Sun Pharmaceutical Industries Limited
SUN HOUSE, Plot No. 201 B/1,
Western Express Highway, Goregaon (E),
Mumbai 400063, India
Tel.: (91-22) 4324 4324 Fax.: (91-22) 4324 4343
Website: www.sunpharma.com
Email: secretarial@sunpharma.com
CIN: L24230GJ1993PLC019050

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Q1 FY26 Earnings Call Transcript

Pursuant to Regulation 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, enclosed herewith a copy of the transcript of the Company's Q1FY26 earnings conference call, which we shall be uploading on our website after sending this letter to you.
This is for your information and record.

For **Sun Pharmaceutical Industries Limited**

Anoop Anjanikumar Deshpande
Digitally signed by Anoop Anjanikumar Deshpande
Date: 2025.08.06 16:40:27 +05'30'

(Anoop Deshpande)
Company Secretary and Compliance Officer
ICSI Membership No.: A23983

Corporate Participants

Dilip Shanghvi
Chairman & Managing Director, Sun Pharmaceutical Industries Ltd.

Kirti Ganorkar
CEO (India Business) & MD Designate, Sun Pharmaceutical Industries Ltd.

Aalok Shanghvi
Chief Operating Officer, Sun Pharmaceutical Industries Ltd.

Jayashree Satagopan
Chief Financial Officer, Sun Pharmaceutical Industries Ltd.

Richard Ascroft
CEO (North America), Sun Pharmaceutical Industries Ltd.

Moderator: Ladies and gentlemen, good day, and welcome to Sun Pharma's Q1 FY'26 Earnings Conference Call.

As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the call, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Dr. Abhishek Sharma – Vice President and Head of Investor Relations and Strategic Projects. Thank you and over to you, sir.

Abhishek Sharma: Thank you. Good evening and a warm welcome to our first quarter FY'26 Earnings Call. I am Abhishek from the Sun Pharma Investor Relations team. We hope you have received the Q1 Financials and the press release that was sent out earlier in the day. These are also available on our website.

We have with us Mr. Dilip Shanghvi – Chairman & Managing Director, Mr. Kirti Ganorkar – CEO, India Business & MD Designate, Mr. Alok Shanghvi – Chief Operating Officer, Ms. Jayashree Satagopan – CFO and Mr. Richard Ascroft – CEO, North America.

Today, the team will provide an update on the financial performance and business highlights for the quarter, pipeline updates and respond to any questions that you may have.

Before we begin the call, I wanted to bring to everyone's attention that from this call, we have renamed Global Specialty as Innovative Medicines Business. We will refer to the consolidated financials for the management committee. The call recording and call transcript will also be put up on our website shortly.

The discussion today might include certain forward-looking statements and these must be viewed in conjunction with the risks that our business faces. You are requested to ask two questions in the initial round. I also request all of you to kindly send in your questions that may remain unanswered today.

I will now hand over the call to our CFO, Ms. Jayashree Satagopan.

Jayashree Satagopan: Good evening. Welcome and thank you for joining us in this earnings call after the announcement of the financial results for the first quarter of FY'26. Our Q1 financials are already with you.

Let me take you through the consolidated financial summary for the company. Sales for the first quarter of FY'26 stood at Rs. 1,37,861 million, registering a growth of 10.1% over the last year. Gross margin was favorable aided by lower material cost due to better product mix and a higher share of sales from the Innovative Medicines. EBITDA for the quarter was Rs. 43,017 million, recording a growth of 19.2% over the previous year. EBITDA margin percentage for the quarter was 31.1%. Profit before exceptional items and tax stood at Rs. 39,908 million, registering a year-on-year growth of 16.6%. During the quarter, exceptional items accounted for Rs. 8,180 million, primarily towards impairment of SCD-044 and GXMDL settlement. Netting of the provisions in the books for part of the GXMDL settlement, the balance amount has been accounted during the quarter.

Effective tax rate for the quarter was 24.3%, vis-à-vis 16.1% in Q1 FY'25. Adjusted net profit for the quarter was Rs. 29,961 million, which is up by 5.7% from the corresponding period in the last year. Reported net profit for the quarter was Rs. 22,786 million after the exceptional items compared to Rs. 28,356 million for Q1 FY'25. Forex gain during this quarter was Rs. 2,290 million and this compares to a loss of Rs. 505 million during the same period last year. Other income during the quarter was Rs. 4,645 million lower than last year, which included interest on income tax refund during the first quarter of FY'25.

