



**NATURAL  
CAPSULES  
LIMITED**



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**Date: November 19, 2025**

**To,  
Bombay Stock Exchange Limited  
25th Floor, PJ Towers  
Dalal Street,  
Mumbai – 400 001  
Scrip Code: 524654**

**To,  
National Stock Exchange Limited  
Exchange Plaza, C-1, Block G  
Bandra Kurla Complex, Bandra (E)  
Mumbai – 400 051  
Symbol: NATCAPSUQ**

**Dear Sir/Madam,**

**Sub: Transcript of Conference Call held on Monday, 17th November 2025.**

Pursuant to Regulation 30 and Part A of Schedule III of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we enclose herewith a copy of transcript of Conference Call held on Monday, 17th November 2025.

Kindly take the aforesaid information on record in compliance of SEBI (Listing Obligations and Disclosure Requirements), Regulations 2015.

**Thanking you,**

**Yours Faithfully,**

**For Natural Capsules Limited**



**Pranjal Deshmukh  
Company Secretary and Compliance Officer  
Membership No.: A66119**



**“Natural Capsules Limited  
Q2 & H1FY’26 Earnings Conference Call”  
November 17, 2025**



**MANAGEMENT:MR. SUNIL MUNDRA**  
MANAGING DIRECTOR  
NATURAL CAPSULES LIMITED

**MR. RAJ KISHORE PRASAD**  
CHIEF FINANCIAL OFFICER  
NATURAL CAPSULES LIMITED

**Natural Capsules Limited**  
**Q2 and H1 FY'26 Earnings Conference Call**  
**November 17, 2025**

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**Moderator:** Ladies and gentlemen, good day and welcome to the Q2 and H1 FY'26 Earnings Conference Call of Natural Capsules Limited hosted by TIL Advisors.

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 this conference call, please signal an operator by pressing \* then 0 on your touchtone phone.

Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Abhishek Mehra from TIL Advisors. Thank you and over to you, Mr. Mehra.

**Abhishek Mehra:** Welcome everyone and good evening. Thank you for joining this Q2 and H1 FY'26 earnings conference call of Natural Capsules Limited.

The results and investor updates are available on the stock exchanges. In case anyone does not have a copy of the same, please do write to us, and we will be happy to send it over to you.

To take us through the results for the quarter, we have with us today Mr. Sunil Mundra – Managing Director and Mr. Raj Kishore Prasad – Chief Financial Officer. We will be starting the call with a brief overview of the quarter from Mr. Mundra, which will be followed by the Q&A session.

I would like to remind you all that everything said in this call that reflects any outlook for the future, which can be construed as a forward-looking statement, must be viewed in conjunction with the uncertainties and risks that the Company faces. These uncertainties and risks have been included but are not limited to what we have mentioned in our annual reports.

With that said, I will now hand over the call to Mr. Mundra. Thank you and over to you, sir. Thank you, Abhishek.

**Sunil Mundra:** Good afternoon, ladies and gentlemen. I extend my gratitude to each of you for joining our Q2 FY'26 Earnings Calls today.

Your interest, your time, and your confidence in Natural Capsules Limited are deeply valued. Let me begin by acknowledging the context in which we meet. The past quarter has been our industry's negative layered challenges and shifting market conditions. Across geographies, regulations, and tariff policies continue to shape trade flows and business momentum. First, I

will walk you through our financial performance for the quarter Q2 FY'26, which has been a period of stability for our capsule business. Demand remains steady across key markets and our results are broadly in line with the guidance provided earlier. Revenue grew 1.33% quarter-on-quarter to Rs. 45.80 crores while year-on-year growth registered at 11.11%. Operating performance was impacted by external factors, leading to a decline in EBITDA margins, which finished at negative 1.93%. Company reported a net loss of Rs. 6.99 crores and earning per share of negative 6.76%.

Moving to operational developments:

The market environment was shaped by significant regulatory shifts. Tariff imposed on Indian exports to the U.S. impacted our growth initiatives, specifically affecting the demand for our capsules. A focus during this period has been on executing capacity expansion plans and mitigating short-term impacts. The new HPMC production line is on schedule for commissioning by the end of this quarter. We believe this capacity addition will help us fulfill our customer demand for different sizes of capsules and increase our export volume as demand stabilizes and tariff issue is clarified.

Turning to our API segment:

The journey has faced its own set of challenges. After securing all necessary approvals from the Pollution Control Board, we aim to ramp up commercial production from Q3. However, during the scale-up process from lab to commercial level, we have encountered technical difficulties. These are common at this stage of advanced process commercialization, and our R&D and production teams are actively addressing these issues. We remain confident that once resolved, we will be able to scale up production quickly and expand our footprint in steroid and APIs.

FY'26 has been an interesting year, with external forces including tariffs, regulatory delays, and technical hurdles slowing our expected growth trajectory. We are demonstrating resilience through disciplined investment capacity, ongoing R&D efforts, and strengthening regulatory compliance. These short-term headwinds do not alter our long-term strategy or the fundamentals of our business.

Looking ahead, we are progressing confidently with our capital expenditure program. The new HPMC line remains on track for commissioning, which will enable us to serve the growing market efficiently once tariff uncertainties diminish. Our API development remains promising with technical challenges being tackled actively. We believe that as external conditions improve, our businesses will regain momentum and deliver the growth and profitability aligned with our strategic ambitions. FY'26 as a whole has been a tough year. External factors have exerted meaningful influences, tariffs in capsules, delays in regulatory approvals, and technical hurdles in the API plant scale-up. These obstacles have deferred the timelines of growth we

initially set. While these factors originate outside Natural Capsules, our response is entirely within our control. We continue to invest in capacity, maintain research and development spending, strengthen compliance protocols, and nurture customer relationships.

