



**Dr. Reddy's Laboratories Limited's  
Q2FY27 Earnings Call**

October 23, 2026

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

**Aishwarya Sitharam:** Good day, everyone, and welcome to the Quarter 2 FY27 earnings call of Dr. Reddy's Laboratories Limited. We appreciate your continued interest in our Company. 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, whom we call 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. 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 today's press release 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 on your Zoom application. The chat 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, everyone, and thank you for being with us today. It is my pleasure to take you through our financial performance for the second quarter of FY27.

The business reported a 1.5% year-over-year decline in revenue, while EBITDA margin was at 20.6% for the quarter. Excluding lenalidomide in North America, the underlying base business maintained its growth momentum, delivering double-digit growth.

All financial figures in this section are translated into United States dollars (US\$), using a convenience translation rate of ₹95.83, the exchange rate prevailing as of September 30, 2026.

Consolidated revenues stood at ₹8,671 crores, which is US\$905 million, a decline of 1.5% year-over-year and a growth of 7.4% on sequential basis. Strong underlying base business

performance across key businesses, except Europe and API, driven by new product launches and favourable forex movements, helped mitigate the impact of lower lenalidomide sales.

Consolidated gross profit margin was 52.1%, an increase of 562 basis points (bps) sequentially and a decrease of 254 bps year-over-year. The year-over-year decline in margins during the quarter was largely on account of lower Lenalidomide sales. As a reminder, margins in the preceding quarter were adversely impacted by a provision for inventory and other costs associated with the semaglutide API related challenges. The reported gross margin for Q2FY27 was 56.2% for Global Generics and 11.8% for PSAI.

The SG&A spend was at ₹2,808 crores, an increase of 6% year-over-year and a decline of 3% sequentially, accounting for 32% of revenues. The year-over-year increase was primarily driven by higher personnel costs following annual increments, adverse forex movement, as well as elevated freight costs due to supply chain disruptions arising from the Middle East crisis.

The R&D spend was at ₹524 crores, down by 16% year-over-year and 9% sequentially, accounting for 6% of revenues and primarily reflecting lower development expenditure in generics as compared to the previous year.

The EBITDA, including other income, stood at ₹1,783 crores, which is US\$186 million, a decrease of 614 basis points year-over-year and an increase of 806 basis points sequentially, reflecting a margin of 20.6% of the revenues for the quarter.

The profit before tax was at ₹1,228 crores, that is US\$128 million, representing a margin of 14.2%.

Effective tax rate for the quarter was 25.6%, compared to 22.2% in the corresponding period last year. The ETR for the quarter was higher primarily due to an adverse jurisdictional mix for the quarter, in comparison to the same period in the previous year.

Profit after tax attributable to equity holders of the parent for the quarter stood at ₹925 crores, which is US\$97 million, a margin of 10.7% on revenues.

Diluted EPS for the quarter is ₹11.1.

Operating working capital as of 30<sup>th</sup> September 2026 was ₹14,650 crores, which is US\$1.53 billion, an increase of ₹297 crores over 30<sup>th</sup> June 2026.

Capex cash outflow for the quarter stood at ₹186 crores, which is US\$19 million. Cash flow during the quarter was ₹171 crores, which is US\$18 million. As of September 30, 2026, we have a net cash surplus of ₹2,502 crores, which is US\$261 million.

Foreign currency cash flow hedges executed through derivative instruments during the period are US\$ 229 million hedged using combination of forwards & risk reversal options, scheduled to mature by March 2027. These contracts are hedged at a rate of ₹93.03 to 95.54 per US\$.

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

**Erez Israeli:**

Thank you, MVN. Good day. Thank you for your continued interest in our Company.

We remain consistent in our strategic priorities of delivering double-digit growth across geographies and sustainable profitability, through strong execution in our core businesses, progress on key assets, continued productivity improvement, and disciplined investments in future growth drivers, both organic as well as inorganic.

During the quarter, the underlying business, that is, excluding lenalidomide in North America, continued to perform well, delivering double-digit growth overall, as well as across North America, Emerging Markets and India. We achieved an EBITDA margin of 20.6%, supported by the strength of our base business, and our continued efforts to drive productivity.

Subject to successful validation, we expect to re-launch semaglutide, both directly as well as through our partners, in November 2026, consistent with the timelines communicated earlier. We also remain focused on advancing abatacept and other complex generics as they move through the regulatory review process in the coming quarters.

