



**Dr. Reddy's Laboratories Limited's
Q4 and Full Year FY26 Earnings Call**

May 12, 2026

**MANAGEMENT: MR. EREZ ISRAELI: CHIEF EXECUTIVE OFFICER
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MS. AISHWARYA SITHARAM: HEAD – INVESTOR RELATIONS**

Aishwarya Sitharam: Good day, everyone, and welcome to the Quarter 4 and full year FY26 earnings call of Dr. Reddy's Laboratories Limited. I'm Aishwarya Sitharam, Head of Investor Relations at Dr. Reddy's. Joining us today are members of the leadership team, Mr. Erez Israeli, our Chief Executive Officer and Mr. M. V. Narasimham (MVN), our Chief Financial Officer.

Our quarterly financial results have been published earlier today and are available on our website for your reference.

We will start today's call with MVN providing an overview of our financial performance for the quarter as well as the year. Following that, Erez will share his insights on key business highlights, as well as the Company's strategic outlook. We will then open the floor for questions.

All commentary and analysis during this call are based on our IFRS Consolidated financial statements. Please note that certain non-GAAP financial measures may also be discussed. Reconciliations to the corresponding GAAP measures are included in our press release. I would like to remind everyone that the 'Safe Harbor' provisions outlined in our press release today apply to all forward-looking statements made during this call.

Before we proceed, I would like to call out a few housekeeping points. All participants will be in the 'listen-only' mode during the opening remarks. Should you need any technical assistance during the call, please use the chat function in your Zoom application. The chat, however, will not be monitored for any questions to the management. This session is being recorded, and both the audio and the transcript will be made available on our website. Please note that this call is the proprietary material of Dr. Reddy's Laboratories Limited and may not be rebroadcasted or quoted in any media or public forum, without prior, written consent from the company.

With that, let me hand the call over to MVN to present the financial highlights for the quarter. Over to you, MVN.

M. V. Narasimham: Thank you, Aishwarya. Greetings to everyone on the call. It is my pleasure to walk you through our financial performance for the fourth quarter and full year FY26.

FY26 reflected a resilient operating performance, delivering highest ever annual revenues, amid product-specific headwinds and certain one-time impacts. The underlying base business continued to deliver double-digit growth for the quarter as well as for the full year, FY26.

At the outset, I would like to highlight a few items impacting the quarter:

- 1) A shelf stock adjustment or 'SSA' related to lenalidomide of ₹453 crores, taken as a reduction in revenues.
- 2) An additional provision of ₹114 crores related to a potential VAT liability in one of our subsidiaries, included in SG&A expenses.

- 3) Impairment of ₹135 crores, including an R&D charge of ₹6 crores, on account of discontinuation of R&D programs related to CAR-T therapy, as part of portfolio prioritisation.
- 4) Impairment of ₹93 crores on account of discontinuation of a trial by our partner, Immuteq, of an in-licensed asset, Eftilagimod Alfa, following an interim futility analysis.

The full year performance was further impacted by provisions related to a potential VAT liability of ₹70 crores as well as the impact of the new Labour Codes in India of ₹117 crores.

After factoring these items, the adjusted profit before tax (PBT) was ₹994 crores for the quarter, versus the reported number of ₹199 crores and for the full year, ₹6,463 crores versus the reported PBT of ₹5,482 crores.

Now, I would like to discuss the underlying performance in detail. Margins in this section are expressed as a percentage of the revenues before the impact of SSA, unless otherwise stated. For the reported figures, please refer to the respective Earnings Releases. All financial figures in this section are translated into US dollars, using a convenience translation rate of ₹93.83, the exchange rate prevailing as of March 31, 2026.

Excluding the SSA, the adjusted revenues stood at ₹7,969 crores, which is US\$849 million for the quarter, a decline of 6% year-over-year and 9% on QoQ basis and at ₹34,046 crores, which is US\$3.63 billion, for the full year, representing a growth of 4.6%. The decline was primarily on account of lower lenalidomide sales, while the base business, excluding lenalidomide, delivered double-digit growth on year-over-year basis. We expect the base business to sustain its growth momentum in the year ahead.

The gross margin on the adjusted revenue base, after excluding the one-offs, for the quarter was at 48%, lower by 760 basis points year-over-year and 615 basis points sequentially, and at 53.5% for the year, lower by 498 basis points year-over-year. The decline in margins was largely on account of lower lenalidomide sales and price erosion in our unbranded Generics businesses. The gross margin for Global Generics was 51.7% for the quarter and 57.4% for the year, as a % of its adjusted revenues, while that for PSAI stood at 19.9% for the quarter and 17.2% for PSAI for the fiscal on its reported revenues. Given our focus on cost efficiencies and productivity improvement, we expect the margins to improve and be above 50% in FY27.

Excluding the one-off provisions mentioned earlier, SG&A spends were at ₹2,662 crores for the quarter, an increase of 11% year-over-year and 1% sequentially, and 33% of the adjusted revenue base and ₹10,435 crores for the year, an increase of 11% year-over-year and 31% of adjusted revenues. The increase was primarily on account of ongoing, targeted investments to support long-term growth of our branded franchises, namely the acquired Nicotine Replacement Therapy (NRT) consumer healthcare business and branded generics. We expect the spends to be around the same levels as FY26 for the year ahead.