With these prepared remarks, I now invite your thoughts and questions.

**Moderator:** Thank you. We will now begin the question-and-answer session. The first question comes from the line of Sanjay Ladha with Bastion Research. Please go ahead.

**Sanjay Ladha:** Good evening, sir. Thank you for the opportunity. My first question is on the guidance. For the full year FY'26, we have guided Rs. 270 crores-Rs. 280 crores as a sales number. However, given the way the performance has been for the first half and the guidance for the second half, there seems a little to no possibility of coming anywhere close to those numbers. There have been enough instances of us giving aggressive guidance and constantly not delivering the long-term credibility of the business. So, can you please give us the details for both the business segment and what went wrong for each segment? We have not performed since a very long period of time. So, what is happening on that side? Can you please share your thoughts on that, sir?

**Sunil Mundra:** Yes. I understand. The delay in the execution of the API facility and talking about the challenges in scale-up. Lab-level to commercial-level scale-up challenges are always known to us. However, we were confident that we would be able to address them given the fact that we had a technical team who had worked on these products at such commercial levels. We are still working on the same and hopeful of resolving them. In the meanwhile, we understood that Chinese companies are now producing the KSM for our API plant in much bigger batch sizes, which has reduced their cost of production and therefore, resulting in the market price of this particular item dropping. Keeping this in mind, we have now hired the service of some Chinese consultant firm to provide us technical support to improve our process to the desired level. At the same time, after two years, we have seen an upward trajectory on the price of some of these steroidal APIs like betamethasone and dexamethasone, where we have seen roughly around a 30% increase in the price in the last eight months. However, some other APIs like prednisolone and hydrocortisone prices are still at lower levels. So, I hope I have answered your point.

**Sanjay Ladha:** Sir, my question would be, is the guidance of Rs. 272 crores-Rs. 280 crores still achievable, what you are saying so, or we are revising our guidance on that front?

**Sunil Mundra:** Keeping in mind the tariff challenge on the capsule side, our capsule volume, which we had originally anticipated about Rs. 196 crores probably we will be touching about Rs. 185 crores. And whereas on from the API side, we are still targeting around Rs. 40 crores of business. So, we would say that probably we will be touching a topline of about Rs. 225 crores.

**Sanjay Ladha:** Okay. So, my second question would be on margin front. So, we have recorded 20 plus EBITDA in the capsule business in FY'22. At that time, we were confident that those margins were because of the technical capabilities and the new, and these margins are the new normal margins for us. However, those margins have never returned back to us. So, are there new capacities, new competition or what has exactly caused this change in the profitability profile of old capsule business? Are the competition is increasing heavily? Are the prices are not supportive? So, if you can throw that margin level profile as well.

**Sunil Mundra:** Capsule margins earlier to COVID period were around 12% to 14%-15%. During COVID period, it increased to about 20%. Post-COVID, due to excess supply chain, this excess supply of capsules in the total supply chain and the whole pharma industry, there was a reduction in the demand for a couple of quarters, which led to drop in prices. Of course, there were drop in raw material prices also. On the whole, we saw that the margins got eroded from 20% came down to 14% in FY'24 and now in FY'25 also we are around 12%. So, but I would say that last 5 to 6 quarters, we are consistently around 11% to 12%-12.5% of EBITDA margin. Having said that, we have been constantly working on to improve this margin by 2 or 3 measures. One, of course, our attempt to increase the sale of HPMC capsules because that brings in better margin because of low competition and mainly HPMC capsules are sold in international market. Unfortunately, this US tariff played a spoiler and otherwise we would have definitely achieved at least about 200 basis point increase in the EBITDA numbers in the current year. However, we are also making attempts to sell our gelatin capsules and other capsules to other countries across the world. Last year, our exports have increased by 13%. Of course, these two numbers have been a little low, but I am hopeful that in Q3 and Q4, we will again get the momentum and exports should improve. I think in the current year, probably we would not like to, keeping in mind the uncertainties, we would still like to keep the guidance on the capsule EBITDA at around 12%.

**Sanjay Ladha:** But the new normal margin is 11%-12%. Is that the right understanding?

**Sunil Mundra:** No. Last year, we have given a guidance that we should grow to 14% and there onwards. As our HPMC capacity has increased, we are yet to add on one more line. So thereby, our topline revenue with these two lines should go to about Rs. 240 crores in capsule business and bottomline we were expecting 16%-18% and further to 20%. As we are adding much mature business from some of the MNC companies, some of large pharma, Indian corporate pharma, our margins are to improve. So, we are still hopeful that in coming quarters, maybe another 3-4 quarters, things are better in terms of exports of HPMC capsules we have added on one more line of HPMC. We should still be looking at about 16 upwards EBITDA margin.

**Sanjay Ladha:** Sir, I understand the business uncertainties comes forward given a point in time we are, but too much aggressive guidance in terms of sales and margin hurt the investor expectation and then the business sentiment as well. If we can keep the guidance in a very normal way and we can address the guidance for the general tendency, just a request from my side. I am not saying

anything. So, business dynamics is not in your hand. We understand that and I am sorry if things are this way, but just a request from the investor community as well.

**Sunil Mundra:**

No. Mr. Sanjay, we would like to clarify that the guidance last year given was very well achievable. The two spoilers, one is of course on the HPMC capsule side, our guidance on capsule side was around Rs. 196 crores to Rs. 200 crores and on the rest was on the API side. So, there HPMC capsule still, if everything had gone well, we would have achieved that. But because HPMC capsule one quarter has been lost and maybe we are yet to get more clarity on the tariffs, we still hope to achieve Rs. 182 crores. So, on the API side, of course, there were some challenges with the scale up and all that. I would say that we have always been conservative in giving guidance. But unfortunately, the business uncertainties, last year especially, they were very high because of so many geopolitical scenarios. Anyway, in future, we will be more conservative again.