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

- We partnered with Takeda to bring India's first approved dengue vaccine - we call it QDENG - to the private markets in India in the first half of 2027.
- We expanded our collaboration with Gilead Sciences to enable access to investigational once-yearly lenacapavir for HIV prevention in 120 countries.
- In collaboration with GARDP Foundation, we secured approval for zoliflodacin, an antibiotic used in gonorrhoea treatment, in Thailand within six months of USFDA approval.
- We received USFDA approval for our rituximab biosimilar, which will be commercialized in the US through our partner, Fresenius Kabi.
- We launched nivolumab in India, marking our entry into biosimilar immuno-oncology in India.  
Both rituximab and nivolumab are developed and manufactured in-house.
- Generic semaglutide is now approved in 10 countries across Latin America, Africa, the Middle East, as well as, of course, Canada and India.
- Our CDMO business under Aurigene Pharmaceutical Services generated revenues of over \$100 million in the last 12 months.
- We continue to receive global recognition for our commitment to sustainability. FinanceAsia awarded a Silver Medal in the 'Best Large Cap Company in India' category at Asia's Best Companies 2026, reflecting strong endorsement by the Asian investor and

analyst community. We improved our CRISIL ESG score to 73/100 from 66, becoming the only pharmaceutical company in the leadership category.

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

Our North America Generics business reported revenues of US\$264 million for the quarter, accounting for 29% of our overall revenues and reflecting a decline of 29% year-on-year and a growth of 12% sequentially. The decline is attributable to lower Lenalidomide sales versus last year. The underlying base business, excluding lenalidomide, continued to deliver strong double-digit growth, driven by new product launches. During the quarter, we launched six new products, including a first-to-market launch of sugammadex injection. We remain on track to launch additional products, including complex injectables, during the year.

Our branded franchises comprising India, Emerging Markets and consumer health business in Nicotine Replacement Therapy (NRT), together account for 53% of our overall revenues, and continue to provide a strong foundation for stable margins for the Company.

Our Emerging Markets business recorded revenues of ₹2,059 crores, accounting for 24% of our overall revenues and reflecting a robust growth of 24% year-over-year and 12% QoQ. New product launches across markets including acquisitions, coupled with favourable currency movements, drove growth during the quarter. We introduced 27 new products across countries in Q2FY27.

Our India business revenues were ₹1,851 crores, accounting for 21% of our overall revenues and consistently delivering a robust, double-digit, year-on-year growth of 17% and 8% sequentially. Growth was driven by recent launches, including acquired brands, along with price increases and higher volumes. According to IQVIA September 2026 data, our Indian Pharmaceutical Market (IPM) Rank improved to 8<sup>th</sup> for the quarter and 9<sup>th</sup> for the year. We continued to outperform the IPM, with moving quarterly total (MQT) growth of 21.0% versus 14.7% for IPM and moving annual total (MAT) growth of 19.4% versus 13.2% for the market. Four of our brands feature in IPM's top 50 new launches and we launched four new brands during the quarter.

Our European business, which includes NRT, posted revenues of €127 million for the quarter, accounting for 16% of our overall revenues. Revenues declined 6% YoY and 3% sequentially, on account of price erosion in generics, partially offset by revenues from new product launches. Growth was further affected by the continued impact of the operating model changes post NRT integration as highlighted last quarter. During the quarter, we launched six new generic products across markets.

Our PSAI business reported revenues of US\$88 million, accounting for 10% of the overall revenues. Revenues declined 19% year-over-year and 3% sequentially, primarily on account of

lower API volume uptake. Our CDMO business delivered double digit growth this quarter. During the quarter, we filed 28 Drug Master Files globally.

We remain committed to improving the health of our business and to delivering consistent growth and sustainable margins. As we continue to strengthen our core businesses, we are also investing in future growth drivers across peptides, biosimilars, consumer health and innovation. Our focus remains on progressing key products such as semaglutide and abatacept, driving operational efficiency, and pursuing targeted inorganic opportunities to support long-term growth and shareholder 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, hi, thanks for taking my question. My first question is on semaglutide. I think you mentioned that we are on track to resume semaglutide in early November. Erez, I think you had given us a volume guidance last time when we announced the disruption in supplies. Two questions on semaglutide. First, is the resumption happening with our own API? Is it the same partner that we're using? And second, given what has happened in Canada, with the one player which is already there, how confident are we of meeting the guidance that we'd given for semaglutide?

**Erez Israeli:**

So, I'm very confident. The confidence is based on orders that we already have. And we just obviously need to supply. The main issue was with our ability to scale up the API. This problem is solved. And we shipped all the necessary API to our partner to do the formulation. We still need to have the results of the validation, so this is still pending, but I am confident that it will be successful, and then we are ready to launch. Most of the quantities will go to Canada, and some of the quantities will go to Latin America - primarily to Latin America, and little bit to Africa.

**Neha Manpuria:**

Understood. And my second question is on the gross margin improvement that we've seen in the quarter. MVN, if you could give us some colour in terms of what's driving this gross margin improvement, and is it fair to assume that this is the bottom in terms of gross margin, and as semaglutide comes through, gross margin should only improve from here?