The adjusted R&D spend for the quarter was ₹541 crores, a decrease of 26% year-over-year and 12% on a sequential basis and a margin of 6.8% of adjusted revenues. For the year, the spend excluding the one-time Labour code related provision, was ₹2,385 crores for FY26, a decrease of 13% and 7% of adjusted revenues. The decrease reflects reduced biosimilars development expenditure, as a significant portion of investments related to abatacept has been completed. We expect the spends to be in the range of 7-8% in the fiscal ahead.

Other operating income for the quarter was ₹344 crores, as against ₹247 crores in the corresponding quarter last year and ₹763 crores in FY26, as against ₹436 crores in FY25. The increase during the quarter was largely on account of divestment of non-core brands in India business for a net of ₹189 crores.

The underlying EBITDA, including other income, stood at ₹1,554 crores for the quarter, which is US\$166 million, a decline of 37% on a year-over-year basis and 28% sequentially and reflecting a margin of 19.5% of the adjusted revenues. For FY26, the EBITDA adjusted for the one-offs was at ₹8,419 crores, which is US\$897 million, 24.7% on the adjusted revenue base.

Impairment charge for the quarter was ₹259 crores, as compared to ₹77 crores during the same quarter last year. The higher charge this quarter was largely on account of the discontinuation of CAR-T assets and partnered product, Eftilagimod alfa as mentioned earlier. Impairment charge for the year was ₹352 crores, as compared to ₹169 crores last year.

The net finance income for the quarter was at ₹62 crores, versus ₹235 crores during the same quarter last year and ₹413 crores for FY26, versus ₹472 crores for FY25. The decrease was primarily on account of lower foreign exchange gain, in comparison to the corresponding period last year.

As a result, the underlying profit before tax was at ₹994 crores, that is US\$106 million, representing a margin of 12.5% and for FY26, at ₹6,463 crores, that is US\$689 million, a margin of 19%.

Effective tax rate (ETR) for the quarter was a negative 10.8%, compared to 20.8% in the corresponding period last year, while for FY26, ETR was at 22.5% versus 25.4% in FY25. The ETR for Q4FY26 was lower primarily due to a recognition of deferred tax assets on carry forward losses in one of our subsidiaries and a favourable jurisdictional mix for the quarter, in comparison to the same period in the previous year. We expect the ETR to be 24 to 25% for fiscal FY27.

Profit after tax attributable to equity holders of the parent for the quarter stood at ₹220 crores, which is US\$23 million, a margin of 2.9% on the reported revenues and for the year at ₹4,285 crores, which is US\$457 million, a margin of 13%, before adjusting for the one-offs items mentioned earlier.

Based on the company's performance, the Board has recommended payment of a dividend of ₹8 per equity share of face value Re. 1/- each, this is equivalent of 800% of face value, for the year ended March 31, 2026, subject to approval of the shareholders of the company.

Diluted EPS for the quarter is ₹2.64 and ₹51.42 for FY26.

Operating working capital as of 31st March 2026 was ₹14,434 crores, which is US\$1.54 billion, an increase of ₹2,920 crores, which is US\$31 million over 31st December 2025.

Capex cash outflow for the quarter stood at ₹438 crores, which is US\$47 million and ₹2,302 crores, which is US\$245 million for FY26. Free cash flow generated during the quarter before acquisition related payout was ₹600 crores, which is US\$64 million and ₹2,004 crores, which is US\$214 million for FY26. As of March 31st, 2026, we have a net cash surplus of ₹3,271 crores, which is US\$349 million.

Foreign currency cash flow hedges executed through derivative instruments during the period are as follows. US Dollar 462 million hedged using combination of forwards and risk reversal options, scheduled to mature by March 2027. These contracts are hedged at a rate of ₹91.37 to 93.46 per US dollar. RUB 1.61 billion hedged at a fixed rate of ₹1.12 per Russian Ruble, with maturity falling within the next three months.

With this, now I request Erez to take us through the key business highlights.

Erez Israeli:

Thank you, MVN and good day, everyone. We appreciate your participation on this call today and value your continued interest in our Company.

During the year, we remained focused on advancing our two-pronged strategy of strengthening the base business, while investing in our future growth drivers across peptides, biosimilars, consumer health, and innovation.

Our FY26 performance reflected consistent and disciplined execution of our strategic priorities, namely, scaling the base business, advancing our key pipeline programs, semaglutide and abatacept, and targeted business development efforts to support our growth ambitions, while continuing to enhance efficiencies across operations.

I am pleased to report that in the first quarter without one of our key products, lenalidomide, the Company delivered an EBITDA margin of around 20%, after adjusting for certain items indicated by MVN earlier. Launches of products offering meaningful opportunity, BD and continued cost optimisation efforts will take us closer to our aspirational 25%. For FY26, the adjusted EBITDA margin was in the neighbourhood of 25%, consistent with our stated aspirations. Further, the underlying base business delivered double-digit growth in Q4 as well as for the full year FY26. All geographies, beside North America, recorded double-digit growth, while performance in North America was impacted due to lenalidomide sales and a one-time shelf stock adjustment related to this product.