**Sanjay Ladha:**

Sir, as you mentioned about HPMC segment, so in that segment as well, we are anticipating further increasing margin in that segment. But now the HPMC execution is delayed by 1 year-1.5 years and we have finally decided to add the capacity at a time where now there is an extreme amount of uncertainty in the US market, which will be a big market for HPMC business. So, in this uncertainty, why are we taking this business forward or we are saying something different and you are confident that this business will deliver much better numbers going forward as well or it gives a different lag or different business segment vertical for us, if you can elaborate more on that side?

**Sunil Mundra:**

Actually, the HPMC CAPEX decision was taken for the line number two and three was then taken when the anti-dumping duty was imposed in US in the month of May. On Chinese capsule imports, it was 88% and on Indian capsule, it was 14%. So, thereby, there was a big delta of 74%. And we were getting a lot of inquiries and got big orders also from some of the new distributors to whom we were not supplying. And based on that demand, we decided to start the next line, which was actually producing another different size 00, which actually had bigger volumes of exports to US. So, as you know, post this anti-dumping duty imposition, the India-specific tariff was announced and because of that, the sales dropped. Now, we are still hopeful of supplying these pending orders once the suspense on the duties on India-produced products get cleared, and which as per the news coming in newspapers, it may happen very soon.

**Sanjay Ladha:**

But apart from tariff, and again, you know, I will ask you on that front that what are the customers which we have in the US are saying because the demand would be there, but tariff will not cause you, so is the viability of the product which we are able to make it, because of the low cost production, is the viability goes out because of the tariff or there is some other reason as well to attach to that?

**Sunil Mundra:**

Our major reason for getting this kind of positive vibes is that the tariff on Chinese goods is higher than the tariff on Indian goods. Chinese are the major competitors and once the

differential of 60% to 70% on Chinese goods is there, definitely we have the advantage and we still have, we are in touch with our distributors and all of them are confident that their demand would rise again. Being said that all these tariff business has created a kind of a slowdown in US, inflationary situation is seen there, most of the nutra companies are feeling that there is a slowdown in their sales. So, having said all that, our exports are not that great, the market size is much bigger in US and we still feel because of the competitive advantage in terms of our cost, our net cost, landed cost in US, we are hopeful of having reasonably better sales of HPMC as compared to the previous quarters.

**Sanjay Ladha:**

Just to take a follow-up on that side, is that after tariff as well, I guess we are much competitive compared to China, the tariff situation, if at all the tariff remains such way. We are much competitive, but again the demand scenario looks like something else or if you can get me more clarity on that side and attached to that, what if things go haywire on that tariff side? So, does we have any backup plan attached to that? If the HPMC capacity does not take off, is there any backup plan attached to that, if you can clarify on that side?

**Sunil Mundra:**

So, I would say demand in Nutraceutical going down is probably yes, but I said, if we assume that the tariffs on India-specific products come down from 50% to say 25%, still our distributors are ready to pick up the volume of goods and the volume of goods that we are likely to get more as compared to their Chinese suppliers. So, demand-wise, we do not see much challenge as such due to drop in demand of Nutra products. However, keeping in mind these kind of uncertainties, we have backup plans like now our exports to Brazil have gone up. There also we are pushing to increase our HPMC sales. That's number one. Another backup plan is that we can convert this HPMC line into gelatin line and utilize that capacity. Of course, that would bring in lesser amount of revenue, but that possibility is also there.

**Sanjay Ladha:**

Okay. So, but the gelatin line and the other export countries which we are focusing on are getting good vibes that this scenario, of course, the timeline has been delayed, but assuming from two years onwards, things will look better from here on. That's the situation we should take forward.

**Sunil Mundra:**

Yes.

**Sanjay Ladha:**

Okay, sir. I will get back in the queue. Thank you for answering my question.

**Sunil Mundra:**

Thank you. Thank you, Sanjay.

**Moderator:**

Thank you. The next question comes from the line of Hardik Pasari with Aarth Capital. Please go ahead.

**Hardik Pasari:**

Good evening, sir. Thank you for the opportunity. My first question is on the execution challenges that you have spoken about in the fermentation facility. For all this year, as



investors, we were assured that the yields are good and we have the right technical team who has the past experience on working on such products in China. And we are just waiting for the necessary approvals and once we have them, we will quickly scale up. But now that we have everything in place, we are not able to scale up and now we are facing execution challenges. So my question is that this capacity is already running almost two years behind the planned schedule. So we had a lot of time to figure this technicalities out. Right now, not operating the capacity after having capitalized, it is creating a huge dent on the profitability of the standalone business and is wiping out of the network of the company really, really fast. So this matter needs immediate attention. Can you please share how are you looking at this scenario?

**Sunil Mundra:**

See, as you mentioned, the technical challenges in fermentation industries are quite well known. We are also aware of these challenges. But we were quite confident that we had a technical team who would take care of it since they had handled these products at that commercial scale of 60 KL, which we have put up. But unfortunately, what has happened is we have scaled it up to 10KL batches at an expected level of conversion ratios. But when we took it from 10KL to 60KL, the conversion ratios have dropped significantly. So this is actually expected and probably this requires some more time for the bacteria morphology to be changed and then it has to suit to the higher level of 60KL. Now your other question was why we could not foresee these challenges. We did not have access to large scale fermenters before we got our fermenter in our control production. Fermentation capacity is very hard to come by in India. We could not get even 1KL or 10KL fermenter. So this was the challenge. Whereas in chemistry, we did have access by taking some of the facilities of synthesis in Hyderabad and in Bangalore itself on lease and ran our batches. So that is the reason that this uncertainty of fermentation, we are now having some issues with that. I hope I have answered your question.