- M. V. Narasimham:** Yeah, Neha, as we guided earlier, we want gross margin to be in the range 50 to 55%. This quarter, what we see is 52.1%. This improvement from last quarter to even this quarter is a combination of the new products and the business mix. That's where I think we will be, in this zone, in the coming quarters as well.
- Erez Israeli:** And your assumption is correct? Yes. It will only go better from here.
- Neha Manpuria:** Understood. Thank you so much.
- Aishwarya Sitharam:** Thanks, Neha. The next question is from the line of Dr. Kunal Dhamesha from Macquarie. Kunal, please go ahead.
- Dr. Kunal Dhamesha:** Hey, hi, thank you for taking my question. First one on one cash flow line item. On other assets and liabilities, there is a large change that has happened, around ₹1,370 crores. So, MVN, could you please help us with what is driving that?
- M. V. Narasimham:** So, this is the one where for the SSA claim that we had, the payments have happened this quarter. That is one change, and then other balances due to various operations, but that is the biggest one. If you remember, US\$50 million, what we have provided in the Q4.
- Dr. Kunal Dhamesha:** Okay, so the cash flow has happened now, okay.
- M. V. Narasimham:** Yeah.
- Dr. Kunal Dhamesha:** Great, thank you. And, just continuing on the gross margin front, or the other way to look at it is, there's a sequential improvement in U.S. revenue, a meaningful improvement, right? So, would you be able to split between the new product launches driving that, and the volume improvement in existing products, or pricing improvement? How should we think of that delta in US business, and the similar drivers and approximate split for the gross margin improvement on a QoQ basis?
- M. V. Narasimham:** So, new products, what we have launched like bosutinib, sugammadex in the US, as compared to the company's average gross margins, are on the higher side, as well as nivolumab. The business mix also has contributed to this margin.
- Erez Israeli:** So, Kunal, the main driver is actually the business mix, because now the businesses that are relatively with high profitability, meaning India, EM, and the NRT - all of them are much more profitable than our average - went to 53% of revenues. This is one contribution. The second is what MVN said, that the US is more profitable because of the contribution of the new products. And the last we did not increase the expenses. Expenses are essentially flat this quarter. And so if you grow the sales double digits and you don't increase the cost, it obviously leads to this margin improvement.

- Dr. Kunal Dhamesha:** Sure, and lastly, from my side, would we have also seen some drag from the raw material price increase, and I think the oil prices are high, and the chemical prices are also high, and then how should we look at that cost line item from the second half perspective? Do you think that quarter two is when we have seen most of the increase, or quarter three, quarter four, we can see some drag?
- M. V. Narasimham:** So, I think because of the war, we have seen increases in the KSMs, and then the second one is solvents, and the third is logistics - freight outwards on materials what we are exporting from India to all countries. So, we have seen the increase on the three fronts, and then overall, it has an impact close to 100 basis points on the EBITDA. So, that is already part of the gross margins, and then I think, this trend will continue for Q3 and Q4 as well.
- Erez Israeli:** I don't anticipate additional growth, as much as we can predict additional geopolitical issues. But with our limited understanding, if it will stay the way it is now, we are in the same place.
- Dr. Kunal Dhamesha:** Sure. I have more questions, I'll join back the queue. Thank you, and all the best.
- Aishwarya Sitharam:** Thanks, Kunal. The next question is from the line of Damayanti Kerai from HSBC. Damayanti, please go ahead.
- Damayanti Kerai:** Yeah, hi, good evening, everyone. Erez, a clarification on semaglutide resumption. So, you mentioned you have already started supply of API to your fill and finish partner. However, what is remaining is the validation, so I actually am not clear. I thought validation will be done, and then you'll supply to your fill and finish partner, so, can you just help us understand this?
- Erez Israeli:** Sure. So, we had to come back and basically tweak the process on the API, then you do validation of the API. And then when you ship it to our partner, then you need now to do validation on the drug products using that API. This is a process that takes about 3 weeks. And so far, give or take, all the activities are on time, and that's why it took us to November from the first place. So, so far, it is in the right direction, but you have basically validation in each stage of the scale-up of the process.
- Damayanti Kerai:** Sure, that's helpful. And, other point on semaglutide, as you mentioned, so far it's approved in around 10 countries. So, didn't you secure more approvals in other markets while you are trying to resolve the API issue? Or, you want to go after you resume the supplies in the existing, or approved markets. So how do you plan, because you mentioned you'll be targeting to launch in more than 70 countries across the world, right?
- Erez Israeli:** Yeah, the right number is now 89 markets. All the markets where the process had started, we did not stop. The scale-up issue has nothing to do with the regulatory process. And we don't require any amendment to the file or anything like that, so everything continued. And all the approvals we got, it was according to the process in each one of those respective countries, and this will continue. Some of the approvals in some other markets got delayed because of the scale-

up, as we needed to ship them samples of the products, and those samples will be now sent to those places. So we will continue with the process for all the other markets as well.

