“Granules India Limited

Q3 & 9 Months FY '25 Earnings Conference Call”

January 24, 2025

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MODERATOR: **MS. PRACHI – ORIENT CAPITAL**

Moderator: Ladies and gentlemen, good day, and welcome to Q3 and 9 Months FY '25 Earnings Conference Call of Granules India Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Ms. Prachi from Orient Capital. Thank you, and over to you, ma'am.

Prachi: Thank you, Manav. On behalf of Granules India Limited, I extend a warm welcome to all the participants on Q3 and 9 months FY '25 Financial Result Discussion Call. Today on the call, we have Dr. Krishna Prasad, Chairman and Managing Director; Dr. KVS Ram Rao, Joint Managing Director and Chief Executive Officer; Mrs. Priyanka Chigurupati, Executive Director; and Mr. Mukesh Surana, Chief Financial Officer.

Before we begin the call, I would like to give a short disclaimer. This call may contain some of the forward-looking statements, which are completely based upon our beliefs, opinion expectations as of today. These statements are not a guarantee of our future performance and involve unforeseen risks and uncertainties.

With this, I would like to hand over the call to Dr. Prasad for his opening comments. Over to you, sir. Thank you.

KrishnaChigurupati: Thank you, Prachi. A very good evening, ladies and gentlemen, and thank you very much for joining us on our Q3 FY '25 Earnings Call. We appreciate your continued interest in Granules. We have uploaded a detailed presentation of our quarterly performance on our website, and I trust you have had a chance to review it.

As many of you know, the USFDA conducted an inspection of our Gagillapur finished dosage facility from August 26 to September 6, resulting in six Form 483 observations. The FDA has determined the classification of the inspection as “official action Indicated”. Granules has undertaken a proactive voluntary and comprehensive remediation plan to address observations raised by the US FDA.

Following the inspection, we voluntarily paused manufacturing and distribution in September to conduct a thorough risk assessment, ensuring that there are no product contamination or patient safety concerns. Operations and dispatches have since resumed in October following this assurance, while maintaining full transparency with the FDA throughout the process.

Our voluntary remediation plan encompasses comprehensive corrective and preventive actions, independent third-party oversight, ongoing product testing for risk assessment and regular monthly progress updates to the US FDA.

The plan is structured around three key focus areas: First, demonstrating a thorough understanding of identified issues by implementing appropriate CAPAs; second, ensuring the effectiveness of closed CAPAs through rigorous metrics-based evaluations; and third, mitigating risks by implementing interim controls for all ongoing activities related to open CAPA. To date,

90% of CAPAs have been completed, with the remaining ones on track for closure by March '25.

To help us with this process, we have engaged multiple third-party consultants and experts who are working closely with our team on the ground. We are in constant touch and engaged with the US FDA to present our progress on the corrective measures and request a potential reinspection.

Following our initial response to the FDA on 28th September, we have shared three monthly status update report with the agency on 28th October, 26th November and 26th December, communicating the progress on implementation of corrective measures that we have put in place. Our fourth monthly update will go out before the end of January.

We are also making a systemic change in the quality and compliance culture across the organization, including at Gagillapur, which are directed towards infrastructure improvements, capability building, automation, process changes and inculcating a quality mindset that is in sync with the ever-evolving regulatory expectations.

We are maintaining continuous communication with our customers and have had several visits and on-site meetings with our top customers. These interactions have been highly positive,and I think allowing us to transparently share our progress on corrective actions being taken at the site.

As part of our ongoing efforts to strengthen leadership in quality and manufacturing, the quality function and leadership, Dr. Rajesh Kapoor has been appointed as Global Head of Quality at Granules. He was already, a head of quality for our North American operations.

On the manufacturing side, Ramraj Rangarajalu has joined us back as new Head of Formulation Operations for India sites. Ramraj, in his previous stints, was Head of Gagillapur plant. The OAI classification does not impact the ongoing manufacturing distribution or sale of existing products from the site. However, it may impact review of pending submissions for approval of new products until the status is resolved.