**Hardik Pasari:**

Yes, understood. What is the situation going ahead?

**Sunil Mundra:**

Having said that, we are hopeful of resolving these issues at 60 KL by getting to the level of 40%-42% conversion. Still, it is a fact that Chinese have progressed in the last 7 years. The scientists who had joined us were working in China and joined us. When they came up and joined, our agreement with them was conversion of 40%. We are still able to achieve that at 10KL. In 60KL also we will achieve it. But having said that, in China in the last 5-7 years, these conversion ratios have improved further. So thereby, the cost of the prices at which they are selling is much lesser. So we are working with Chinese consultants to see that we are able to achieve those further improvements we can see and we achieve the level at which the Chinese are operating.

**Hardik Pasari:**

Sir, can you please specify the timeline by when it can be achieved?

**Sunil Mundra:**

I think we are working on that closely. Probably, we think that Q3 is now passing. It is already 1.5 months over. Probably in the Q4, we expect to get a good result out of that and hope to achieve the higher levels of conversion.

**Hardik Pasari:** Okay sir, understood. Sir, my next question would be at what level of accumulated losses does the group will start considering demerger or strategic partners for API?

**Sunil Mundra:** That's a difficult question to answer at this point of time because at the moment, we have been seeing losses in the range of about Rs. 10 crores per quarter. Last two quarters, we have faced this because of the capitalization of all the assets even though we have really not started the large-scale commercial production in API. So I think we still have got good equity base there upwards of about Rs. 120 crores. We will take up that question. I am unable to answer this at this point of time. Probably, it needs a little bit of thinking at the board level and then we will be able to take a decision.

**Hardik Pasari:** Okay sir, understood. Sir, my next question would be if you would give some data about the Company regarding the technical challenges, if that is not too confidential, what are the numbers of completed batches and fermentation? What are the yield levels and what is the failure rate, etc.? What are the metrics that you are using to measure your performance and where are we standing on those metrics?

**Sunil Mundra:** See, in fermentation batches, we have done up to 10 KL. I would say at least about 10 to 12 batches consistently proving the results. But at 60KL, we have taken up about because it's a large cost batch, so we took four batches where we found that the yields are coming less. So we had stopped that and trying to improve the yield. This is as far as the fermentation is concerned.

**Hardik Pasari:** Okay sir, understood. What are your alternate plans that we have just in case if the fermentation issues persist for the next couple of quarters?

**Sunil Mundra:** Alternate plans are like we are also exploring to do some contract manufacturing business. Utilize the spare capacity till we start using them fully for our own products.

**Hardik Pasari:** Okay, sir. I'll get back into the queue.

**Sunil Mundra:** Sure. Thank you.

**Moderator:** Thank you. The next question comes from the line of Lakshmi Narayan with Tunga Investments. Please go ahead.

**Lakshmi Narayan:** Yes, thank you. Just a few questions. If you look at what percentage of production in capsules is actually gelatin-based?

**Sunil Mundra:** Sir, I would say 95% of our revenue is from gelatin and in terms of quantity, 95% of the volume is from gelatin, 5% is from HPMC. Whereas in terms of revenue, it will be slightly high, 10% from HPMC and 90% from gelatin.

**Lakshmi Narayan:** If you look at the gelatin manufacturers are also consolidating. So, how does it impact you from a pricing point of view? And second, how the pricing trends of gelatin have been for you?

**Sunil Mundra:** In fact, gelatin prices have been sharpening for the last six quarters. Last year, FY'25, we saw gelatin prices drop by around 4%. Current six months also, we have seen prices go down by quarter on to quarter by at least about 4% to 5%. It's also a fact that they are consolidating. One of the larger companies has acquired two other companies, but we don't foresee much challenge because we do have access to imported gelatin at a reasonable price from Brazil, Argentina, Thailand. Multiple sources are available and since we have good exports, we can import these gelatin at duty free.

**Lakshmi Narayan:** Right now, the gelatin which you actually get, is it sold completely domestically or you actually get it from outside also?

**Sunil Mundra:** No, we do import. We do import at least about 18% to 20% of our annual requirement by imports.

**Lakshmi Narayan:** Got it. I also understand that there is something called soft gelatin or something where there is one where they actually send it directly to the line and there they actually kind of encapsulate it and the second gelatin comes to players like us and then we actually send it, right? Do you see any changes in this particular value chain?

**Sunil Mundra:** Soft gelatin, hard gelatin, what we manufacture is hard gelatin. Soft gelatin is different. Soft gelatin, the product, the finished formulation is made by the company who manufactures soft gelatin. It is then in their packed. Generally, they are in form of liquids or some sort of semi-solid formulations. Whereas, we manufacture the capsule in two pieces and send the empty capsules to pharma companies who then formulate it by filling the powder.

**Lakshmi Narayan:** And we are the second largest, as you say. So now, what kind of, can you just explain me the market structure if there have been any changes in your market share and how many players are there?

**Sunil Mundra:** There are some new entrants in the lower end. A couple of people in Northern India have come up. But overall, the market structure remains the same. We are the second largest and have roughly about 9% to 10% of the market share.

**Lakshmi Narayan:** Correct. And the top two people, how much do you cumulatively is part of the market share?

**Sunil Mundra:** There is a big gap between the first and the second. The market leader enjoys practically about 45% to 50% of the market share.

**Lakshmi Narayan:** And how is our pricing with our end customers? How are the contracts structured? Can you just explain that whether it is long term or in terms of pricing changes, how do you manage the volatility?