**Damayanti Kerai:** Sure. And my second question is on your NRT, the nicotine business. So, flat performance for the last two quarters, and you mentioned it was due to change in the business model. So, when we should see recovery in NRT business?

**Erez Israeli:** So, last year, if you recall we had to carve out from Haleon. So, it means that Haleon used to do it, and we gave them certain margins for handling the business. The new business model, it means that now we are selling it, either by ourselves or through distributors, but the payment to Haleon is not there anymore. It means, normally, in this respect, less sales, and but more profit. So, what I can say about it, it's the comparison year-over-year will be until we will finish the year. I think we have two more quarters like that. In general, the business is doing well. It will grow in the same way that you saw until now, somewhere between a high single digit to maybe even double digit. And the profitability is way above the expectations that we put in the business model. So we are very, very pleased with this one.

**Damayanti Kerai:** Sure. Thank you. I'll get back in the queue for more questions.

**Aishwarya Sitharam:** Thanks, Damayanti. The next question is from the line of Tausif Shaikh, from BNP Paribas. Tausif, please go ahead.

**Tausif Shaikh:** Good evening, and thanks for the opportunity. First question on abatacept. While the goal date is set for December, is there any incremental update that you would like to share with us, especially for the Bachupally plant?

**Erez Israeli:** Yeah, so the plant went for the inspection. We're still waiting for the EIR to come. And the goal date is around December 22<sup>nd</sup>, and we are hoping for an approval. It's obviously in the hands of the US FDA.

**Tausif Shaikh:** Okay, that's helpful. On the R&D spend which seems lower compared to YoY and QoQ, what you have mentioned it's on account of lower spend on global generics. How do you see this trend going ahead? Shall we assume this is a new base now?

**M. V. Narasimham:** So, this quarter's R&D is low, absolutely, you're right. And then, in the coming quarters, we believe our R&D is going to be in the range of 7-8%.

**Tausif Shaikh:** Okay, that's helpful, I will get back in the queue.

**Aishwarya Sitharam:** Thanks, Tausif. The next question is from the line of Madhav Marda from Millennium. Madhav, please go ahead.

**Madhav Marda:** Hi, good evening. Just one question. If I understood right, during the initial remarks, you mentioned about one or few complex injectable launches in the second half of the year. If you

could share some more views on that product? Did I hear that right, that we have some complex injectable lined up?

**Aishwarya Sitharam:** Well, we'll talk about it more when we get closer towards the end of the year, but yeah, we do have a few interesting products in our pipeline. We've always spoken about that. We've done a bunch of launches already and we want to continue with that momentum.

**Erez Israeli:** Yeah, but I'm kind of careful to promise, because, you know, I got burned in the past when dealing with the approval of complex generics. Some of you have been with us for many, many years, and you remember that, but let's say we have some exciting products ahead.

**Madhav Marda:** I remember in 2022, we had done the analyst meet in Bombay. I think that time we had shared names of a few products. Is it from that list itself? Like you disclosed 4-5 products in the pipeline

**Aishwarya Sitharam:** You will know by the end of the year.

**Madhav Marda:** Okay, okay, fine. But it's a meaningful product for the US market, is that right?

**Erez Israeli:** These are meaningful products, yes.

**Madhav Marda:** Okay, got it, alright, good. Thank you.

**Dr. Reddy's:** Thanks, Madhav. The next question is from the line of Foram Parekh, from Bank of Baroda Capital Markets. Foram, please go ahead.

**Foram Parekh:** Thank you for the opportunity. My first question is on Europe business, ex of NRT. So, the growth seems to be declining there, probably because of Germany. So, how should we look at it? NRT is also now flattish because of the change in business model, and ex of NRT also, it's declining, which is taking a toll on the Europe business. So, can we expect it to go back to double digit?

**Erez Israeli:** Yeah, it will. First of all, the NRT will grow. The NRT is growing, and obviously that will positively impact also the relevant part of Europe. Absolutely, you are correct about the performance of this quarter. The next quarter should be better. Let's say the NRT, I'm expecting again, either high single-digit growth or even double, depends on certain scenarios. As for Europe, I'm expecting growth, but it will not be significant growth this year.