Let me now walk you through some of the key highlights of the quarter.

In line with our strategic priorities, we made progress on our key pipeline assets, semaglutide and abatacept, during the quarter. We are pleased to announce that Dr. Reddy's became the first company to secure regulatory approval of semaglutide injection for Type 2 Diabetes in Canada, reinforcing our in-house expertise in peptide science and complex product development. Likewise, as the first company to receive approval in India for the same product in November last year, we successfully launched our brand, 'Obeda[®]' on Day 1 of market formation upon patent expiry in India. Our oral version of semaglutide has been approved by Central Drugs Standard Control Organisation (CDSCO) in India. We continue to engage with ANVISA in Brazil to address its concerns related to our generic semaglutide filing and remain committed to making this important therapy available to patients across several markets, subject to approvals.

Further, in February 2026, the USFDA accepted for review our Biologics License Application (BLA) for the Intravenous (IV) presentation of our abatacept biosimilar candidate, following its filing in December 2025. Our partnered product, COYA-302, received 'Fast Track' Review status.

Aligned with our strategic focus on bringing innovation to patients in India, we forayed into Hormone Replacement Therapy segment with the acquisition of Progynova[®] and Cyclo-Progynova[®] in India.

In addition, the operational integration of our acquired consumer health business in Nicotine Replacement Therapy is now largely complete.

On the regulatory front, in March 2026, the USFDA provided a 'VAI' classification to our formulations facility (FTO-SEZ PU-01) in Srikakulam, Andhra Pradesh, following a GMP and a Pre-Approval Inspection (PAI) in December 2025.

We continue to build on our leadership in sustainability. Dr. Reddy's was awarded the Gold Medal by EcoVadis for FY26, achieving its highest-ever score of 80, placing us among the top 5% companies assessed globally. During the quarter, we were named by BusinessWorld among India's Top 5 Most Sustainable Companies, ranking first in the Indian healthcare and pharmaceutical industry for 2024-25. We have been recognized in the leadership category of the 2025 Indian Corporate Governance Scorecard for the third consecutive year.

Let me take you through the key business highlights for the quarter and the full year. Please note that all financial figures mentioned are reported in their respective local currencies.

Our North America Generics business reported revenues of US\$199 million for the quarter and US\$1.3 billion for FY26. Excluding the one-time shelf stock adjustment, revenues were at US\$251 million for the quarter, a decline of 40% year-on-year and 26% sequentially and at US\$1.36 billion, a decline of 21% year-on-year. This decline was primarily on account of

lenalidomide. During the quarter, we added seven new products to our portfolio, taking the annual total to 25 products. We aim to continue the launch momentum in the fiscal ahead.

Our Emerging Markets business reported revenues of ₹1,806 crores in Q4FY26, reflecting a robust growth of 29% year-on-year and a decline of 5% sequentially and ₹6,761 crores in FY26, a growth of 23% year-on-year. The growth was led by new product launches across markets and higher volumes, particularly in Rest of World (RoW), further aided by favourable currency movements. During the quarter, we introduced 49 new products across countries, taking the FY26 total to 129. Within this segment, our Russia business reported a growth of 8% year-on-year and a decline of 23% sequentially in constant currency terms.

Our India business posted revenues of ₹1,566 crores in Q4FY26, delivering a robust, double-digit, year-on-year growth of 20% and a decline of 2% sequentially, while full year revenues were at ₹6,219 crores, a year-on-year growth of 16%. This performance was largely driven by revenues from our innovation franchise, new brand launches, price increases and volume growth. IQVIA data as of March 31st, 2026 shows that we continue to outperform the Indian Pharmaceutical Market (IPM), with a moving quarterly total (MQT) growth of 15.2%, compared to the IPM's growth of 11.6% and a moving annual total (MAT) growth of 12.1%, compared to the IPM's growth of 9.9%. Our IPM Rank stood at 9th for the quarter and 10th for the year. We launched ten new brands during the quarter and 28 over FY26, reflecting our continued focus on strengthening our domestic market presence.

Our European business, which includes our acquired consumer health business in Nicotine Replacement Therapy, posted revenues of €136 million for the quarter, a decline of 3% on a year-on-year basis as well as sequentially, and €542 million for FY26, reflecting an acquisition led growth of 37% YoY. The decline this quarter was primarily on account of price erosion in generics. During the quarter, we launched seven new generic products across markets, taking the full year total to 38, further expanding our European product portfolio.

Our PSAI business reported revenues of US\$101 million in Q4FY26, resulting in a decline of 10% year-over-year and a growth of 10% sequentially. The decline was primarily on account of lower API volume uptake during the quarter. During the quarter, we filed 48 Drug Master Files globally, taking the total number of filings to 128 for the year.

