Natural Capsules Limited — 33rd Annual General Meeting (AGM) Transcript

Date of Event: Wednesday, August 12, 2026
Time: 12:00 PM IST
Mode: Video Conferencing / Other Audio Visual Means (VC/OAVM)

1. Welcome and Roll Call

Managing Director (Mr. Sunil L. Mundra): Yeah. How many shareholders are there?

Company Secretary (Mr. Akshay Dutta): Sir, from there is 31 attendance.

Managing Director: Okay, 31 NSDL attendance is there, right? Okay.

Company Secretary: Quorum is present. Okay sir.

Managing Director: Yeah, you'll have to start recording moderator. You have to request. Yeah.

Chairman: I welcome and request the Company Secretary to confirm whether the requisite quorum is present.

Company Secretary: The Quorum is present, you can proceed.

Chairman: Okay, I declare that the requisite quorum is present. Sir, now introduce the dignitaries.

Chairman: On my left hand side, Managing Director of the company Mr. Sunil L. Mundra; on his left is the Company Secretary Mr. Akshay Dutta; on his left is Mr. S. G. Belapure, Non-Executive Independent Director of the company; on his left is Mr. Prasad, CFO of the company; on his left is our Statutory Auditor from P. Chandrasekar LLP; and on my right side, Mr. Laxminarayan Moondra and Mr. Satyanarayan Mundra, both Whole-time Directors. On his right is Mr. R. Parthasarathy, our Secretarial Auditor. We also have Mr. Pramod Kasat and Mrs. Jyoti Mundra, Directors of the company, attending the meeting through VC. That's all. Yes. Now I request the Company Secretary to read the notice and auditor's report.

Company Secretary: Notice is hereby given to all the members of the company that the 33rd Annual General Meeting of Natural Capsules Limited will be held on Wednesday, 12th of August, 2026 at 12:00 PM through video conferencing and other audio-visual means at the registered office.

2. Chairman's Address

Chairman: Dear shareholders, it gives me immense pleasure to welcome you to the 33rd Annual General Meeting of Natural Capsules Limited. The annual report for the financial year 2025–26 along with the audited financial statements and notice of the meeting has been circulated electronically and is taken on record.

Over three decades, Natural Capsules Limited has built a reputation as a trusted manufacturing partner in empty hard gelatin capsules and vegetarian (HPMC) capsules. I'm happy to inform that your company has earned consolidated revenue of ₹187.20 crore as compared to ₹169.21 crore in the previous year. This was despite the challenges being faced by the industry due to ongoing war and a difficult geopolitical situation. Your company has also faced some challenges of high import duty in the US on HPMC capsules leading to reduced sales.

However, going forward, your company is focusing on three key pillars to drive sustainable shareholder value:

1. Consolidating the gains from expanded capacity of capsule machines.
2. Commercializing API products which are backed by the Production Linked Incentive (PLI) scheme.
3. Focusing on approval of its facilities by global regulatory bodies.

Your Board remains committed to maintaining high standards of corporate governance, financial discipline, and environmental responsibility. We continue to invest in eco-friendly technologies, energy-efficient manufacturing, and stringent safety standards across all facilities. On behalf of the Board of Directors, I express my sincere gratitude to our shareholders, esteemed customers, financial institutions, regulatory authorities, and supply chain partners for their continued trust and support. I also extend my heartfelt appreciation to our dedicated team of employees whose hard work and commitment continues to drive your company forward. Thank you.

Chairman: Yeah, I request the moderator to request shareholders to ask their questions.

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3. Managing Director's Address

Managing Director: Yeah, so where are those questions that have already been sent? Alright, any other shareholders to ask questions? There are none. Okay, so in that case, yeah, I can take over.

Managing Director: Dear shareholders, it is both my duty and privilege to speak to you at the close of financial year 2025–26—a year that asked a great deal of your company and in the end gave a great deal back. It was not a comfortable year; of course, our reported earnings fell to some extent and a disruption at one of our facilities interrupted the steady rhythm of the capsule business. Yet it was also the year in which the second of our two businesses—the one we have been building patiently for the better part of a decade—finally began to operate with the starting of our API plant.