**Foram Parekh:** Sure, and, on ex of NRT, how should we look at growth ramping up?

**Erez Israeli:** Ex-NRT Europe, you mean?

**Foram Parekh:** Yes.

**Erez Israeli:** Sure, it should grow, probably single digits this year.

- Foram Parekh:** Okay, that's helpful. My second question is on SG&A cost. Here, also, the contribution, has come lower to 26% versus earlier trend of 29%. So, would this be the new, sustainable, number to look at?
- M. V. Narasimham:** So overall, just want to clarify, our SG&A percentage is 32%. The cost productivity what we are doing is now becoming visible. So, in the coming quarters also, at least in this year, you may not see a significant change to this number. It is going to be at this level, around here and there, small changes.
- Erez Israeli:** I just want to take the opportunity to reiterate what we discuss all the time actually with all of you, that the 20 plus EBITDA level is sustainable. We're actually aiming for the famous 25% EBITDA. And this will continue, and we are planning to consistently continue to deliver this number.
- Foram Parekh:** Sure, thank you. And last question is on the India business. So, we have done good, and IPM growth also is inching up in double digit, and is likely to sustain at current levels for the remaining year. So, can we expect a current run rate of 17% to be the growth rate for the year?
- Erez Israeli:** It's going, obviously, to stay a high level of double digits, it may be a little bit less or a little bit more, but we are in the right neighbourhood.
- M. V. Narasimham:** Also, we want our growth to be higher than the market growth by a few basis points.
- Foram Parekh:** Sure, that's helpful, thank you.
- Aishwarya Sitharam:** Thanks, Forum. Participants are requested to restrict the number of questions to two to ensure that everyone in the queue gets an opportunity to interact with management. The next question is from the line of Prakhar Nema from BNY Mellon. Prakhar, please go ahead.
- Prakhar Nema:** Firstly, thanks for taking these questions. So, what is the company's strategy for expanding the biosimilar business through research and development and partnerships? Could you please share some light on this?
- Erez Israeli:** Sure, we are going after both. So we're, naturally, leveraging our Bachupally facility, as well as additional facilities that we'll build in the future. And, abatacept is going to be the first meaningful product to be launched out of our own facilities. Rituximab is obviously one of them. Abatacept is going to be, obviously, meaningful, and more products to follow.
- In parallel to that, we are talking to partners around the world, and we are trying to license products which we don't have in our own internal pipeline, whether globally or for specific regions. So both will continue.
- Prakhar Nema:** Perfect, thanks for that. And one more question, so what's the revenue we can expect for the next 3 to 4 years?

- Erez Israeli:** It depends on the success of abatacept, obviously, in the next coming years, because this is going to be a significant product in that time. And abatacept should be in the hundreds, so you should expect hundreds of millions of dollars.
- M. V. Narasimham:** So, followed by abatacept, we have pembrolizumab and daratumumab that also will come in the next 5 years.
- Prakhar Nema:** Okay, okay, thank you so much. Thanks for taking my questions.
- Aishwarya Sitharam:** Thanks, Prakhar. The next question is from the line of Vishal Manchanda from Systematix. Vishal, please go ahead.
- Vishal Manchanda:** Hi, good evening, and thanks for the opportunity. On rituximab, would it be possible for you to share, where are we in terms of market share in Europe?
- Erez Israeli:** We have a single digit of market share in Europe.
- Vishal Manchanda:** So, low single digit, or high single digit?
- Erez Israeli:** Low single digit.
- Vishal Manchanda:** Any timelines and any guidance as to where we can be? Maybe a year or two years down the line? And do we have the capacities there?
- Erez Israeli:** So, indeed, we were constrained by capacity. We should be better once we will be able to add more qualified capacity for that. At the same time, we're talking about a product with a high level of competition, so I will not expect a significant change because of that.
- Vishal Manchanda:** Okay. And, second, your JV entity in China got a first generic approval for a drug called icotinib in July. Is that contribution part of your numbers in the current quarter, or will this come in subsequent quarters?
- Erez Israeli:** So, we are not recording the sales, we are recording our share of the profit of that, which is 51%.
- Vishal Manchanda:** So, this would be part of the JV, share of profits from JV?
- Erez Israeli:** Correct, correct.
- Vishal Manchanda:** So, have we started selling this, and have we ramped up to our full potential? And are we the only generic here, or there are other generics that have entered?
- Erez Israeli:** To the base of my knowledge, we started, I don't recall about the competition.