Looking ahead, we remain focused on delivering on our strategic agenda of strengthening our core business, while building future growth drivers. Underpinning this strategy is a future-ready organization structure, aligned to our business model, with dedicated leadership across Global Generics, Biologics, Consumer Health, and Innovation, enabling sharper focus, relevant capabilities, and more effective execution across each growth pillar. Within this framework, we will continue to advance our differentiated pipeline programs such as semaglutide and abatacept, drive operational efficiencies, and pursue value-accretive inorganic opportunities that support sustainable, long-term stakeholder value. With that, I invite your questions as we move into the Q&A session.

Aishwarya Sitharam: Thank you very much, Erez. We will now begin the question-and-answer session. To join the question queue, please use the 'raise hand' option available on the bar at the bottom of your Zoom application. If you wish to exit the question queue, you may click on the 'lower hand' option. Participants are requested to not ask more than two questions at a time, and to rejoin the queue in case of any incremental queries. I would like to reiterate that the chat will not be monitored for any questions to the management. However, in case of any technical concerns, please do feel free to use the chat option to reach out to us.

The first question is from the line of Neha Manpuria from Bank of America. Neha, please go ahead.

Neha Manpuria: Yeah, thanks for taking my question. Just wondering, on the shelf stock adjustment that we had in the quarter, a US\$50 million number for a product like Revlimid, where we knew that the patent cliff is coming, seems very large. So, if you could just give us some colour in terms of why the shelf stock adjustment was so large, given that we knew they were expecting competition in January.

Erez Israeli: We were also surprised by that. It was not part of any arrangement or anything like that. I cannot speak on the details on the relationship of the customers, but it came from them. I guess, certain planning issues or mistakes at their end, and that's the outcome of it.

Neha Manpuria: Okay, understood. And my second question is on, semaglutide. Now that we have Canada approval, I think we've mentioned, 12 million unit sales across markets in FY27, Erez, in your view, what could be the competitive landscape now that Reddy's and the second player have gotten approval? When do you expect more players? And out of the 12 million, based on your assessment, what would be the rough breakup between, let's say, Canada and EMs?

Erez Israeli: So, I believe that the current landscape of, basically, Novo Nordisk as well as the two of us, will stay there probably for several months, and then, likely that others will come. I believe that the market in Canada is give or take, about one-third in, what we call public, one-third cash, and one third, what they call, private. So it's a kind of public, private, cash. So, what I believe will happen is that the reimbursement price will go over time, as expected. The quantity, at least for a couple of years, should be very, very healthy. Obviously, I cannot tell precisely, but they should be very, very healthy.

Neha Manpuria: And, you know, given that we have had a setback in Brazil, are we still confident of the 12 million units of sale for semaglutide in fiscal '27, or do you think that would depend on us getting approval in Brazil as well?

Erez Israeli: So Brazil will be part of it. I believe it's still that number, but the number moved by several months. I'm still with the same number, but probably it will be 12 months that will probably end somewhere in the beginning of FY28 as well. Specifically, for the next, let's say, until the end of calendar '26, I believe that the number is somewhere between 6 to 7 million units.

- Neha Manpuria:** This is for calendar '26.
- Erez Israeli:** This is for the markets that will get approval, and Canada will be, obviously, a big part of it, but this is, give or take, the numbers.
- Neha Manpuria:** All right, thank you so much.
- Aishwarya Sitharam:** Thanks, Neha. The next question is from the line of Damayanti Kerai from HSBC. Damayanti, please go ahead.
- Damayanti Kerai:** Hi, thank you for the opportunity. Continuing on semaglutide, so, Erez, just to be clear, this 6 to 7 million units which you expect to market, it's by end of this calendar year, right? By '26?
- Erez Israeli:** Correct.
- Damayanti Kerai:** Okay, so can you talk a little bit about your pricing strategy in the market where you'll be coming in, say, another 12 months? And specifically, in Canada, after entry of second generic, how do you position yourself versus Novo Nordisk's pricing?
- Erez Israeli:** So, our list price will be, give or take, about half of what Novo Nordisk will be. So that can be shared, because it will be listed. Obviously, the rest is arrangement that we have with the customer that I will not be able to disclose, but let's say it will be the normal arrangement that you normally have.
- We believe that, all the prices will be, let's say, in the neighbourhood of, let's say, US\$30 plus. Why I'm saying that number also is because in some markets, we are going to work with the partner, and this reflects the net price that we have for them. Obviously, they will have their margins. And these numbers may go down if the competition intensified, but I don't envision it to, at any case, to be below US\$25.
- Damayanti Kerai:** Okay, so somewhere US\$25 to US\$30 per unit is the price, you are working with.
- Erez Israeli:** And there will be markets, obviously, where it will be much more than that. But I just wanted to share with you the neighbourhood of the floor area. Obviously, we are planning to have in markets also prices that are much higher than that.
- Damayanti Kerai:** Okay, that's helpful. My second question is on SG&A spend. So you mentioned this year, FY27, it could be similar to what we had in FY26. So, just wanted to understand, in NRT or some of the initiatives which you had started a few years back, you have been spending for last few years, if I may say. So, where are you looking for investing more? And, this number, do we have any room to take a cut or see any reduction there? So, if you can just talk a bit on that part. Thank you.