Granules' growth trajectory remains robust and diversified, underscoring that our strategy is not solely dependent on new product approvals from the Gagillapur site. Key drivers include new launches from our GPI ability in the US, growth from large volume products in the US and Europe, capacity addition and commercialization of greenfield formulation facility at Genome Valley, value chain advancements in Europe and our expanding oncology pipeline from Unit V in Vizag

As we look ahead, our near-term growth will be driven by new product launches from our GPI site for the US market, especially the CNS ADHD segment. During the last quarter, we have received US FDA approval for Lisdexamphetamine chewable tablets, and few other exciting products are under approval which we expect to come through in the near future.

Our new formulation facility at Genome Valley under Granules Life Sciences is progressing well. Phase I with the capacity of 2.5 billion doses has been commissioned and commercial

dispatches of monograph products have commenced. We are targeting prescription product commercialization for Europe in March or April. Phase II with an additional 7.5 billion dose capacity is expected to be commissioned by Q4 of FY '25, with validation activities slated to begin in Q1 FY '26.

To summarize, we are prioritizing the enhancement of quality and compliance across the organization while actively pursuing our growth objectives. These include new launches from our GPI facility, expanding our formulations capacity at GLS and investing in R&D to support our portfolio expansion in the long term.

I request Dr. Ram Rao to provide further insights on some of the initiatives.

K.V.S. Ram Rao: Thank you, Chairman. Good evening, ladies and gentlemen. Building a robust and a diverse product portfolio has been a focus for Granules, forming the cornerstone of the company's growth strategy in the last couple of years. We have been steadily advancing towards our R&D objectives. in each passing quarter, We have been consistently growing our product portfolio.

Today, Granules has 83 ANDAs in the US with 15 ANDAs awaiting approval, 12 applications in Europe with four awaiting approval, and 15 applications in rest of the world with eight awaiting approval. Additionally, we have received approval for two of our formulation products in the US in the last quarter.

We are actively expanding our therapeutic &product portfolio by submitting new filings in areas such as CNS, oncology and antidiabetic segments while also pursuing market expansion for our existing products. This past quarter, Granules R&D spend was close to INR57 crores, another testament to our commitment to continuous innovation.

Following are the areas of primary focus for growth in the portfolio, ADHD based out of Chantilly facility in the US. We are developing medicines to adjust one of the fastest growing therapeutic segments and health concerns in the US and world today. The global ADHD market is projected to grow from USD 15.8 billion in '23 to USD 24.6 billion in 2032. Increasing ADHD diagnosis, advancement in diagnostic tool, and the continuous development of innovative treatments is driving this growth.

Despite being rapidly growing therapeutic segment, patients in the US frequently face shortages of ADHD medications. A combination of the above factors make ADHD attractive therapeutic area for Granules. We have been developing a very robust ADHD portfolio with 10 products in pipeline for development, which includes first-to-file Day 181 and regular launch opportunities. We also have 5 to 6 ADHD products commercialized in the US and have obtained approval for Lisdexamfetamine chewable tablets in December 2024.

Overall, Granules ADHD portfolio is designed to address majority of the US ADHD market. Oncology therapy is another focus area for Granules, and we are making substantial strides into our oncology portfolio. We continue to expand our oncology portfolio with 7 to 8 products currently under development, this includes NCE opportunities and the Day 1 opportunity products.

Our state-of-the-art infrastructure for both API and finished dosage in oncology, combined with strategically curated portfolio in the near term that have high market entry barriers, positions us to become a significant player in this segment. Diabetes treatment is another cornerstone of our portfolio. We are currently working on 8 to 9 diabetic medication portfolio and anticipate submitting several of them for approval in the upcoming quarters.

Biocatalysis is a focus area for our R&D. We are developing our products using this technology, process validation of the first API of this segment is set to be completed in the current financial year, followed by two more products in the subsequent quarters. We continue to develop these products with an eye on sustainability and global cost leadership.

It's great to report that we have stayed consistently dedicated to executing our R&D strategy and building a strong portfolio for the future. Thank you all, and over to you, Mukesh.