**Sunil Mundra:** So, we follow different pricing strategies with different types of customers. We do have our distributors internationally where we have prices fixed for almost a year or so. There are some distributors where we do have annual pricing. In the domestic market, some of the companies, MNCs issue quarterly orders. There are customers, Indian pharma companies generally, they look for a six-monthly price fixation. They do release orders based on their intents on a monthly basis, but the price is fixed once in six months. But there are certain segments of the market which are purely generic players. They do deal-to-deal pricing and that segment is roughly around 15% to 20% in our portfolio.

**Lakshmi Narayan:** Got it. So, in terms of the growth which you see for the Capsule Industry and especially for you, purely from a capsule point of view, what kind of growth do you actually envisage?

**Sunil Mundra:** With the current capacity which we plan to complete, this current ongoing expansion plan, which means the one machine which is already in our facility which has to be commissioned and one more line yet to come in, we envisage that probably we should do about 2.35 to 2.40 crores of topline revenue from capsule business.

**Lakshmi Narayan:** And this capsule business grows at what pace?

**Sunil Mundra:** Normally, capsule business as such is growing on a consistent basis by around 6% annually in India. Internationally, it is about 4%.

**Lakshmi Narayan:** Okay. And can you actually grow ahead when you are growing ahead of the industry, more than 6%? Are you taking somebody's market share which is driven by exports or a different product category you are getting in?

**Sunil Mundra:** Yes, obviously. See, it's such a large capacity worldwide. It is something like 1.3 billion capsules capacity worldwide. So, it is large. We are at 20 billion. India is at 200 billion. So, taking somebody's share is one. Otherwise, by improving your topline, bottomline, and other way is by replacing the low-end customers by customers in the higher value chain, customers who give better pricing, customers in the international market, by removing domestic customers and increasing our exports, we can get on to the higher revenue and higher bottomline. So, across the world, there is a growth on the macro level. At the company-to-company level, of course, we can always play between our capacities. Generally, capacity utilization has always been upwards of 90%. And therefore, your question is quite valid as how do you increase your topline revenue? But that we do by substituting the customers with the low-end.

**Lakshmi Narayan:** Sir, do you also have traceability of the raw material at your end? And are your facilities also come under the FDA kind of regulations? Or is it that that is actually done by the client who you actually work with?

**Sunil Mundra:** Our product capsules fall under the category of excipients. Excipients are the products which go into the formulation but are not the active drugs. They are additives or they are main pharmaceutical aids, they call it. So, generally, these regulatory bodies do not audit excipient factories. Their first priority is to audit the formulation companies, then the API companies. But having said that, your other question whether the product is having traceability, yes. All our products are fully traceable right up to the batch of gelatin which we get from our suppliers.

**Lakshmi Narayan:** Got it, sir. Thank you for the detailed explanation. Thank you.

**Moderator:** Thank you. The next question comes from the line of Ishan Thakkar with Fort Capital. Please go ahead.

**Ishan Thakkar:** Could you please share the volume data for capsules for Q1 and Q2 as well as the volume breakup of HPMC for Q2 FY'26?

**Sunil Mundra:** Volume data for Q1 and Q2 current year, right?

**Ishan Thakkar:** Yes.

**Sunil Mundra:** So in Q1, the gelatin quantity to the gross production, we produce 4.66 billion capsules in Q1 of the current year and 4.74 billion capsules in Q2 of the current year.

**Ishan Thakkar:** And how much is from HPMC capsules?

**Sunil Mundra:** HPMC capsules in Q1 was about 969, about 100 billion capsules. And in Q2, it was 67 million capsules.

**Ishan Thakkar:** Okay. And so, are we on track to reach a capacity of 2.16 billion capsules of HPMC by end of the year?

**Sunil Mundra:** Capacity production is another thing. Capacity, of course, by adding on the second line, our annualized basis capacity would increase to about 1.4 billion. Okay. Mr. Ishan, your question was about the capacity. Each of these HPMC line gives us about 700 million annual capacity. So, once we add the second line, it will become 1.4 billion capsules. The capacity addition is one thing, but what numbers I gave was the utilization of the capsules capacity.

**Ishan Thakkar:** Okay. That's it. And the second question is, as you mentioned in the last call, API production cost in India are 25% higher compared to China, right? So, we are also sourcing the raw material required for APIs from China. So, given this, what advantage do Indian companies that currently

source from China have compared to sourcing from us? Since we will not be cost competitive with China, so we need to understand our differentiators?

**Sunil Mundra:** No. It was a general understanding that cost of production in India is higher by 25%. But in China also, the cost in recent years have been going up. There the manpower costs have gone up. Of course, the interest costs and infrastructure costs were much lesser than compared to India. But I believe other raw material costs are more or less same. Government of India's initiative under PLI scheme was to put the industry on a more focused approach to see that we come out of this mindset and start producing it. Government has offered to give the 20% incentive only to catalyze the industry saying that you start the manufacturing. I would say chemistry and fermentation industries such that India was ahead of China before 2000. It is post-2000 that China has overtaken India. So, it is only a question of continuous R&D research and consistent effort by the industry that India can come back and India can very well compete with China. This is one part of the thing for competing with China. The competition is more in the context of the domestic pricing. India by itself for domestic consumption is a price-sensitive market because of government's price control on the finished product pricing and all that. Whereas, India also exports a lot of API to Europe and US and Japan. There the competition from China is negligible. India is a major supplier of APIs in those markets and there the EBITDA margins are much, much higher. So, our focus has been that even though to start with we will compete with Chinese players for domestic market. In next 18 to 24 months, we get the facility audited and approved by European customers and for US customers and thereby start getting those revenues. Those are the kind of strategies that would see us through this challenge of Chinese price competition.

**Ishan Thakkar:** Okay, fine. Thank you.

**Sunil Mundra:** Thank you, Ishan.

**Moderator:** Thank you. The next question comes from the line of Gunit Singh with Counter Cyclical PMS. Please go ahead.