- Erez Israeli:** Sure. So, we will have absolutely places that will have less, and we'll have places that will have more. But just to address, the NRT is a place in which we will have more. At the same time, the growth will well more than finance it, so the level of profitability of the asset will stay the same, and even maybe grow, but in terms of SG&A percent, we will have more. We are also launching innovative products in India and in certain emerging markets, and naturally, we are investing in the marketing of those new products. At the same time, we are putting a lot of productivity activities, salesforce excellence, as well as additional marketing excellence programs. And this will go up. So that's why we said that, give or take, in terms of nominal value, should be the same level. As sales will go higher, in percentage-wise, it will go down. But, in terms of, the range of the spend, it will be about, give or take, the same range that have now.
- Damayanti Kerai:** In nominal terms, right?
- Erez Israeli:** While, of course, the sales will grow double digit up.
- Damayanti Kerai:** Okay, thank you, and all the best. I'll get back in the queue.
- Aishwarya Sitharam:** Thanks, Damayanti. The next question is from the line of Tushar Manudhane from Motilal Oswal. Tushar, please go ahead.
- Tushar Manudhane:** Thanks for the opportunity. So, firstly, on gross margins, even after adjusting the shelf stock, for the quarter, it is 48%. While ex-lenalidomide, also, we have talked in the past that the gross margin has been 50% plus. So, is there anything which I've missed as far as gross margin for the fourth quarter is concerned?
- M. V. Narasimham:** So, this quarter, there is a product mix impact. That's why it is at 48%. We believe our gross margin is in the range of 50 to 55%.
- Tushar Manudhane:** So, what will drive this in the subsequent quarters, and are you including semaglutide sales for this gross margin?
- M. V. Narasimham:** Yeah, semaglutide sales, of course, and then product cost improvement programs also are on. And considering the new products we are going to launch in FY27, including semaglutide, plus product mix. Considering all these things, I think, certainly our gross margin would be 50% or above.
- Erez Israeli:** We are planning to launch also products like sugammadex, bosutinib, sitagliptin, brimonidine, and..
- Aishwarya Sitharam:** Pomalidomide.
- Erez Israeli:** Yeah, so, in addition to that, there are additional key products to launch. So, the mix of the products, the mix of the markets, as well as, the activities that we are taking now on our APIs, we are very confident about our ability to manage the gross margins.

- Tushar Manudhane:** And just on these products which you mentioned. So, currently the U.S. revenues, even after including the shelf stock investment, is \$236 million. So, effectively, maybe \$944 million, if I normalize that. So, will we sort of grow over and above this, ex-semaglutide in FY26?
- Erez Israeli:** We will absolutely grow in North America, ex-lenalidomide in double digits.
- Tushar Manudhane:** Got it, sir. And just lastly, for India market, if you could just share what has been organic and inorganic growth for the quarter.
- Erez Israeli:** It's organic. What do you mean, inorganic? Licensing-in is considered organic or inorganic?
- M. V. Narasimham:** Brands, what we acquired did not have a significant impact in this quarter. Stugeron, Progynova are recently acquired brands.
- Erez Israeli:** No, just to clarify. We consider, if we license-in a product from China, and we are launching it in India, as organic. In this terminology, it's mostly organic. Let's say, the inorganic is negligible.
- Tushar Manudhane:** Got it. Thanks, thanks a lot.
- Aishwarya Sitharam:** Thanks, Tushar. The next question is from the line of Dr. Bino Pathiparampil from Elara Capital. Bino, please go ahead.
- Dr. Bino Pathiparampil :** Hi, good evening. Could you give an update on the status of denosumab and, Orencia? Abatacept?
- Erez Israeli:** So, denosumab, we launched in Europe and we are awaiting approval in the United States. Our partner has a deficiency letter that they need to address for the United States. Abatacept, the intravenous (IV) was approved for review, so it was accepted. And, so it's going as per the timelines. We are also awaiting an FDA inspection in Bachupally, Hyderabad for the same. So, abatacept so far, is in the right direction. And then, of course, we are working on the subcutaneous (SC) that will be submitted later, and also will be launched later, as we discussed in the past.
- Dr. Bino Pathiparampil :** Got it. So, so the IV is on track for potential launch this calendar year?
- Erez Israeli:** IV will be likely at the beginning of calendar '27, hopefully this fiscal, that's the plan. But of course, we need to see the approval for that. But right now, that's the plan.
- Dr. Bino Pathiparampil :** Got it. And third, do you expect denosumab in the US before that?
- Erez Israeli:** I don't know. It depends on the ability of Alvotech to get approval.
- Dr. Bino Pathiparampil :** Got it. Second, you said that you have wound down your CAR-T related investments and have taken a write down. Could you just tell us a bit about what your investment was and why it, failed in that area?