Mukesh Surana: Thank you, CMD and JMD. Let me take you all through the top financial parameters now.

Revenue,

the third quarter revenue were INR11,377 million as compared to INR11,556 million in Q3 FY '24, with a decline of 2% and revenue improved by 18% as compared to Q2 FY '25. The sales breakup as per business division, geographic regions are presented in our investor presentation, which is available on the website.

Gross margins.

Our gross margin as a percentage of sales for Q3 FY '25 was 61.7% as compared to 57% in Q3 FY '24. Gross margin as compared to Q3 FY '24 is up by 474 basis points, achieved on account of profitable sales growth of finished dosages. Gross margin as a percentage of sales for Q3 FY '25 is down by 20 basis points from Q2 FY '25. We sustained higher sales quarter-on-quarter and prioritized sales of higher margin within the finished dosages.

EBITDA and EBITDA margin.

EBITDA for the quarter was INR2,303 million, that is 20.2% of sales as compared to INR2,505 million, that is 21.7% of sales in Q3 FY '24, a decrease of 144 basis points from Q3 FY '24. EBITDA as a percentage of sales for Q3 FY '25 is down by 80 basis points from Q2 FY '25 on account of air freight, failure to supply and professional expenses that have gone up on account of the recent US FDA inspection at the Gagillapur facility.

R&D.

Our R&D spend for the quarter was INR568 million as compared to INR468 million in Q3 of '24 and INR524 million in Q2 FY '25.

Net debt

Was INR8,289 million as compared to INR7,973 million in Q2 FY '25. Our net debt was INR8,421 million at the end of March '24.

Cash-to-cash cycle.

Our cash-to-cash cycle was 213 days in the current quarter, which is same as Q2 FY '25. Cash flow from operations. Cash flow from operations for the quarter was INR1,315 million as compared to INR1,880 million in Q3 of '24, and INR2,007 million in Q2 FY '25. With the sequential quarter's sales growth, receivables have gone up. However, DSO remained at 76 days as compared to Q2 FY '25 of 73 days.

Capex.

Capex spend during the quarter was INR1,335 million primarily invested in Granules life science of INR940 million. At a Y-T-D level, we spent INR4,102 million for capex primarily invested in Granules Life Science of INR2,425 million.

ROCE

ROCE for Q3 FY '25 is 16.4% as compared to 16.9% in Q2 FY '25 at 15.3% in Q3 FY '24.

With this, I open the floor for questions.

Moderator: Thank you very much. We will now begin the question-and-answer session. We have a first question from the line of Tushar Manudhane from Motilal Oswal Financial Services.

Tushar Manudhane: Sir, with almost 90% remediation of incremented and new approvals or launches expected, could you just guide us in terms of revenue in FY '25 in terms of revenue growth and EBITDA margin?

Krishna Chigurupati: Tushar the remediation is going on, like I said in my opening remarks. We have voluntarily taken a lot for steps for remediation. We have consultants looking at last 2 years reports of investigation and to just to give confidence to ourselves and the FDA that everything has been good in the organization. And given ongoing investigations also, they will be taken care of. So, so work is happening.

And now it all depends. If everything is status quo, and it is OAI, we will not get approval since that is clear, new approval. So the growth has to come from existing products, increasing market in Europe and other places and mainly from the US operations and production from GLS. So we cannot put a number today.

But definitely, when you see CAGR, we will continue to maintain it even though there are blips. So CAGR will definitely be around 20% plus. So that's all I can guide on the growth today.

Tushar Manudhane: Understood. And for the quarter, there has been a sharp uptick for Europe sales. Anything you would you want to comment on that?

Krishna Chigurupati: Did you say uptick, did you say that?

Tushar Manudhane: Quarter-on-quarter, there has been a sharp jump in the Europe sale?

Krishna Chigurupati: Quarter-on-quarter, there has been a jump. But because that reason is last quarter was actually dip. So if you see Europe in a continuing basis, Europe not doing that great, it is also a factor of capacity. Our capacity is not infinite. Until we have the new GLS plant running,this will continue. And we continue to allocate most of our capacity in US. So if you see the US growth rate and the growth in Europe, you can see the connection. Overall, great growth in Europe. That's all I can tell you.