**Gunit Singh:** Hi, sir. Thank you for this opportunity. So, what were the revenues, if any, and the loss from API division in Q2?

**Sunil Mundra:** Revenue was about Rs. 1.22 crores. And loss from the operations, Rs. 11.47 crores, including a depreciation interest.

**Gunit Singh:** All right. So, our capsule division was running at about 10, what EBITDA was it running at in Q2?

**Sunil Mundra:** About 11.5% to 12%.

**Gunit Singh:** All right. Sir, at what level of utilization will the API division break even and when do we expect that in your assessment?

**Sunil Mundra:** I would say cash break even can be achieved if you are able to touch, say, revenue of about Rs. 100 crores with a margin of about 7% to 8% EBITDA. We should be able to do cash break even. Percentage utilization of capacity, roughly around 30%, 25%-30% capacity.

**Gunit Singh:** All right. So, total revenue potential from the API division is about 300 Cr. Is that fair understanding?

**Sunil Mundra:** See, revenue potential from the plant, considering the domestic prices, yes, 250 crores to 300 crores. But going forward, as I just mentioned to the previous question, answer to the previous question, that our target is to do exports in the regulatory market where the prices are much higher. For the same volume of production, we can get much better pricing. So, the plant capacity to earn could be much higher. But at the domestic prices, yes, what you have given the number is right.

**Gunit Singh:** Got it. So, you mentioned that we would be doing about 40 Cr. in H2 from API. So, I mean, what kind of loss can we expect from just the API division at 40 Cr.?

**Sunil Mundra:** On an annual basis, as per the current run rate, I think the revenue EBITDA numbers from this turnout could be about, gross addition will be 3 Cr. whereas this is 11.47, the depreciation interest, everything included, right.

**Gunit Singh:** For the half year, what is the number?

**Sunil Mundra:** So, roughly, so we would say end up with a loss of about Rs. 35 crores to Rs. 37 crores.

**Gunit Singh:** All right. That is just for the second half?

**Sunil Mundra:** No, I am talking about the whole year.

**Gunit Singh:** All right, whole year. Got it. So, and if we look at the capsule division, you mentioned that there were some disruptions due to the tariffs and the situation. But if we look at the competitive scenario, the tariffs on India are much lesser than that on China. And with the new trade deal, which is expected with the US. So, at the current scenario, how do you expect the margin profile to pan out and the competitive intensity? And in case there is a trade deal with the US, what could improve according to you in your assessment?

**Sunil Mundra:** I mentioned that India has got lesser duty as compared to China in terms of anti-dumping duty, which was announced by some of the US courts during the month of May and applicable from 1st June. China had 88%, whereas the Indian products had 14%. So, there, there was a great advantage. And based on that, we had given a very good forecast. We had seen that for the

next nine months, we were doing a great business in US. But the India-specific duty of additional 50% created a kind of a negative sentiment. And therefore, the distributors who were importers of our products, they slowed down on their purchases. New orders were kept on hold. I hope I have completed the answer to your, or could you repeat second part of your question, please.

**Gunit Singh:** So, looking at the current scenario, there is a bit of a slowdown or a drag because of additional 50% anti-dumping duty. Is that fair understanding?

**Sunil Mundra:** We are confident of using our capsule capacity to the full extent at 95%, whatever the loss we are anticipating of the volume from the US are being made up by doing exports to other countries or domestic. There could be some drop in exports if the tariff issue doesn't get resolved before the end of the year, which we are hopeful that I think before the end of the current calendar year 2025, it should get resolved. But we will be able to sell those quantities to other areas.

**Gunit Singh:** Got it. If we look at the current scenario, what percentage of a drop can we expect considering the fall in exports to the US? What would be the net loss in volumes even if we export these quantities to other countries or sell them domestically?

**Sunil Mundra:** No, as I already mentioned, volume-wise, there may not be any loss. Value-wise, yes. We were anticipating a topline revenue of Rs.196 crores. Probably, this could be about Rs. 185 or Rs. 186 crores.

**Gunit Singh:** Got it. So, that is the conservative scenario looking at the current situation.

**Sunil Mundra:** Yes.

**Gunit Singh:** All right, got it. Thank you very much.

**Moderator:** Thank you. The next question comes from the line of Praveen Sharma, an individual investor. Please go ahead.

**Praveen Sharma:** Hello, Mundraji. Good afternoon.

**Sunil Mundra:** Good afternoon, Praveen.

**Praveen Sharma:** Yes. So, pain seems to be never-ending, quarter after quarter. Now, coming out of this, the issue of yield, and the Chinese consultants which we have hired to increase the yield, will it address the Chinese pricing issue also? Do you think there will be a technological issue that our fermenters require a new technology upgrade and they are not capable of going to a higher level of yield? Will that kind of issue come up? My worry is that it should not come up that our



technology is obsolete. You said that in 7 years, they have gone beyond what we had actually envisaged in terms of the output. So, their pricing has come down.

**Sunil Mundra:**

So, your first, let me answer this. You said the fermenter is a very generic equipment. Fermenter designs are basically, there is nothing wrong with the fermenter design. Basically, it is the process and the starting material and the bacterial strain or microbial strain that we use. Those are the areas. Secondly, the challenge that we are facing today are twofold. One is the scale-up challenge between 10 KL and 60 KL, which is a common challenge which generally the fermentation industry faces. But we were hopeful that we would overcome it quickly because the guys who joined us had run these products at that same scale earlier in China. But believe me, the fermentation industry experts are saying that no two fermenters are the same. They always behave a little differently because the microbe has to adapt to the conditions of a particular fermenter. Having said that, coming to the other comment that you made from China, Chinese have gone ahead in terms of not only yield. We were at about 40% yield in China in 2018, which has increased now to about 55%. The other big advantage that the Chinese are having is they have scaled it up. We are doing it at 60 KL, they have gone to 200 KL size of fermenter, which is almost three times the size of the fermenter. These are the kinds of scale-up production advantages that have enabled them to drop the prices over a period of time. This is what we understand. Now, your first part of the question was regarding the consultants' capability to deliver. The consultants whom we have identified have worked on these products at the latest plants where they are doing this at a higher scale. We are confident that they should be able to help us to resolve these issues.