- Erez Israeli:** No, the investment, give or take, is what MVN guided.
- M. V. Narasimham:** ₹135 crores.
- Erez Israeli:** ₹135 crores, that's what we took down. We saw that we have issues with the clinical, and we decided to kind of deprioritize it at this stage, and we just impaired it as per appropriate accounting. But this is, give or take, what we invested.
- Dr. Bino Pathiparampil :** Sorry, I got the figures, but my question was more technical. Is it something wrong with the specific product you used, or with the technology itself?
- Erez Israeli:** I'm not sure I understand the question. It's what we invested in the clinical trials in getting the products.
- Dr. Bino Pathiparampil :** The products, okay. So, your product doesn't work, but CAR-T technology, as such, is still okay?
- Erez Israeli:** The product is the CAR-T.
- Dr. Bino Pathiparampil :** Understood. No problem. Thank you, I'll join back the queue.
- Aishwarya Sitharam:** Thank you, Bino. The next question is from the line of Surya Patra from PhillipCapital. Surya, please go ahead.
- Surya Patra:** Yeah, thank you for this opportunity. So, my first question is on the biosimilar business. So, since it's the fourth quarter of the year, and full year data is there, just wanted to have a sense of what is the size of the biosimilar business right now, and whether it has already broken even, or it is loss making. If not, then, what is the timeline for break-even for this business?
- M. V. Narasimham:** So, overall, our global biologics sales is not very high. It is about US\$100 million in sales. So, at this sales, whatever investments we are doing for the development of abatacept and other products like pembrolizumab, also we are with Alvotech, definitely, it's not at break-even. Once we launch abatacept, certainly, I think post that we can see break-even.
- Surya Patra:** FY29?
- M. V. Narasimham:** Like Erez said, if everything goes well including our inspection, we'll be launching abatacept in calendar year 2027. That would be, like, FY28.
- Surya Patra:** Okay, okay. Second question was on the NRT. Two things here, observation-wise. So, since last two quarters, we have been seeing a strong growth. Last quarter, it was 25% YoY growth. This quarter, it is around 16%. So what is driving this growth, and whether this is a sustainable one? And secondly, in fourth quarter, is there any seasonality? Because last year also, there was a kind of a sequential decline that we had witnessed for NRT.

- Erez Israeli:** So, the NRT business is indeed growing more than we expected it to be. So, we expect it to be, kind of mid-single digits, it's certainly more than that. Specifically for the 16%, so there is some impact of the fact that in the transition, some customers take more stock. So it's not fully, let's say, in that respect, sustainable. But I believe that the right place for it is either, high single digit, or even low double digit - we will be somewhere in this neighbourhood.
- Surya Patra:** Okay, just last one point, sir. What is your experience about the semaglutide penetration here in India? Because generally, it is understood that, of the target patient population for weight loss application, let's say, the penetration is very low. It is around 2%, or even less than 2%. So, what is the trend that you are witnessing here in India in terms of the penetration of semaglutide?
- Erez Israeli:** Yeah, so I don't recall exactly the market share, but so far, it's a great launch.
- Aishwarya Sitharam:** I think our market share is around 10% on a standalone basis.
- Surya Patra:** In that light, are we talking anything about the growth for the domestic business?
- Erez Israeli:** I believe that it will grow. Plus in the next coming days, we will launch also the oral product, so the combination of both should give us a very healthy growth.
- Surya Patra:** Sure, sir. Okay, yes, thank you.
- Aishwarya Sitharam:** Thanks, Surya. The next question is from the line of Lavanya Tottala from UBS. Lavanya, please go ahead.
- Lavanya Tottala:** Hello, thanks for the opportunity. Just one question from my side. So, even after adjusting for SSA in US sales, sequential decline of 25% QoQ, despite having limited drug limit in Q3, seems quite high. So, am I missing something? Is there anything else which is one off here?
- Erez Israeli:** So, we don't see a pattern of a loss of market share, or price erosion, or anything like that. There could be that there were certain, you know, buying patterns by some customers, but overall, it's very consistent, the way we see it. So, the primary difference between the quarters is lenalidomide (SSA).
- Lavanya Tottala:** Okay, so the one which is adjusted for SSA in Q4, one can consider this as base sales for US from here on. Is that right way to look at it?
- Erez Israeli:** Yeah, I don't know exactly the origin of the SSA specifically, but let's say that there might be some customers that bought a little bit more as per their patterns of acquiring products in terms of dates and stuff like that. But overall, if you look at market share, prices, this kind of stuff, it should be about the same.
- M. V. Narasimham:** And also, Erez, there is going to be new launches. Today, this is from the existing products, and then going forward we'll be launching, like, 27 new products overall for the full year.