Revenue from operations, as Chairman Sir mentioned, grew by 11% over the previous year, though reported earnings declined and the consolidated entity recorded a loss for FY26. That's worth separating clearly: the first was a genuine operational interruption at our Puducherry facility, and the second was the accounting weightage of the investments we had chosen to make—investments whose costs arrive in the books well before their benefits do. Neither, in my assessment, alters the underlying direction of the company; both, however, are real and I will take each in turn.

Navigating Disruptions at Puducherry: For part of the year, our capsule facility at Puducherry was affected by a licensing matter that led to a temporary shutdown. The effect was immediate and visible: production and dispatches were interrupted, volumes halted, and fixed plant costs continued while output did not. We treated the matter with the urgency demanded. The license position was resolved during the year when operations resumed, and I am pleased to report that Q4 became the strongest operating quarter of the year for the capsule business. The disruption is now behind us.

The Capsule Business: Our capsule business remains the core of the company and demonstrated resilience through a difficult period. Demand for our products remains firm, particularly for HPMC capsules where the shift towards vegetarian and plant-based formats continues across both pharmaceutical and nutraceutical customers. However, HPMC exports to the US suffered due to the imposition of import duties. During the year, we commissioned a new HPMC line for '00' size capsules, taking our total installed capacity to 20.25 billion capsules per annum. We continue to invest in next-generation manufacturing equipment that raises output, improves consistency, and lowers unit costs. Our long-standing customer relationships—many spanning years—gave the business a stable base from which to absorb the year's disruption and recover through the closing months.

API Platform On Stream: Our Active Pharmaceutical Ingredient (API) facility operated through our subsidiary, Natural Biogenex Private Limited (NBPL), moved from construction into commercial production. This facility makes us the only backward-integrated producer of select steroidal APIs in India—molecules the country has long imported. To reach commercial production after years of construction, qualification, and patient investment is a milestone the entire team can take pride in. During Q4, we also signed a framework and contract manufacturing agreement with FermBox Bio, an arrangement intended to bring additional utilization to the facility. The API market remains competitive with pressures on global realizations, and our task now is to stabilize production and progress towards regulatory certifications that open regulated export markets.

Financial Position: It is precisely because we were building a second business that our reported earnings suffered. The commissioning of the new capacity brought a full year of depreciation and interest charges at a stage when revenue from the newer platform was still modest. Encouragingly, the company continued to generate positive operating cash flow throughout the year.

Looking Ahead: In the capsule business, we will work to lift utilization across both sites and deepen customer relationships. In the API business, we will concentrate on stabilizing production, building utilization, and securing certifications that widen our addressable market. Across both, we will hold to the discipline that has carried us thus far: manufacture in-house, integrate where it genuinely adds value, and invest through cycles rather than only in favorable years.

In Appreciation: I am grateful to our employees who met a testing year with resilience and professionalism, to our customers whose trust we never take for granted, and to you, our shareholders, for your patience through a phase of heavy investment. Two businesses that were being assembled are now running. I approach the year ahead and the work of running them well with confidence and a clear sense of purpose. Thank you.

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4. Question & Answer Session

Managing Director: Now I would like to address the questions sent by shareholders. We received questions from Mr. Keshav.

Q1: What is the outlook for financial year 2026–27 (FY27) in terms of top-line and bottom-line for the API and Capsule divisions separately?

MD Response: In FY27, we hope to achieve:

- **Capsule Division Revenue:** In the range of ₹190 crore to ₹195 crore (₹1,900 million to ₹1,950 million).
- **API Division Revenue:** Around ₹70 crore to ₹75 crore (₹700 million to ₹750 million).
- **Standalone Profit After Tax (PAT):** Around ₹15 crore to ₹17 crore (₹150 million to ₹170 million).
- **API Subsidiary (NBPL) PAT:** Likely to have a net loss (negative PAT) of around ₹30 crore.

Q2: What is the installed capacity, production sales volume, and utilization separately for the Bangalore and Puducherry facilities?

MD Response:

- **Bangalore Facility:** Installed capacity is 14 billion capsules; utilized capacity was 11.7 billion capsules. Sales revenue was ₹88.60 crore.