Our balance sheet continues to be strong, with a net cash position of $3.1 billion at the consolidated level, which is invested in Board approved securities and is earmarked for future investments. Adjusted EPS for the quarter was Rs. 12.50 per share.

With this, I would like to hand it over to Kirti, who will share the performance of our India business.

Kirti Ganorkar: Thank you, Jayashree. I shall take you through the performance of our India business. For Q1, the sales of formulation in India were Rs. 47,211 million, recording a growth of 13.9% over Q1 last year. India formulation sales accounted for 34.2% of total consolidated sales for the quarter. Sun Pharma is ranked No. 1 and holds 8.3% market share in over Rs. 2,302 billion Indian pharmaceutical market as per AIOCD PharmaTrac MAT June 2025. Corresponding market share for the previous period was 8%. For the quarter ending June 2025, we grew higher than IPM and we have done well across all major represented therapy areas.

We are happy to note that on a MAT basis, the sales growth has been led by volumes and new product launches versus the IPM growth, which is predominantly price-led. As per SMSRC Mar-June 2025 report, we continue to be the No. 1 brand company based on the prescription volume. Sun Pharma is also ranked No. 1 by prescription with 13 different doctor categories. For Q1 FY'26, the company launched 5 new products in India. I will now hand over call to Rick for the update on the US business.

Richard Ascroft: Thank you, Kirti. I will provide an update on the performance of our US business. Our overall US business grew by 1.4% to $473 million for the quarter. This growth is driven by our innovative medicines portfolio with all of our growth products contributing including Ilumya, Cequa, Winlevi, and Odomzo, but offset by decline in our generics business due to additional competition in certain products. The US accounted for 29.3% of consolidated sales for the quarter. In Q1, we launched 4 new generic products in the US. Earlier this month, Sun Pharma announced the launch of Leqselvi in the United States for the treatment of severe alopecia areata. This launch marks a major milestone towards strengthening our innovative medicines portfolio. Leqselvi represents a new and effective treatment option in the US for severe alopecia areata, benefiting eligible patients, healthcare providers, and the broader healthcare system.

We also announced Sun Pharma's settled patent litigation with Incyte relating to Leqselvi, which removed the overhang of litigation from the product launch. I will now hand over the call to Mr. Shanghvi.

Dilip Shanghvi: Thank you, Rick. I will provide an update on the performance highlights of our other businesses as well as give you an update on our R&D initiatives. Our branded formulation revenues in emerging markets were $298 million, up by 5.1% over Q1 last year. The underlying growth in constant currency terms was 4%. Emerging markets accounted for 18.5% of total consolidated revenue for Q1. Amongst the larger markets in local currency terms, Romania, Russia, South Africa have done well.

Formulation revenues in the rest of the world were $219 million, up 15.5% over last quarter FY'25. Rest of the world markets account for approximately 13.6% of consolidated revenue. In Q1 FY'26, our global innovative medicine sales were up 16.9% to reach $311 million. We continue to invest in building an R&D pipeline for both the global generics and the innovative medicine businesses. Consolidated investments towards R&D for Q1 FY'26 stand at Rs. 9,029 million or 6.5% of sales. This includes a charge of Rs. 1,362 million on account of SCD-044 which is reflected in exceptional items. Sun Pharma discontinued clinical trials of SCD-044 and has no further plans for development of SCD-044. Excluding the charge, R&D expenses for the quarter stood at Rs. 7,667 million or 5.6% of sales. Innovative R&D accounted for 41% of our total R&D spend and stands at 11.8% of the global innovative medicine sales for the quarter after excluding exceptional charges.

Moving on to updates on global innovative medicines, Sun Pharma's two Phase-III clinical studies evaluating Ilumya in active psoriatic arthritis met their primary endpoint. These results support the potential regulatory submission of Ilumya in the US and in other markets. During the quarter, our partner Philogen decided to voluntarily withdraw the application for marketing authorization to the European Medicine Agency for Nidlegy. They plan to refile the application at an appropriate time when they have the requisite information. Sun Pharma

has completed its acquisition of Checkpoint Therapeutics. The acquisition adds UNLOXCYT to Sun Pharma's innovative portfolio. UNLOXCYT is the first and the only FDA approved PD-L1 treatment for advanced cutaneous squamous cell carcinoma. We are planning to launch UNLOXCYT in the US in the second half of FY'26.

Abhishek Sharma: That ends the readout. Operator, if we can open the queue for Q&A.

Moderator: Sure. Thank you very much. We will now begin the question and answer session. The first question is from Kunal Dhamesha from Macquarie. Please go ahead.