- Lavanya Tottala:** Oh, got it, got it. Thank you. Thank you so much for the opportunity.
- Aishwarya Sitharam:** Thanks, Lavanya. The next question is from the line of Saion Mukherjee from Nomura. Saion, please go ahead.
- Saion Mukherjee:** Yeah, hi, thanks for taking my question. So, just one question on semaglutide, if you can indicate when you expect approval in Brazil, and what are the key market approvals that you're looking at? And, you know, you mentioned, I think, 6 or 7 million units for this calendar year. What's your expectation for the full fiscal year, FY27?
- Erez Israeli:** First of all, we are expecting to get approval also in Brazil. We have a partner in Brazil that is also there, and he got also our comments, so we hope to get approval to our clone product. That is there, and in parallel to that, of course, we are seeking approval for our initial submissions. So, we will be in Brazil. Probably, I don't know if it will be 3 months delay or 4 months delay, but that's still the expectation. In addition to that, you have markets like Turkey. And then you have a bunch of relatively high number of smaller markets, where we have a partner that will probably serve, like, in Latin America or in Southeast of Asia. Because all together, we are planning in this calendar to launch in more than 50, and in 12 months in more than 80. So, in terms of number of markets, but many of them, we will do it with a partner that will do it for us. So, between, what we call, the B2B, in which we are selling to the partners, or selling ourselves directly, we probably will be in a pace of 3 or 4 million pens per quarter. So, if you add that, it will come to around 10 or 11, close to the 12 that we discussed last time, give or take, one month. So, we are still in the same neighbourhood, but with the delay of the few months that those approvals took.
- Saion Mukherjee:** Understood. And there's one question on US generics. I think, if I heard you right, are you expecting 27 launches? And you actually mentioned a few of those products. It looks like most of them are very competitive. Are there any chunky, large product opportunity in the US, you know, outside of abatacept, that you expect in fiscal '27?
- Erez Israeli:** I believe that bosutinib can be a nice product. And I agree with you about that most of them will be competitive, I fully agree with that. But overall, it should give us a double-digit growth, without lenalidomide.
- Saion Mukherjee:** Okay. Yeah, thank you.
- Aishwarya Sitharam:** Thanks, Saion. The next question is from the line of Vivek Agrawal from Citi. Vivek, please go ahead.
- Vivek Agrawal:** Yeah, thanks for the opportunity. I just want to understand, out of this 3-4 million pens per quarter, how much of this capacity that you are going to sell directly, and how much of the sales you are expecting through partners, etc. Can you help us understand? Thank you.

Erez Israeli: If I need to guess, and I must admit, I did not do any kind of calculations, so top of my head, I would say 50:50, give or take, in the neighbourhood.

Vivek Agrawal: Understood, so thanks. And one question on North America, if you look at, in this quarter, we have done close to US\$250 million kind of revenues, and, it is, again, close to pre-Revlimid levels, right? So, in the last 3 years, we have launched many products, but the US revenues haven't moved up much. So, is it fair to assume that there's a price erosion in some of the major baseline products in the US, and how to look at overall profitability of the US business. Is it still lower than pre-Revlimid levels, or is it, basically, almost similar? Thank you.

Erez Israeli: Yeah, so firstly, obviously, in this period of time, there was price erosion. And, what it tells is that market share and new products, give or take, covered it. I see it as a kind of very low single-digit growth, not flat. But I'm in agreement with you that market is not growing as the other markets that we have, that are all growing in double digit. Moving forward, this year, again, without lenalidomide, we will see double-digit growth. And going forward, the main growth in the United States will come from biosimilars, consumer health, as well as certain 505(b)(2)s. So, over time, the business will diversify itself, but right now, it's mostly generic products.

Vivek Agrawal: Understood, Erez. So, the double-digit growth that you are highlighting for this year, that includes semaglutide in Canada, right? So, I'm just trying to understand how to look at only the US sales. So, what kind of growth you are expecting in the US business ex-lenalidomide this year?

Erez Israeli: Yeah, so it's ex-semaglutide. It's not with semaglutide. Semaglutide is on top.

Vivek Agrawal: Perfect, this is helpful, thank you.

Aishwarya Sitharam: Thanks, Vivek. The next question is from the line of Ashutosh Jha from Balyasny. Ashutosh, please go ahead.

Ashutosh Jha: Hi, thank you for taking my question. I had two questions. Number one, sir, when you look at the next year, I think you've given the breakup of the costs, by line items, but given that the base business right now is at 19-20% margin, where do you see the overall margin for the business with semaglutide, etc. in the next year and the year after, versus our target of 25%?

Erez Israeli: Yeah, so we are planning to maintain the base without semaglutide at around 20%. So this is the plan. And then semaglutide is supposed to help us to get more than that. Now, it obviously depends how much we will be able to sell, at what price, and what will be the mix, because I shared already that it will be a range of price that can go, let's say, from US\$25 to US\$30, all the way to US\$70, though. Obviously, there will be a range of prices, but let's say, with semaglutide, it should be close to the 25%, but maybe a bit less, depends on how much semaglutide we will sell.

Ashutosh Jha: Understood. And sir, any thoughts on the number of pens that you can possibly sell in FY28?