- **Puducherry Facility:** Installed capacity is 6.3 billion capsules; utilized capacity was 5.9 billion capsules. Sales revenue was ₹85.18 crore.

(Note: Part of the revenue in Puducherry includes inter-plant transfers from Bangalore). Total revenue from both plants put together stands at ₹173.77 crore.

Q3: What was the exact revenue and EBITDA impact of the Puducherry shutdown? What caused the licensing lapse, and what controls have been introduced?

MD Response: As explained in my opening remarks, the revenue impact of the Puducherry shutdown was around ₹6 crore, and the EBITDA impact was around ₹90 lakh (₹0.90 crore). The lapse occurred because a wholesale distributor's license had expired, but supplies were inadvertently continued. Drug regulatory authorities identified this during an inspection, leading to a temporary license suspension. We filed a writ petition in court, obtained a stay order, and subsequently resolved the compliance requirement.

Q4: What were the capacity, sales volume, revenue, and EBITDA margin for HPMC capsules in FY26, and what are the FY27 targets?

MD Response: For HPMC capsules in FY26:

- **Installed Capacity:** 750 million capsules.
- **Sales Volume:** 222 million capsules.
- **Sales Revenue:** Around ₹7.0 crore.
- **EBITDA Margin:** About 21%.

Q5: Despite the Puducherry disruption, capsule segment EBITDA increased to ₹20.2 crore. What is the sustainable EBITDA margin for the capsule business under normal operations and revenue potential at full utilization?

MD Response: EBITDA margins improved due to better sales realization, marginal reduction in raw material input costs, and higher operational efficiencies at our Bangalore plant. As the percentage of new-generation high-speed machine capacity increases out of total capacity, margins will expand further. We expect overall capsule EBITDA margins to grow up to 17% over the next two years.

Q6: Natural Biogenex generated only ₹13.43 crore of revenue and incurred a loss of ₹36.15 crore in FY26. At what revenue and capacity utilization will the API business achieve EBITDA and cash breakeven?

MD Response: Presently, all business at Natural Biogenex is from the domestic segment where realizations and margins are thin. We expect the API business to turn cash positive and EBITDA positive by FY28, once we commence exports to ROW (Rest of World) and select regulated markets.

Q7: What revenue, EBITDA, and capacity utilization targets are set for Natural Biogenex in FY27 and FY28?

MD Response: We are targeting revenues of ₹78 crore (FY27) and ₹145 crore (FY28), with EBITDA margins of approximately 6% in FY27 and 10% in FY28.

Q8: How much has been invested in the API project to date? How much additional CapEx is required, and what return on capital (ROCE) does the Board expect?

MD Response: NBPL has so far invested around ₹203 crore in fixed assets and approximately ₹65 crore in various current assets (including GST refund dues pending with the government). Additional CapEx for Phase 2 expansion will be roughly ₹20 crore to ₹21 crore.

Q9: Why is the company seeking shareholder approval to provide an additional ₹50 crore inter-corporate loan to Natural Biogenex? What is the utilization plan, and is it linked to operational milestones?

MD Response: Approval is being sought as an enabling/emergency measure to provide financial support to the subsidiary as needed to sustain its operational ramp-up. No specific operational milestones are linked to further loan disbursements at this point in time.

Q10: What is the company's total current financial exposure to Natural Biogenex including equity, loans, and guarantees?

MD Response: NCL has invested around ₹110 crore total exposure in NBPL (including ₹20 crore in equity). The company has also provided corporate guarantees to banks for credit facilities with an outstanding balance of around ₹48 crore as on March 31, 2026.

Q11: What minimum volume, revenue, and margins are committed under the FermBox Bio agreement, and from which quarter will commercial production begin?

MD Response: No minimum volume commitment has been given under the framework agreement. However, based on their planned product launches, we expect to generate revenues of around ₹14 crore in the current year at a margin of ~20%. Commercial production under this arrangement started in the 1st week of August 2026.

Q12: What are the specific regulatory timelines for WHO-GMP, EU-GMP, US FDA applications, inspections, and approvals for the API facility?