Kunal Dhamesha: Hi, thank you for the opportunity and good evening. The first one on the Ilumya successful trial on PSA. Could you provide some timeline? I know it's at a filing stage, but how should we look at when the filing could happen and then when can we expect, you know, what is the potential timeline here for the developed markets like US, Europe? And also if you could provide some data points in terms of the proportion of patients reaching ACR 20, 50 or 70 at week 24, that would be great.

Dilip Shanghvi: Yes, the plan is to present the data or publish the trial result in a reputed journal before we start publicly talking about the data. And I think the regulatory team is working with the CRO to ensure that as soon as we have all the requisite information because we have currently only the topline data, but once we have the requisite information for filing, the plan is to file. Hopefully, we should be able to file the product before the end of this calendar year. But that's not something that I am 100% sure about, but that's the plan.

Kunal Dhamesha: Sure, thank you for that. And the second question is regarding, we had suggested that there would be incremental costs related to launch of LEQSELVI and UNLOXCYT in FY'26, which we had pegged at around $100 million. So, have we seen that impact in this quarter and will it be more spread across the quarters or will it be high at the time of launch and then comes down from there on?

Dilip Shanghvi: So, in addition to the actual cost outgo, there will also be amortization of the cost of the acquisition and that will start only when the product is in market. So, we will see Leqselvi from this quarter. But I think our estimation is that the overall cost of 100 million, we will be sustaining during the year. You don't see that much in the first quarter, but it will start coming.

Kunal Dhamesha: So, just a clarification. So, this 100 million includes both the cash and amortization charge or it's just the spending and then amortization would be separately?

Dilip Shanghvi: No, I think it will be the direct cost 100 million. Amortization will be separate.

Jayashree Satagopan: Amortization will be factored in our guidance that we have given.

Dilip Shanghvi: But we don't give profit guidance.

Jayashree Satagopan: No, we don't give. But overall, we told…

Kunal Dhamesha: Sure. Thank you. I have more questions, I will join back the queue.

Moderator: Thank you. Next question is from Neha Manpuria from Bank of America. Please go ahead.

Neha Manpuria: Thanks for taking my question. My first question is on Leqselvi. Now that we have launched the product, how should we look at, I mean, what would be the key milestones in terms of traction of the product? Because if you look at the other two competing products, we have seen very different trends from IQVIA in terms of the prescription trends. If you can just help us in terms of when you think we get to a point where we are comfortable with formulary coverage, how much time would that take roughly?

Dilip Shanghvi: Rick, would you like to respond?

Richard Ascroft: Yes. So, we just launched Leqselvi a couple weeks ago. We are very encouraged by the early results. We have seen good receptivity with healthcare professionals and patients with our messaging. We already have patients that are going through our hub, which is our support program. And we already have our initial commercial prescriptions. We are in ongoing discussions with payors, which have been very positive. And as I said, we are encouraged by what we have seen with the first two weeks in the market.

Neha Manpuria: And Rick, in your view, when do you think this starts converting into revenue contributions, once you see that formulary coverage, would it take usually nine months? Would it be a year out? Or, you could start seeing contribution much faster than that, from a revenue ramp up perspective?

Richard Ascroft: If we plan, we will see some impact this year, this fiscal year.

Neha Manpuria: Understood. My second question is on the ROW market. That seems to have seen a very strong growth in the quarter. Is there anything, any milestone income, anything in that number or the growth that's strong in the ROW market?

Richard Ascroft: Could you repeat the question?

Dilip Shanghvi: No, I think she's asking about the rest of the world market. So I think the overall, there's no specific event that I can point to. But there may be some one time sales, which may also be responsible. But the overall guidance that we have given includes the performance of the emerging markets and the rest of the world markets.

Neha Manpuria: Understood. I am sorry if I could squeeze in one more question. On the MFN, based on your discussion, what is the sense of the likelihood of Ilumya getting included in the demonstration project and therefore negotiations on that? Any color on that?

Dilip Shanghvi: Yes, maybe Rick, you can respond because I am away from market that way.

Richard Ascroft: Yes, I would say we have no further information on the MFN executive order. We have not had any dialogue with the government. We have not been contacted with respect to any products in our portfolio.

Neha Manpuria: Understood. Thank you so much.

Moderator: Thank you. Next question is from Damayanti Kerai from HSBC. Please go ahead.

Damayanti Kerai: Hi, good evening and thank you for the opportunity. My question is in the U.S. market. So while we are still waiting for the details, official details to come on the tariff part, but from your side, do you have any thought about improving your manufacturing footprint in the U.S.?