- Vishal Manchanda:** Okay. And just one final one on abatacept. Once we get the approval, how long can we take to get listed on the formularies? Will it be, like, 6 months, or we can start getting market share quickly post-approval.
- Erez Israeli:** So, the ramp-up, like you said correctly, will be after 6 months, after we'll get all the codes and all the registration. But we can initially sell smaller quantities from day one. So, expect that the launch will be upon approval, but the ramp-up will be, correctly, after 6 months.
- Vishal Manchanda:** Got it. If I can ask one more on semaglutide, if you can guide on where generics are, in terms of market share in Canada, as on date.
- Erez Israeli:** As of today, there is only one generic in Canada. I don't remember their market share, but let's say that the Canadian market will love to get us back.
- Vishal Manchanda:** Got it. Thank you.
- Aishwarya Sitharam:** Thanks, Vishal. The next question is from the line of Dr. Bino Pathiparampil from Elara Capital. Bino, please go ahead.
- Dr. Bino Pathiparampil:** Hi, good evening to all of you, and, congratulations on a great set of numbers. A couple of clarifications. I see from the footnotes these bendamustine deal and some milestones in Russia, which is part of revenue. Where is it included in the revenue breakup? Is it part of US revenue and Russia revenue, respectively?
- M. V. Narasimham:** It is in the sales line.
- Dr. Bino Pathiparampil:** And bendamustine is in the US revenue, and the milestones are in the Russia revenue. Am I right?
- M. V. Narasimham:** Milestone of Russia is part of EM.
- Dr. Bino Pathiparampil:** Okay. Second, what is this bendamustine deal about? What was the logic behind selling the product rights?
- M. V. Narasimham:** Yeah, we thought through a partner, we'll get better economics. That's why we have given the rights to the partner.
- Dr. Bino Pathiparampil:** In the quarter, I see that the finance income is significantly lower versus ₹290 crores last quarter, and, kind of similar numbers in previous quarters. This quarter is only about ₹90 crores. So, is there any reason why the finance income is so much lower?
- M. V. Narasimham:** So here, on the exposure we have on the balance sheet for the forex currency movements from June to September of the Ruble spot rate, there is significant variance. I think that has given P&L debit in this quarter as compared to the Q1.

- Dr. Bino Pathiparampil:** Sorry, in this quarter, it is lower compared to Q1.
- M. V. Narasimham:** Yes.
- Dr. Bino Pathiparampil:** Oh, okay. I'm sorry, one last question, what would be the capex for the full year? Because the first half I have seen is much lower than your typical run rate.
- M. V. Narasimham:** Earlier, we have guided around ₹1,800 crores. My view, it could be a little lower, but definitely, I expect around ₹1,600 to 1,700 crores.
- Dr. Bino Pathiparampil:** Thank you, I'll join back, thank you.
- Aishwarya Sitharam:** Thanks, Bino. The next question is from the line of Amlan Das from JP Morgan. Amlan, please go ahead.
- Amlan Das:** Just wanted one clarification on the abatacept scenario. So, apart from the IV indication, we also heard from the previous calls that for the subcutaneous indication, you expect an approval in the US in 4QFY28. And, in the non-US markets for both indications in 1QFY28. So, do the timelines remain consistent, or has there been any change in this?
- Erez Israeli:** Consistent. We stay consistent with it, yeah.
- Amlan Das:** Okay, thanks for that. And, the non-US market is also roughly US\$ 1 billion for the reference drug. So, how do you expect the ramp-up in the non-US markets for abatacept?
- Erez Israeli:** We believe that the European market is a very important market for this. It's going to be launched a little bit after the United States, but Europe, we believe is a significant market.
- Amlan Das:** Okay, and lastly, for these markets, the manufacturing would be done in Bachupally itself, right?
- Erez Israeli:** Correct.
- Amlan Das:** Okay, thank you. Thanks for the opportunity.
- Aishwarya Sitharam:** Thanks, Amlan. The next question is from the line of Dhara Ganatra from UTI Pension Funds. Dhara, please go ahead.
- Dhara Ganatra:** Thank you so much for taking my question. So I had one question, largely from the India market perspective. What we have seen in the last 2 years is that IPM growth has been in high single digits. And in the last 3-6 odd months, we have seen that the growth has accelerated versus the last two years, the growth was more driven by pricing; this time around, there's a lot more volume growth. So, both for Dr. Reddy's and for the industry, what do you think is changing and what is the outlook for the second half of the year and going forward?

- Erez Israeli:** One thing that changed significantly is, obviously, the launch of semaglutide and the GLP-1 products. This is a significant addition, both even for volumes. The second one is that you have more new products. Like us, innovative products that are coming to the market. So, in general, this is the main contribution. I believe that if you take the GLP-1, you'll get either close to the single digit, or to higher, I did not do the math, but this is the main contribution, I believe.
- Dhara Ganatra:** Okay, so you don't see any smaller players vacating the market, or slow-down in trade generics that would be driving the IPM growth?
- Erez Israeli:** The way I see also is that the main growth for us is in the places in which you have those utmost demands. For us, it's primarily innovation. The branded generics, those that we are investing behind are doing well. The rest are doing, like, in the market normally, mostly driven by prices.
- Dhara Ganatra:** Sure, thank you.
- Aishwarya Sitharam:** Thanks, Dhara. The next question will be from the line of Vivek Agrawal, from Citi. Vivek, please go ahead.
- Vivek Agrawal:** Thanks, Aishwarya. My question is on abatacept. So, just want to understand, what can be the fair market share of your biosimilar in the US. Let's say, once the product is there across the formularies, even one year down the line. Because we have seen in a lot of biosimilars that sometimes the market share remains range-bound to around 10-15%, and some of the products get market share as high as around 50-60%. So, what is your assessment based on the opportunity itself, competitive dynamics, as well as your capacity and capability? At what kind of the market share is a fair market share for this product for you.
- Erez Israeli:** At least at the moment, assuming that we'll get approval, we are alone. So, in terms of competition, it's us and the innovator. It's a medical benefit product in the United States. So the sensitivity to the price and to market share is not as big as in pharmacy benefit. I know you know that well. So, I believe that a fair market share can be any number from 15 to 25%. It depends, of course, on the success of the launch. Once the sub-cutaneous will come to the market, it's obviously going to add to the market share, which will come later, we are talking about February '28. So this is give or take, so it's primarily about the sweet spot between market share and prices.
- Vivek Agrawal:** Just a clarification, this 15-25% is the entire abatacept market you are talking about, or only the IV version?
- Erez Israeli:** Initially, it will be only IV. It could be that there will be some movement on that, but we will start with the IV, and the subcutaneous will come in February '28.
- Vivek Agrawal:** Understood. And, in terms of confidence on approval, based on your discussions with the FDA, so would you like to assign any kind of probability, how comfortable you are based on your discussion with the agency, type of queries, etc.? So, what kind of the chances that you have in