- Erez Israeli:** In FY28, potentially, we will have a lot of capacity, because in addition to the current cartridge suppliers that we have today, we will be able to qualify also the capacity of FTO11. So, it can be any number. Let's say it can be 40 million also, but right now, I don't see a demand for that.
- Ashutosh Jha:** Thank you so much. Those are my questions.
- Aishwarya Sitharam:** Thank you, Ashutosh. The next question is from the line of Alok Dalal from Jefferies. Alok, please go ahead.
- Alok Dalal:** Yeah, thank you. One quick clarification. It is on semaglutide in Canada. Has the innovator Novo already introduced an authorised generic (AG) in the market?
- Erez Israeli:** So, I know that they are offering, I don't know if it was already sold, I don't know, personally, I don't have knowledge of that. But, we are assuming that they will have. That's my assumption.
- Alok Dalal:** Alright, so in that scenario, will it be a 3-player market, and lead to 75% discount to the innovator product? Is that the way to think?
- Erez Israeli:** I don't think so in that way, because the market is divided into public, cash and private. And what you're discussing is absolutely public, so yeah, likely that this will happen to the public market eventually, but I do see it as a mix of markets. So, we are not planning right now our assumption based on the number that you mentioned.
- Alok Dalal:** Okay, understood. Thank you so much.
- Aishwarya Sitharam:** Thanks, Alok. The next question is from the line of Vishal Manchanda from Systematix. Please go ahead, Vishal.
- Vishal Manchanda:** Hi, good evening, and thanks for the opportunity. Could you outline how much would you expect in annual biosimilar sales by FY29?
- Erez Israeli:** Hopefully, it will be in the range of US\$ half a billion, 600 million, 700 million. It very much depends, of course, of how abatacept will perform. It will be the lion's share of those sales.
- Vishal Manchanda:** And, would this have margins above company margins? Like, can the entire biosimilar portfolio give you 25% plus margins?
- Erez Israeli:** In the case that there will be no competition or low competition, absolutely, it will be above the average margin that we have.
- Vishal Manchanda:** Right, and we are on track to file the subcutaneous version this year in Europe and US?
- Erez Israeli:** Yes, we are. In the US, for sure. In the Europe, there might be some delay.

Vishal Manchanda: Okay. And just, if you could give the split of sales between IV and subcutaneous SC in the US by value?

M. V. Narasimham: It is 50:50 in US, whereas in Europe, IV is very less and SC is high.

Vishal Manchanda: Got it, got it. And, your capex plans for the next two years? Annual capex plan?

M. V. Narasimham: So, next year would be around ₹2,000 crores.

Vishal Manchanda: Got it. And would this largely be on biosimilars, or you have other areas?

M. V. Narasimham: So, biosimilars, certain product-specific investments, I think, are there, and then general capex.

Vishal Manchanda: Got it. Thank you, thank you very much.

Aishwarya Sitharam: So, in the interest of time, we'll take one last question, from Sidharth Negandhi, from CWC. Sidharth, please go ahead.

Sidharth Negandhi: Hi, thank you for the opportunity. On biosimilars, you had mentioned that your R&D spends would reduce, given that the spends towards abatacept have been completed. You know, going forward, given the draft USFDA guidelines, how do you expect your cost per molecule to behave? How do you see competitive intensity playing out? And, you know, given that you're guiding for a lower R&D spend, should we assume this is because of those draft FDA guidelines, or is it because the new set of launches post-abatacept and denosumab will be, you know, much later, and therefore the spends will be lower.

Yeah, that's one question. On semaglutide, just wanted to get your perspective on how you see dosage forms playing out, given that you're also launching oral in India. Do you see oral being unique to India, or do you see that having a play in other emerging markets, too? And, you know, between the three dosage forms, how do you see the likely salience, say, 2-3 years out? Those were my two questions.

Erez Israeli: Sure. So, in the R&D, naturally, for abatacept, we paid for a Phase III trial, and going forward, we don't anticipate Phase III. So, obviously, the level of R&D in this area will not be the same. In addition to that, the products that will come in the next coming years, in biologics, for us, will come primarily with partners, unless something that will come in-house. So, obviously, then we share the R&D cost as part of that. And number three, we are becoming more productive. One day we'll discuss it, but we love Artificial Intelligence (AI), and we love this kind of stuff, and the overall, the R&D will have less cost and more output. So, this is on the R&D question. On the semaglutide question, definitely, we believe that the oral will grow, not just in India, for sure in India, but also in other places. Depends, of course, on how people appreciate the compliance of the oral product. And as time will go by, also the oral will have, probably, additional forms, because that's what the innovator is doing. And we will have all of them, so there is a lifecycle

management that we are looking at, and obviously we are following as well, and we will launch the same, as Intellectual Property (IP) will allow us to do that.

Sidharth Negandhi: Sure, and any, any thoughts around how do you see the salience between, pens, vials, and orals, in emerging markets for semaglutide?

Erez Israeli: In the emerging markets, you have countries in which there is a full use of the pens, and the innovator fully launched the product, in places that it was done partially, and also markets that not at all. And obviously, the price point for each one of the markets is a bit different. In the places with the lower prices, we believe that the oral will be more successful than in the lucrative markets, at least the way we look at it now.

Sidharth Negandhi: Thank you.

Aishwarya Sitharam: Thanks, Sidharth. That was the last question. Thank you for joining us today. We value your time and participation on the call. If you have any further questions or need additional information, please feel free to reach out to me. With that, we conclude today's earnings call. Thank you, everyone. Have a good evening.

Note: The contents of this transcript have been edited for accuracy and readability, without altering the substance of the discussion.