Richard Ascroft: Maybe I can start. We actually have a significant footprint in the United States already. And at this time, we have no plans to move further manufacturing to the U.S.

Damayanti Kerai: If you can indicate broadly what percentage of sales come from your U.S. plant at this point of time, that will be helpful.

Abhishek Sharma: That we don't disclose, Damayanti.

Damayanti Kerai: Okay. But you think the current capacity is good enough for you in case you need to onshore manufacturing and you have no immediate plan to add on here?

Dilip Shanghvi: Yes, I think that would be the right assumption.

Damayanti Kerai: Okay. And my second question is on the Revlimid opportunity. So does 1Q number reflect meaningful contribution from that product? And if you can also comment on the pricing for that product?

Richard Ascroft: I would say our generics business faces up and downs quarterly due to lenalidomide. If we remove that impact, the U.S. generic business is down quarter-over-quarter and year-over-year. We do see continued pricing pressure for lenalidomide.

Damayanti Kerai: Okay. But does 1Q has significant contribution from that product?

Abhishek Sharma: Yes. So Damayanti, Q1 lenalidomide sales were moderately higher versus Q4. Moderately.

Damayanti Kerai: Moderately higher. Okay. Thank you. That's helpful. I get back in the queue.

Abhishek Sharma: Thanks.

Moderator: Thank you. The next question is from Bino Pathiparampil from Elara Capital. Please go ahead.

Bino Pathiparampil: Hi. Good evening and good morning. A couple of questions. One, Dilip bhai, were you happy about the topline results from the Ilumya Psoriatic Arthritis study or could it have been better? I am asking this because we have seen the ACR20 numbers which have come fine. But in ACR50 and 70 maybe didn't show much improvement.

Dilip Shanghvi: So I think when you look at the numbers, you also need to look at dosing. What we have in no induction dosing as well as only two injections. So I think it's a very good result considering the dose and the overall safety profile. The doctors with whom we have discussed understand the product because it's a class that they are familiar with. So we are comfortable with these numbers.

Bino Pathiparampil: Understood. Yes. And just a question on the one-off settlement that you have done. There was this $200 million settlement of Taro. From your footnotes, I understand that you have recognized trading about $62 million in this quarter in Q1. So should I assume that the balance would be recognized in Q2, Q3, etc. as an exceptional item?

Jayashree Satagopan: Let me take this question. Out of the $200 million, we were carrying a provision for part of it in our books from prior years. So netting of that, the balance has been fully accounted in this quarter and therefore we would not see any further exceptional item on this account in the forthcoming quarter.

Bino Pathiparampil: Got it. Thank you. I will join back the queue.

Moderator: Thank you. Next question is from Shashank Krishnakumar from Emkay Global. Please go ahead.

Shashank Krishnakumar: Hi, thanks for taking my question. My first question was on the domestic business. I think this quarter we have seen a 14% growth on a relatively higher 1Q base. And last few quarters, also if I look at our growth rates, it's not a significant divergence but a marginal divergence versus what secondary sales growth trends would indicate. So I just wanted to understand if the OTC portfolio is now becoming a major part of our domestic piece and probably there are a few sales channels which are not getting captured. Is it what is driving this marginal growth divergence versus what we see in secondary sales trends?

Kirti Ganorkar: The majority of the growth is coming from prescription business. It's not from consumer business.

Shashank Krishnakumar: Okay, got it. So my second question was, again, last quarter we had indicated that we are looking to launch a few new products in the diabetes and weight loss management space in the domestic market going forward. Just wanted to understand how this will sort of reshape the income and treatment regimen, particularly for diabetes. Because while the incremental opportunity size probably is being talked about, just wanted to understand how the current standard of care treatment could get disrupted when some of these new launches come in starting next year?

Kirti Ganorkar: You're talking specifically of GLP-1 or?

Dilip Shanghvi: GLP-1 effect on existing products. So, I think if you look at that way globally, there's a lot of experience about the impact of GLP-1 on sale of existing product, both DPP-4 as well as SGLT-2. So we haven't seen any significant degrowth in those. As a matter of fact, post-generics, I think there is an increase only. So I think if that is repeated in India, there should be no problem.

Shashank Krishnakumar: Got it, sir. Thank you. That's it from my side.

Moderator: Thank you. The next question is from Surya Narayan Patra from PhillipCapital. Please go ahead.

Surya Narayan Patra: Thanks for this opportunity, sir. Taking the GLP point further, could you give some sense about your participation in the first wave of commercialization of GLP product in Canada and Brazil?