Tushar Manudhane: And lastly on like while this has slightly impacted the EBITDA margin for the quarter, but if you would like to call out what kind of cost has gone in terms of remediation measures, which is sort of not recurring in nature?

Krishna Chigurupati: Cost has not only gone up on remediation, Tushar. Due to disruption of supply, there was a lot of material that has to be airlifted that has drastically added to the cost. And of course, remediation cost has been there. And a few other expenses, which are not in regular line have happened in this quarter. And I won't say this is one-off for this quarter. Some of these things will happen in next quarter too, though they will be at a much reduced level.

Moderator: The next question is from the line of Rashmi Shetty from Dolat Capital.

Rashmi Shetty: So just a follow-up from the earlier participant. You mentioned in your presentation that your expenses during the quarter has gone up due to the professional fees related to the remediation activity and some SPS expenses also. So if you can quantify that number, what was the cost related to the failure to supply and that penalty is going to recur in next 2, 3 quarters? Or you feel this is one-off in third quarter only? And remediation cost, how much is something which is recurring in nature in the next subsequent quarters?

Mukesh Surana: Sure, Rashmi. So, we have incurred consultancy fees, failure to supply and also there was increase in air freights. Some we could recover from customers, some we could not. All put together, I would say it would be close to $3 million. And some of this may not repeat fully in quarter 4. There will be a reduction in this number in quarter 4.

Rashmi Shetty: Okay. So out of $3 million, which you are saying that -- which has been expended in this quarter, how much is something which would be recurred? I mean is it like 25%, 50% of this amount would recur in the quarter 4? To model in our numbers, we would want to know that?

Mukesh Surana: So it would be a little above 50%, I would say. It's a judgment as of now.

Rashmi Shetty: Okay. Understood. That's really helpful. And on the U.S. FDA inspection part, when you're communicating with the agency, anything which you can gauge that the inspection can happen soon? Or you feel that currently, only the timely updates will happen? Anything which you can gauge from them?

Krishna Chigurupati: We are updating them Rashmi, regularly on the work that is happening here, and which is very positive. But we are planning to request them for the re-inspection. We don't know when they'll give us an appointment and when they will come back. It all depends. As of today, we cannot put any dates on that.

Rashmi Shetty: Okay. So the 4 to 5 product launches, which were expected in FY '25, second half, will that happen from other facility or we believe that probably now that will get delayed to next year or till the time it is settled?

Krishna Chigurupati: So this could get delayed to last quarter. But definitely, these products shifting to other sites. If we start filing those from the other site, it could take into first quarter of next fiscal, from an, I am talking of '27.

Rashmi Shetty: Okay. So net-net, to say that at least 2 quarters' time...

Krishna Chigurupati: There would be some loss in sales from the new launches.

Priyanka Chigurupati: No, Rashmi, to complete that answer, we have still about 4 to 5 launches from the GPI sites that are planned for Q4, which will go on as planned. And from that, about two products are new approvals, one of which we've already received and three products are from old products that we've already received approvals for, but we'll be launching officially in Q4.

Rashmi Shetty: Understood. So those 4 to 5 products will go on?

Priyanka Chigurupati: Yes.

Rashmi Shetty: Okay. And related to your API business, what is the update over there? We were seeing some sort of price erosion. Even the demand scenario was weak because of the inventory level at the customer? But we expected that probably prices will recover in second half and also, there would be some inventory, which would get over. So, API growth could improve. So, what is the update on that for this end of year? Also, if you can update related to FY '26?

Krishna Chigurupati: Priyanka, do you want to take that? Or Shall I?

Priyanka Chigurupati: Sure. I'll take one half of the question for sure. So the API prices, I'm assuming you're referring to paracetamol prices. and in general, they have certainly gone up a little bit, but -- and have stabilized right now at a new base. And going forward, I do expect it to go up from here. And regarding the rest of the API prices, I wouldn't necessarily say there's too much of a change either way in any of the prices overall.