terms of approval, or is there any possibility of getting CRL in December, and the approval may get delayed by a few months, etc.?

**Erez Israeli:**

You know, I'm 33 years in this business, and I have had my share of scars from these predictions. We feel good about the product, we feel good about the inspection, we feel good about the correspondence with the US FDA. We want to and we are preparing to launch in December. If you ask me, is there a chance that we'll get a CRL? There is a chance. I don't want it, obviously, none of us want it, but there is a chance.

**Vivek Agrawal:**

Understood. The second question is on the US generic business trajectory. On a quarter-on-quarter basis, we have seen improvement, right? And a part of the improvement has also been driven by some of the products, which may face competition in the incremental quarters. So, just want to get your understanding how we should look at the North American numbers on quarter-on-quarter. Is there any possibility of dip in 3Q, 4Q, or you can maintain the current trajectory even going forward in the second half?

**Erez Israeli:**

So, for the US, what we discussed is abatacept. The other is, obviously, semaglutide. It's not in the US, but it is going to be included in the North America sales. And also those complex generics that are on paper. So, if we will have that, or the combination of that, we will actually grow versus the current state, and for sure, sustain it. Yeah, I believe that the numbers are sustainable. We have bosutinib with one SKU that has 180 day exclusivity. That SKU, after the 6 months, will obviously go down. I don't think it will impact significantly, so that we'll be able to absorb without a problem. So overall, I'm optimistic, but it obviously depends on our ability to be successful with those products that I mentioned.

**Vivek Agrawal:**

Understood. Just last question on margins. The reason I also asked the question on the US business sustainability and in the coming quarter, you are also indicating that the R&D spend is also expected to go up, right? So, I'm just wondering if R&D spend goes up, some of these products, like bosutinib comes down, and in this quarter, you also had some impact of milestone incomes, etc., so, just trying to understand from where you are getting confidence that you will be able to maintain close to around 20% kind of margins in the second half.

**Erez Israeli:**

Firstly, we know our numbers. So I'm sharing that confidence again that we will reach that, and it will even go higher. The reason that we feel so, first of all, is the growth that we see in EM, in India, with the consumer health, as well as the United States. Second is the way we control the expenses. So indeed, R&D, we will have more, but we will have less of other expenses, and we are planning to continue to do that. So, it's primarily the mix, the growth, and obviously, the continued launch of new products. For me, by the way, 20 or 21% is not impressive. We always say that we want 25%. We are recovering from lenalidomide. And that's where we are going to be. But, I said it also before, now I think people believe me. We will have 20% plus. And if we will launch successfully the way I believe semaglutide, it will be more. It will be 21% plus.

**Vivek Agrawal:**

Thanks, thanks, Erez. Congratulations for the great set of numbers, and best of luck. Thanks.

**Erez Israeli:** Thank you so much.

**Aishwarya Sitharam:** Thanks, Vivek. The next question is from the line of Tushar Manudhane from Motilal Oswal. Tushar, please go ahead.

**Tushar Manudhane:** Yeah, thanks for the opportunity. Just one question from my side. What kind of price erosion we have seen in case of sugammadex, post-launch?

**Erez Israeli:** I don't recall the price erosion versus the innovator, I don't remember.

**Aishwarya Sitharam:** Maybe I can get back to you on this later, Tushar.

**Tushar Manudhane:** Sure, that's it from my side. Thanks for the opportunity.

**Aishwarya Sitharam:** I think it's a follow-on question from Kunal. So, next question is from the line of Dr. Kunal Dhamesha from Macquarie.

**Dr. Kunal Dhamesha:** Hey, hi, thanks for the follow-up. Just one on the abatacept sub-cutaneous filing, where are we in that process?