**Praveen Sharma:**

How fast do we think that we will be able to address these issues?

**Sunil Mundra:**

I think in Q4, we should find some proper solution to all these issues.

**Praveen Sharma:**

Because this company Symbiotic, I am sure you are aware of that. They are into export and they kind of generate, if you see their CRISIL report, they kind of generate Rs. 200 crores of free cash flow last year. So, they are mainly into exports and they have the plant approved for I think USFDA as well as Europe. So, they only export. So, do you think we will be able to address these issues? My second question is that just from my understanding, if the Chinese prices are so low and they have scaled up in terms of capabilities both on yield as well as the capacity, what prevents them from getting USFDA and European approval and then directly, why people should come to us? This is my general question. I know that US wants to avoid and Western world wants to avoid China, but then just from my understanding, the Chinese are not acceptable there or what?

**Sunil Mundra:**

I think it is a general phenomenon that Chinese API plants are large capacity plants, but not many are USFDA approved plant. They are very few USFDA approved API plant. Whereas in India, you have lot of USFDA approved plant like Symbiotic. So, I do not know the reason. Maybe the quality QA/QC system or the documentation system could be the one major area

which Chinese might catch up in years to come. But at this point of time, this appears to be big gap. Other other could be that since China is the major source of all intermediates, the US or Europe does not want to put all their eggs into one basket and disrupt the supply chain. So, that is the area where we are playing on. Our whole fundamental of our project was that our dependency on China would be zero once we start the fully backward integrated plant. And that was the kind of an attraction to the US customer that dependency on Chinese imports of intermediates will be zero. So, this is our goal as well. Even now, we are not lost or got distracted from our goal. Now, answering your other point of it about the Symbiotic, our project is exactly on the same lines of Symbiotic. Symbiotic also when they started back in 2010, initially, they also started with the aim of producing 9-OH-AD from Phytosterol and all the steroidal API from this whole chain. But later, they had established the capability but they are not producing. They produce few batches in a year just to keep their technology on and satisfy some of the US customer during audits. Otherwise, they also import middle intermediates, advanced intermediates and do the exports. Our take is that over a period of time, next 2 years, 3 years, our project also would then get certified by US FDA and EU chain. They are exposed to Europe and US will pick up and then our aim is also to take the... Symbiotic does almost 75% of their topline revenue comes from exports. And as you rightly said, they have EBITDA of 35% plus and free cash flow of Rs. 200 crores. So, our aim is also to go in those lines, sir.

**Praveen Sharma:** And we can probably look at hiring some domestic Indian environment guys also to address the problem.

**Sunil Mundra:** Yes, absolutely.

**Praveen Sharma:** And sir, I read in the results that there is a right issue for the API division and the parent company is not participating in it. So, what is our holding as of now and what will be the holding post right issue of the parent company?

**Sunil Mundra:** This is a very, very small right issue was proposed for some technical reasons and I think the holding will not go down. Holding, say, assuming that this convertible preference shares are converted at the face value, our holding was supposed to be around 68%. Even post this, it will not go below 67%. It won't be a continuation.

**Praveen Sharma:** And last question on the capsule. So, where are the US guys buying? They are not buying from India and the Chinese duties are very, very large. So, from where they are buying? And what will happen if suppose we have just to complete after this tariff deal, the guys who are supplying right now, will they not continue buying from the same guys?

**Sunil Mundra:** No. So, his duty was announced sometime in the month of April, May, came into force in 1st June. So, there were a lot of imports from China which they dumped the material in US. So, US distributors had enough inventory to last. So, now, US distributors are now exhausting those inventories and probably if the tariff issue becomes clear, now clears out, we will have

sufficient big volume orders. They are not importing either from China or from India. There are a couple of factories in US, but they are quite costly. So, they are not competitive and they don't stand a chance against Indian price and Chinese price, but they supply mainly to domestic, some large nutra companies.

**Praveen Sharma:** So, technically, if the supply shifts to India, as we earlier envisaged, what is the upside in our capital business? Say next 2-3 years? Because we understand that the deal is in offing, just coming to US, India. So, just to understand what is the upside possible?

**Sunil Mundra:** So, for us, keeping in mind the capacity that we have undertaken now, capacity consists of three lines of HPMC, one more line has to come in, second line has to get commission. With these lines, we should achieve about 235-240 crores of topline revenue and our EBITDA margin going up to 16% to 18%. This is what we are anticipating for the current capacity. If there is a further increase in demand, what we could do is we could convert some of our gelatin lines into more HPMC line over a period of time.

**Praveen Sharma:** They are finalized?

**Sunil Mundra:** Yes, it can be done. We can do that. We can convert.

**Praveen Sharma:** Okay, great sir. Great. Thank you. All the best.

**Sunil Mundra:** But having said that, there is one more twist to it. There are companies from China and India, ACG, Associated Capsule Group has recently announced an investment of \$100 million in US to put up a HPMC capsule plant. Chinese companies, the big ones, Healsee Group, they have announced a \$70 million investment. But I know all those will take time. By that time, the market demand would have increased.

**Praveen Sharma:** Hopefully, sir, we will continue. What happened to the Mexico deal? We had a very big order in the last year from Mexico, how is it?