In terms of inventory, so again, all other inventory situation is fine. But with paracetamol, there still is a situation of high stockage because customers did take some additional product because of the Red Sea issues on top of the past inventory that they were sitting on. So again, right now, we see it -- we see projections for FY '26 to be pretty good. But Q4 FY '25 will still be pretty flat. But FY '26 looks good for now.

Rashmi Shetty: Okay. Got it. Thank you. That's it for my side.

Moderator: Thank you. We have our next question from the line of Darshil Jhaveri from Crown Capital. Please go ahead.

Darshil Jhaveri: Some of my questions have been answered. I think the first participant asked about the growth. I think sir said, we are targeting a CAGR of 20% plus. Is that fair like for FY '26? Have I heard that correctly, sir?

Krishna Chigurupati: No, Mukesh you want to answer that question?

Mukesh Surana : Yes. So in the long run is what you were trying to say, not quarter-on-quarter. In the long run, we are expecting to achieve 20% plus CAGR in the long run.

Darshil Jhaveri: Okay. Fair enough. And so in the short term, like how do we see FY '26 planning out for in terms of like revenue? Because we can't launch fully that all the products that we want. So how much will be able to maintain the current pace or quarterly run rate or how would it go, Sir?

Krishna Chigurupati: '26 will definitely be a lot better than '25, Darshil, which will be aided by GLS where we are likely to have a European inspection early next -- very early next fiscal. So that will help us to start the European business and the business will go on. We expect very positive growth in next year. And maybe we are looking at something like a 20% growth next year.

Darshil Jhaveri: Okay. Fair. That's helps a lot, sir. And sir, margins like we had some nonrecurring expenses, as you've said. So 20%, 22% margin range, that's also a fair assumption, sir?

Krishna Chigurupati: Yes, definitely, very much. If you see our gross margins are only improving, but some of these one-off expenses have been eating into that.

Darshil Jhaveri: Yes, correct, sir. And sir, I just wanted to know like any potential implications of the Trump presidency that we can expect, like even like we have some facilities in US also. So what do you see as the political risk? Is there like something that can maybe hurt us or can it be a gain for us? Anything on that sort of, sir?

Krishna Chigurupati: I mean this administration could be a little unpredictable, we cannot say. But overall, this administration is industry friendly. So I personally think there could be a lot of positivity that can happen to the pharma industry from this administration. And we having a facility in US also definitely will help.

Darshil Jhaveri: Okay. Fair enough, sir. And sir, just last on my end sir. So FDA, we are continuously updating them. So any rough timeline? Nothing that we can hold on to, but in your experience, how much like timeline, like it can be maybe a few months or maybe a quarter or two? what do you feel, sir, can -- when will they come back for an inspection? And how would it go on? So just any timeline that you could like to give, sir? Nothing specific, some range will also do?

Krishna Chigurupati: It's very difficult to fix a timeline, but we're going to request them for a meeting any time from next month onward. And let's see what happens. Maybe within a quarter, I am sure they would definitely visit us.

Moderator: The next question is from the line of Abhishek Pipariya from ICICI Bank.

Abhishek Pipariya: This is in relation to the capex expenses which is expected in FY '26. So, can we just know what is the capex we are planning in FY '26?

Mukesh Surana: See, some of those capex, there is some carry forward also of the current year planned. So, we are estimating as of now, we have not yet done the budgeting exercise, but anywhere between INR500-odd crores.

Abhishek Pipariya: Okay. And sir, in recent past, there has been USFDA observations. So, what would have been the contribution from the Gagillapur plant, which has been affected? And what is the decline you are expecting in the current year from this?

Krishna Chigurupati: We expect that revenues will not decline any more. This quarter, they could have declined because we took a pause in production. We expect that we will continue with Q1 numbers from this site and possibly improve a little bit, because some of the new launches are taking off. Their sales are improving.

Abhishek Pipariya: And sir, what is the kind of overall contribution in the top line from the Gagillapur plant in a financial year?

Mukesh Surana: Sorry, come again?

