaceuticals?
- Pranav Amin:** Yes, as what we have seen. Currently, it seems that pharmaceuticals is exempted.
- Gagan Thareja:** And therefore, are you saying that, it's only through Section-232 that subsequently tariffs will be announced?
- Pranav Amin:** Exactly.
- Gagan Thareja:** Okay. Because the second one is, under the HTS classification for tariffs, the determination of the country of origin, is dependent upon where the substantial transformation of the product happens. So, if the API, comes from China, or if you have a multi-API product where significant share is coming from China and some is coming from India,

does it mean that the tariffs on the product will depend upon the source of API? And therefore, again, some degree of complexity there?

Pranav Amin: I don't think so, because if that was there right now in the US. See, so anyway, right now, in terms of genetics, there is just not enough capacity, forget in the US, all over the world, to deal with the formulation generic volumes. Now, if you put the API into it, then where are you going to get the product from? API, there is almost nothing, no API manufacturing, generic API manufacturing facilities in the US, it's a dime a dozen. I mean, hardly you can count them on your fingers. So, I don't believe that API will come. If that comes, that'll be, it'll be catastrophic.

Gagan Thareja: No, my point is, while that itself is a question by itself, my question is that, let's say you have a product, manufactured by an Indian company which sources its API from China, okay. Under the tariff, HTS tariff code, the tariff is determined by the country where the substantial transformation of the product has happened. In which case, if the API is sourced from China, or the final formulation, it would be a reasonable inference that substantial transformation has happened in China, and therefore, the formulation tariffs applicable to China are applicable on the product, or is it the formulation tariffs applicable to India which are applicable on the product?

Pranav Amin: From India only, not China.

Gagan Thareja: Okay, all right. In terms of your US business, can you perhaps give some idea as to how do you see the full year panning out this year, especially given in context of the number of approvals you had and as they scale up going ahead?

Pranav Amin: Yes, I expect the US business to grow for the full year anywhere between 10% to 15%. We have a whole, We've launched about four products from the US in Q1, and the rest of the year we will launch another 10 to 15 products. We should have a fair bit of launches in the US market and we will pick up some share, we believe. So, I believe

about 10% to 15% is what I'd expect for the US business to grow this year.

Gagan Thareja: Okay, and how should we think of the India business? I mean, the 1st Quarter you indicated, was a bit subpar and you had some constraints around the UPCMP. Is the whole year going to be a bit impacted by these changes or you think recovery is in the works in the next quarter or two?

Shaunak Amin: No, it's, like I said, it's a part of the process. It's not a year-long thing, it's not a yearly thing. Like I said, it's a matter of months because we are working on it SOS to resolve it, like I said, our time frames are in a matter of months, not in the years.

Gagan Thareja: Finally, sir, can you give the gross debt numbers and also how you see the debt sort of panning out through the year and at roughly what numbers you could close the year?

Krishnan: So, you meant on gross debt? So, gross debt was at Rs. 1,185 crores, I mentioned earlier. Net debt was at Rs. 967 crores. So, this is still close to what we had at the end of March in terms of the gross debt. So, we see that of course, the debt movement will depend on how the working capital ranges during the quarter. So, we will be mindful of what we need to borrow going forward.

Gagan Thareja: But is it reasonable to presume that going ahead, the debt can reduce and reduce substantially in the year?

G. Krishnan: Maybe we discuss that in the next quarter. We will see how the trajectory of business growth is and what is the need for investing in working capital in the next few quarters, considering the dynamics in the US market specifically. So, we need to wait and watch. I will hold my comment on how the net debt will move, whether there is going to be a drastic reduction or not, we will get to see in the next couple of quarters.

- Gagan Thareja:** Okay, thank you. I will get back in the queue. Thanks for taking the questions.
- Moderator:** Thank you. The next question is from the line of the Damayanti Kerai from HSBC. Please go ahead.
- Damayanti Kerai:** Hi, thank you for the opportunity again. Pranav, you mentioned in some of the plans, utilization is right now very low. So, at the network level, at what utilization your US plants are operating at? And how do you see this moving?
- Pranav Amin:** We don't give plant-wise utilization, but just to give you a flavor, the formulation plant F1, which is our largest plant, that's at practical peak capacity. So, at a practical capacity, running at full capacity. The API plants are running pretty full as well. It's the injectable, Derm and the Onco and the new OSD facility, which is actually the new OSD facility is ramping up now and that's at a decent capacity utilization. It's just the injectable and the Onco and the Derm facility, which are a little lower in terms of capacity utilization.
- Damayanti Kerai:** Okay. And then my second question is, during the quarter, your depreciation expense moved up notably. So, is this the new base to look for?
- G. Krishnan:** So, in Q1 of this year, we commissioned our indoor plant, the new manufacturing facility for blended business and that has added to the depreciation of cost.
- Damayanti Kerai:** Okay. So, current quarter represents the new base to look for the depreciation.
- G. Krishnan:** More or less. That is right. But we also guided for a CAPEX of about Rs. 400 crores at the beginning of the year. So, you may have to, of course, it will not happen all in one quarter. So, as and when it gets capitalized, that will also flow through into the depreciation.

Damayanti Kerai: Okay. Can you remind us where is this new, sorry, where is this CAPEX getting deployed?

G. Krishnan: So, like we said in the last quarter call as well, most of the projects have got completed in terms of capacity augmentation. This CAPEX is going to be more towards maintenance, replacement and debottlenecks wherever it requires.

Damayanti Kerai: So, majorly for maintenance and maybe very little towards the expansion or any upgrade part?

G. Krishnan: Yes. That's right.

Damayanti Kerai: Okay. That's helpful. Thank you.

Moderator: Thank you. With this, that was the last question for this session. I would now like to hand over the conference over to Mr. G Krishnan for closing comments.

G. Krishnan: So, thank you for all the questions. I hope you got clarity on our performance relating to Quarter 1. And in case there are further follow up questions, please do reach out to the team. Thank you.

Moderator: Thank you, sir. Ladies and gentlemen, on behalf of Alembic Pharmaceuticals Limited, we conclude this conference. Thank you for joining us and you may now disconnect your lines.