**Erez Israeli:** We are supposed to submit it, if I remember correctly, in February.

**Dr. Kunal Dhamesha:** February of 2027?

**Erez Israeli:** 2027, if I remember correctly. Aishwarya here will keep me honest.

**M. V. Narasimham:** February or March.

**Aishwarya Sitharam:** Yeah, in that quarter.

**M. V. Narasimham:** In that quarter, we are going to submit.

**Dr. Kunal Dhamesha:** Sure, sure. And, another one on the complex generics launch that we are basically looking forward in the second half. Are we dependent on the IP outcome on those launches, or is it more just the approvals?

**Erez Israeli:** Approvals, FDA approval.

**Dr. Kunal Dhamesha:** Sure, and are these Para IV filings?

**Erez Israeli:** Launch on approval situation, Kunal.

**Dr. Kunal Dhamesha:** Sure, sure, sure. And, and lastly on abatacept, you suggested that the ramp-up will happen a couple of quarters later, as we get included in the formulary. But when we launch, what kind of

commercial infra do we require, especially for the US market, and when do we start the build-out that?

**Erez Israeli:** So, we started to do it already three years ago. So, the main framework of the sales and marketing in North America is already there. We will hire a couple of more sales teams, so the team that will cover certain geographies, this is still pending, but the lion's share of the team is there.

**Dr. Kunal Dhamesha:** Sure, so there's not much incremental cost related to that.

**Erez Israeli:** No, not much.

**Dr. Kunal Dhamesha:** Perfect. Thank you, and all the best.

**Aishwarya Sitharam:** Thanks, Kunal. The next question is from the line of Aman Vij from Astute Investment Management. Aman, please go ahead.

**Aman Vij:** My questions are on the semaglutide side. First, given we expect the validation to be completed by November, where are we in terms of launches in other big markets, like, Brazil and Turkey, in terms of approval timelines and launch timelines? Any rough estimate?

**Erez Israeli:** Brazil, likely in the Q4, the beginning of Q4. We are going to launch in all of the smaller markets, either in the end of Q3, or at the beginning of Q4, and this is primarily the timelines from the time that we finish validation and we start to sell batch by batch. Some of it may come to the markets in Q3, some will come in January. So, all of it will be in that time frame. Some in December, some in January.

**Aman Vij:** Sure, that helps. Second question is, you've said that we are still adhering to our guidance of 6 to 7 million devices this year. What are the latest estimates, say, for next one to two years? By '28 and '29, where do you see this number?

**Erez Israeli:** It obviously depends on the success of these 6 to 7 million. But like I mentioned in the past, the run rate of 12 to 15 million pens that we discussed in the past, is still my estimate. But obviously, it can fluctuate as we understand better the markets once we'll get all the approvals, and we'll understand the competition in each one of the markets. So right now, take it as a very tentative number, but this is what we are preparing for, let's say, the 12 months from April.

**Aman Vij:** You had mentioned this number last time also. I just wanted to understand, are you more positive on the number, or slightly negative from that point?

**Erez Israeli:** I did not change my attitude. We need to see the success of the market share that we will take, as well as the success and the market share of our partners, so I don't have any additional information. Right now, it's the same, consistent with what we discussed in the past.

**Aman Vij:** Thank you for answering the question.

**Aishwarya Sitharam:** Thanks, Aman. In the interest of time, we will take one last question from the line of Saion Mukherjee from Nomura. Saion, please go ahead.

**Saion Mukherjee:** Yeah, thanks for taking my question. Just one question on the PSAI segment. The growth has been muted for a while, so how you see that growth playing out? You also mentioned the CDMO revenues at \$100 million plus. If you can give some colour on the nature of this revenue, is it generics or innovation-related? And also, the new contract that you signed, when you expect that to kick in? Is that meaningful? And any other CDMO contracts that can be added over the next year or so. Thank you.

**Erez Israeli:** So, thank you, Saion. So, on the CDMO, I believe that the growth trajectory will come. So this is growing in double digits. It's a combination of growth in discovery, what you call innovation. We have also certain contacts with big companies in which they want to transfer their production into our line, so we have several of these projects. And as well as a normal CDMO, meaning that we are doing a project for Phase III, Phase II, for innovator companies. I believe that this business should grow and should reach two to three times of these numbers in the next three to four years. This is still our plan, I believe, that we should get there.

On the API side, part of it is that our older products have less demand. And part of it is because most of our launches and most of our activities are done more as a B2B of a finished product, this is actually going well. Part of it, we are recognizing as part of PSAI, and part of it we're recognizing as part of the relevant EM or in North America. So, overall, the B2B is actually growing, the merchant API part of it is declining, because most of the products, the peptides, etc., people prefer to buy the finished goods, rather than to buy the API.

**Saion Mukherjee:** Understood. Thanks, Erez, thank you.

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

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