Krishna Chigurupati: Top line from the Gagillapur plant percentage.

Mukesh Surana: It is in the range of 60-plus percentage, 60 percentage to 65 percentage on overall total consol sales.

Moderator: We have our next question from the line of Sahil Vora from M&S Assets.

Sahil Vora: Yes. My first question is, is Granules planning to participate in the GL-1 market, given it's growing significance in the pharmaceutical landscape?

Krishna Chigurupati: Yes, Mr. Vora. This is a market which no company should neglect such a huge opportunity, and everybody should aim for a piece of that big pie. We are definitely looking at it and possibly you will hear from us in future quarters on what we are doing.

Sahil Vora: Okay. Thank you for the update. My next question is, with the finished dosages contributing 76% of revenues, what is the outlook for this segment? And are there plans to diversify revenue streams further?

Krishna Chigurupati: FDs has always been the ultimate target. And the reason we make -- even though we were selling a lot of APIs and PFIs, our target was to convert the PFI business into FDs. So that we have been achieving, and focus will be totally on FDs. While we need the APIs and PFIs to feed into our FDs, so all these will be for in-house consumptions. So, we do make a lot of APIs today, but they're all going into internal consumption.

And regarding diversification, if I got your question right, we are looking at various new APIs, again, based on the FDs, which we have filed. And also possibly you'll be hearing from us about our foray into a few different dosage forms in the coming quarters.

Moderator: We have our next question from the line of Sreesankar Radhakrishnan from EIP

Sreesankar R.: Got two quick questions. The first one is, even in Q2 in your Investor Presentation, I couldn't see a balance sheet there. If you can give a balance sheet that will be great. You don't need to give it on the third quarter, etcetera, but it will be greatly helpful. That's the first one.

Second is, every year, you just mentioned that you probably have around closer to INR500 crores capex in FY'26. Did I hear right?

Krishna Chigurupati: Yes.

Sreesankar R.: Yes. If that's the case -- you have been doing your investment, the capex also has been increasing, rather on the high side at every point of time. But my question really is when do you start to see your cash flows going to keep funding your capex and your debt continues to reduce?

Mukesh Surana: Yes. I would like to clarify. Our Investor Presentation has all the balance sheet key parameters in Slide #8, where we cover the fixed asset turn, net debt, CCC days, cash flow, capex and ROCE. So probably you can refer that. And also detailed balance sheet is anyway uploaded. With respect to the INR500 capex, as I have clarified, as of now, I'm just giving an estimate because the budgetary exercise is still under process.

And the third question is with respect to cash flow generation. If you see with the significant increase in capex, our net debt has still not gone up. And we are building this capex. One important capex, which we are building, is on the granuels life science, which is an additional INR10 billion capacity, which has already started commercialization to the extent of INR2.5 billion.

The run rate of INR2.5 billion, we will see it soon. And also the next INR7.5 billion also will happen. So, it's a matter of 2-3 years. So, the capex, whatever we have spent is going to give returns in the next 2, 3 years. So, the cash flow as such is managed well. We are not taking additional borrowings.

Shivshankar R.: No, I appreciate that. My only point was, yes, you are generating cash, you are generating. But when are we going to see rundown in your net debt? That was the only question. I take your point on Slide 8, I can see that, but it would have been much easier if the entire balance sheet also is given. So, you've got a P&L, you've got a lot of those things that are given. So that was a suggestion, that's it.

Moderator: We have our next question from the line of Madhav from Fidelity.

Madhav: I just had one question basically for our Gagillapur site, it has an OAI classification. I just wanted to check my very basic understanding that generally, OAI is followed by either a warning letter or an import alert. So, do we expect that final classification to come in very soon? Or is it already -- I don't know how does it usually work? Am I missing something that -- or is it like stays at OAI without either of these coming out, or how does that work?

Krishna Chigurupati: The worst case in an OAI, of course, is import alert, but intermittent is the warning letter. We are pretty pretty confident based on our conversations with our consultants that import alert is a very, very remote possibility. And warning letter is a possibility, though we feel and they feel

confident that it may not happen. And the best case scenario is to keep it as OAI come back and inspect us.