**Sunil Mundra:** Mexico exports are going on, sir. Of course, the volume is not on the expected line, but the exports are going on.

**Praveen Sharma:** Great, sir. Thank you all the best and we really look forward to achieve the milestone which we thought of achieving before COVID 2019 this six long year journey. And the pain will end ultimately.

**Sunil Mundra:** Yes, sir. Thank you.

**Moderator:** Thank you. The next question comes from the line of Hardik Pasari with Aarth Capital. Please go ahead.

**Hardik Pasari:** Sir, my question is, has Somerset signalled a timeline or expectations for exit from the API subsidiary and what is the planned route of exit?

**Sunil Mundra:** Somerset, when they entered, they had clarified that they have about 6 to 7 years of horizon. So they entered in about 2023. So I think they will exit somewhere around 2028 to 2030 in between that period. So there were a number of options given there. Of course, they can do a secondary sale, maybe we can do a listing for the subsidiary company and they will get listed stock there. And then we could also do a buyback of their shares. So I mean, these are the possible options I can see at this point of time.

**Hardik Pasari:** Okay, sir. Understood. Sir my last question would be, upon the update on PLI, now that we are majorly behind on our planned timelines, how does that particular PLI incentive and has there any change in the timelines from the government in terms of increasing the timeframe of incentives?

**Sunil Mundra:** Yes, I think the delays in claiming of PLI incentive has been due to various reasons like increase in our project size in the initial phase, which took about six months delay in getting the government approvals or pollution control license and drug licenses, which was almost about a year. We have like many other companies who have taken fermentation products under PLI and made an application to Government of India asking for extension of the incentive period. But we are yet to get any response from them. We are hopeful that the government considering the challenges that fermentation industry faces, they will consider this demand. They have not refused, not they have consented, and we are hopeful that they may consider. Meanwhile, the Department of Pharmaceuticals, earlier when the PLI scheme was there, at that point of time, they had clarified that it was there in the scheme that you have to achieve the committed quantity also to get the incentive. Now the DOP has clarified that incentives would be given on actual quantity produced and sold, even if the company does not achieve the committed quantity, which is a good thing from our perspective.

**Hardik Pasari:** Sir, that is all from my side. Thank you so much.

**Moderator:** Thank you. The next question comes from the line of Lakshmi Narayan from Tunga Investments. Please go ahead.

**Lakshmi Narayan:** In terms of the HPMC, which I believe is plant-based and the gelatin, which is animal-based, what is the pricing differential? What I understand is almost like around 20% is the price difference for the buyer. Is that so? And if so, how do you think this would actually grow? Which markets are actually seeing HPMC growing?

**Sunil Mundra:** Actually, the price difference between gelatin HPMC capsule in domestic and international everywhere is about 2.8 to 3 times. The average price of gelatin capsule is about, say, Rs. 95 to Rs. 96. HPMC is about Rs. 280 to Rs. 300. That is a big difference. But gelatin capsule, therefore

HPMC capsule generally goes in Nutra, Ayurveda, and herbal, where these are lifestyle, I mean, people take the drug for their wellness, and they are consciously taking on a day-to-day basis. Whereas gelatin capsules are going in for pharma, where out of compulsion, they have to take the capsule. So that's the difference. Growth is coming in Nutra segment, in alternative medicine segment, in HPMC. Gelatin is growing on its own average of 4% to 6% in pharma.

**Lakshmi Narayan:** And is there a way in which this particular pricing gap would actually come down, or do you think this particular issue to an extent will continue....

**Sunil Mundra:** I think there is a possibility that it can come down. In China, there have been technical upgradations on the HPMC technology. They have been able to compete drastically, and I think there is work going on at our end also for bringing down the cost of production.

**Lakshmi Narayan:** To what extent can you actually bring down, the cost of HPMC Capsule Production

**Sunil Mundra:** At the moment, our cost of production is about Rs. 180 for HPMC capsules, and probably it can come down by at least about Rs. 30 or 20% it can come down, Rs. 150.

**Lakshmi Narayan:** Thank you, sir.

**Sunil Mundra:** Thank you.

**Moderator:** Thank you. The next question comes from Aryan with Fort Capital. Please go ahead.

**Aryan:** Thank you for taking my question. Sir, you mentioned earlier that we source raw material from China as such. Can you quantify how much value you source from China as such?

**Sunil Mundra:** The Chinese gelatin is hardly, I would say...

**Aryan:** I'm asking for the API.

**Sunil Mundra:** For the API. Okay, not gelatin. So, API at this point of time, see, our API strategy was as we try and manufacture a fully backward-integrated process, capture the customers and get the product licenses, we started importing intermediates. These intermediates were to be imported and 3 to 4 steps of chemistry to be done, and finished product to be put for stability, license to be taken, customer approvals to be obtained. So, that work is going on for which we do import intermediates. So, at the moment, whatever the sales we are doing, for which we import intermediates from China in API.

**Aryan:** Can you quantify the amount as such, if it is possible?

**Sunil Mundra:** I would say about, quantify in the sense, value-wise?

**Aryan:** Yes, value wise.

**Sunil Mundra:** Say about 1.5 crores.

**Aryan:** Okay. Thank you so much.

**Moderator:** Ladies and gentlemen, that was the last question for today. I would now like to hand the conference over to Mr. Sunil Mundra for the closing remarks.

**Sunil Mundra:** Thanks, Henry. Thank you all for joining us today and for your continued trust in Natural Capsules. We remain committed to executing our strategy in delivering value in the quarter cycle. Thank you.

**Moderator:** Thank you, sir. Ladies and gentlemen, on behalf of Natural Capsules Limited, that concludes this conference call. Thank you for joining us and you may now disconnect your lines.