MD Response:

- **WHO-GMP Certification:** Applied; expect approval within the next 2 months (October 2026).
- **eCTD Dossier Preparation:** Commencing by October 2026.
- **CEP & US DMF Filings:** Targeted for April 2027.
- **CEP Approvals:** Expected by Q2 FY28.
- **US FDA Audit Trigger:** Targeted for Q4 FY28.

Q13: What PLI incentives were claimed or received in FY26? What annual sales threshold must be achieved, and is there any risk of losing eligibility?

MD Response: During FY26, we could not claim any PLI incentive. We become eligible for PLI incentives starting in FY29. Incentives are not linked to a rigid sales threshold, but rather to domestic value addition (DVA), which in our case exceeds 90%.

Q14: Where do you see the company over the next 3 to 5 years (FY30 Vision)?

MD Response:

- **Capsule Business:** Existing planned capacities will achieve revenues of ₹235 crore to ₹240 crore with an EBITDA margin of 17% to 18%. NCL is also evaluating inorganic acquisition opportunities to consolidate its position in the capsule industry.
- **API Business (NBPL):** Targeted to achieve revenues of around ₹250 crore with ~20% EBITDA margin by FY30, contributing approximately 25% to 30% of total group revenues.

Q15: Working Capital Details — Debtors aging, inventory holding period, top 10 customer concentration, bad debts written off?

MD Response:

- **Debtors Collection Period:** Average receivables aging is around 110 days. Debtors overdue beyond 1 year total ₹6.40 crore (640 lakhs) and have been fully provided for.
- **Inventory Holding Period:** Around 42 days (including raw materials and work-in-progress).

- **Customer Concentration:** Top 10 customers contribute only ~15% of overall sales.
- **Bad Debts Written Off:** During FY26, bad debt write-offs amounted to ₹59 lakh (₹0.59 crore).

Q16: Strategy regarding dividend distribution and shareholder value enhancement?

MD Response: We have a formal Dividend Distribution Policy in place that allocates a portion of cash accruals for dividends. However, over the past couple of years and during the current operational stabilization phase, cash accruals are prioritized towards supporting the growth and debt commitments of our API subsidiary. Consequently, dividend payouts may be constrained in the immediate term. We request shareholder support, as these capital investments will create substantial long-term value through equity appreciation.

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5. Formal Business & Resolutions

Company Secretary: I request the permission to read the ordinary and special business items:

Ordinary Business:

1. **Item 1:** To receive, consider, and adopt the Audited Standalone and Consolidated Financial Statements of the company for the financial year ended March 31, 2026, together with the Reports of the Board of Directors and Auditors thereon.
2. **Item 2:** To appoint a Director in place of Mrs. Jyoti Mundra (DIN: 07143035), who retires by rotation and, being eligible, offers herself for re-appointment.
3. **Item 3:** To appoint a Director in place of Mr. Laxminarayan Moondra (DIN: 00214298), who retires by rotation and, being eligible, offers himself for re-appointment.

Special Business:

1. **Item 1:** To consider re-appointment of Mr. Laxminarayan Moondra as Whole-time Director for a term of 3 years effective August 19, 2026, and to revise his remuneration.
2. **Item 2:** To consider and approve Material Related Party Transactions with subsidiary company, Natural Biogenex Private Limited, up to an amount not exceeding ₹50 crore.
3. **Item 3:** To consider and approve the revision in remuneration of Mr. Shree Mundra, General Manager – Marketing (holding an office of profit / related party).

Company Secretary: I would like to inform the shareholders that the voting results shall be announced shortly after the conclusion of the meeting. Those who have not yet voted may cast their votes within 15 minutes of the end of the meeting. Members may download the results from the website of the company (www.naturalcapsules.com) as well as from the stock exchanges (www.bseindia.com and www.nseindia.com).

6. Vote of Thanks & Conclusion

Managing Director: Thank you, Chairman Sir. Shareholders, it has been a pleasure working with you over the last 33 years. I sincerely thank all the directors, statutory auditors, secretarial auditors, and key managerial personnel present here today in person and online. I express my gratitude to all shareholders who took time out of their busy schedules to join our AGM. Thank you everyone.

Chairman: Thank you. The meeting stands concluded.