Management: And that I answered a little while ago, it could happen in a quarter or so possibly.

Madhav: Okay. So basically, sir, just again, a basic question, so it can just stay at an OAI without going to either warning letter or import alerts? Or it still gets resolved there itself...

Krishna Chigurupati: Yes, they may want to come back for an inspection and there's an intermittent letter they give. I don't know the exact name of the letter, that letter will say we will come and inspect you. So that could happen.

Madhav: Okay. And given that our inspection was in September -- August or September. So generally, the re-inspection, what's the earliest from sort of -- is it like 1 year that they come back or it could be even faster than that? Any sense there would be...

Krishna Chigurupati: So, it depends, like if our responses are good and the APA is convinced that we are doing a good job, they'll definitely come back earlier.

Moderator: We have our next question from line of Rashmi Shetty from Dolat Capital.

Rashmi Shetty: Just one question. If you can call out your total gross borrowings, not net. Total gross borrowings and your average cost of debt?

Mukesh Surana: See, the gross debt is INR1,025 crores. And -- the cost of borrowing has a mix of PCFC, term loan and also different banks. So if I have to say, largely we borrow in PCFC and USD borrowing. So the spread ranges from 0.2 to 0.7 range for working capital. And for long-term loan, it is also 100 to 150 basis point kind of a range.

And then obviously, there will be an IFRS accounting of INR equivalent cost, which goes into the interest cost. It's foreign currency borrowing.

Moderator: We have our next question from the line of Mamta Agarwal from ABN Investments.

Mamta Agarwal: Sir my question is, can you share retails about the greenfield formulation expansion at the GLS? And elaborate more on contribution to future revenues?

Krishna Chigurupati: This capacity, Mamta, is going to be about 10 billion capacity. 2.5 billion is already online in one phase. And since we do not have an FDA inspection or a European inspection so far, we are producing US monograph products for the U.S., and we're shipping them out today.

And we are expecting a European inspection late March or early April. And after that inspection, within a few months, we expect to start shipping for Europe -- and later on, Europe doesn't need any filings. It can be a separate process. And US inspection, we have already done some filings, and we expect it could be 6 months, 9 months, whatever.

We're trying to push them. We'll see what happens. But meanwhile, European sales and US monograph sales will continue to happen from that side.

Mamta Agarwal: Okay. Fair enough. Sir, follow up question is, what is the company's focus on launching new products or entering untapped therapeutic areas in the near term?

Krishna Chigurupati: Untapped from Granules side, different dosage forms, we are working on. And therapeutic areas, as you know, everybody now is into diabetes, weight loss segments, the GLP-1s. So, we will definitely be looking at that. And like I said, you will hear from us in the next few quarters.

Krishna Chigurupati: Yes of course in the therapeutic segment, we are focusing on diabetes like the CNA segments, some of the segments we are focusing on. But beyond that, we are looking at different things.

Moderator: We have our next question from the line of Harith Ahmed from Avendus Spark.

Harith Ahmed: What was the R&D spend for the quarter? I couldn't find it in the presentation.

Krishna Chigurupati: Yes. So, I had called it out, it was INR568 million for the current quarter.

Harith Ahmed: Okay. And you mentioned there was an increase in receivables during the quarter. So, we would share the current debtor days and this increase was related to which market? If you can throw some color on that.

Mukesh Surana: The DSO days that also I had read in my CFO speech. It is in the same level. Currently, it is 76 days and last quarter, it was 73 days. So, it is largely because of the increase in sales in the Q3, sequentially, Q2 to Q3.

Moderator: As there are no further questions, I would now like to hand the conference over to the management for closing comments. Over to you, sir.

Krishna Chigurupati: Once again, thank you very much, ladies and gentlemen, for attending the call and your continued interest in Granules India. So, I just wish you a great weekend and a Happy Republic Day. Thank you very much.

Moderator: Thank you. On behalf of Orient Capital, that concludes this call. Thank you for joining us, and you may now disconnect lines.