Dilip Shanghvi: I think Maybe Alok, you want to respond, but I don't know whether we share this information.

Kirti Ganorkar: I think Canada, Brazil, we have not shared the information, but what I can share is about in India, we will be in the first wave of launch. So we are all working in that direction so that we come first to the market.

Surya Narayan Patra: Thank you. This is useful. Dilip sir, My second question was about the cash deployment that you are having in the annual report that you have mentioned. So in the recent past, much of the investment, what we have done, it is towards the specialty portfolio. And this time that you are also indicating about your interest beyond that. So could you give some clarity about that? Which are the areas that you would be interested in spending and all that?

Dilip Shanghvi: No, I think we have indicated that we will continue to look for opportunities to strengthen our product portfolio in three therapy areas that we are interested in; Ophthalmology, Dermatology and Onc/Derm.

Surya Narayan Patra: Okay. And irrespective of the market?

Dilip Shanghvi: What is that?

Surya Narayan Patra: Irrespective of the market, not necessarily U.S. or India?

Dilip Shanghvi: Yes, I mean, generally, this asset is easier to do a global deal.

Surya Narayan Patra: Okay. Sir, I was just looking at the China development also. We know that we have Ilumya, Ilumetri there through partner, but we have now created our own subsidiary also. If you can add some color to that, those kind of development and interest?

Dilip Shanghvi: No, I think it's an option that we are creating without any specific plan at this point.

Surya Narayan Patra: Okay. Thank you. I have a couple more. I will join in the queue.

Moderator: Thank you. Next question is from Vishal Manchanda from Systematix. Please go ahead.

Vishal Manchanda: Yes. Thanks for the opportunity and good evening, everyone. With respect to generic Revlimid, we are almost halfway through into CY'25. And there are two quarters to go before the exclusivity expires. So is it fair to assume that you would have sold 50% of your allocated volume quota for the year?

Richard Ascroft: No, we don't provide product specific guidance.

Vishal Manchanda: Okay. So, do we expect our U.S. formulation run rate to improve from here in the coming quarters?

Richard Ascroft: Again, we don't provide that level of guidance.

Vishal Manchanda: Okay. And just one more. So, like, I could see in your annual report that there is a sharp jump in the with respect to India. There's a sharp jump in the neuropsychiatry therapy revenues on a YOY basis. A very sharp jump. So is this almost a Rs. 1,000 crores, in fact, on a YOY basis?

Kirti Ganorkar: No, that's not correct. I think CNS growth is also in line with India growth. If I remember correctly, it is 11% to 12% range.

Vishal Manchanda: Okay. And just one final one on the tax rate, if you could give a number, what should be the tax rate this year?

Jayashree Satagopan: For the full year, we can consider around 25%.

Vishal Manchanda: Got it. And it should be there going forward, around 25%?

Jayashree Satagopan: Yes.

Vishal Manchanda: Thank you.

Moderator: Thank you. The next question is from Vivek Aggrawal from Citigroup. Please go ahead.

Vivek Aggarwal: Hi, thanks for the opportunity. My question, first question is related to Odomzo. So, although it's a relatively smaller product in your Global Innovative Medicines pipeline, and the product was there in the market for quite some time, and in the last couple of years, there is a sharp pickup, right? And the product has got a decent market share against the competition right? So what has changed? I just want to understand.

Richard Ascroft: Yes, at least in the U.S., I can comment. We continue to see nice growth of Odomzo. It's really a recognition from clinicians of what the product can bring, and also a strong execution from our sales and marketing teams.

Vivek Aggarwal: But the product was there in the market, right, from around 2017-18, right, or 18-19, right? So is it in the last couple of years, is there any better coverage, or is there a better sales force behind the product? So have you changed anything, right, that has resulted in a sharp pickup?

Richard Ascroft: I definitely think there's been improvement in execution with our sales team. I think also it's taken some time to convince loyalists to give the product a try, and once they give it a try, they stick with it.

Vivek Aggarwal: Understood. And a related question with UNLOXCYT, right. Is it fair to assume that the channel as well as the prescribers are more or less the same for Odomzo as well as UNLOXCYT?

Richard Ascroft: There is overlap. It's not 100% overlap, but there is overlap between the customers, which will be something we take advantage of from a sales and marketing perspective.

Vivek Aggarwal: Understood. So just one more question on Leqselvi, right. If you look at the competing molecules, let's say Olumiant, right, they have a restrictive coverage like prior authorization, limited quantity, etc. So even for Leqselvi, are you expecting similar kind of coverage, or will that be enough for the pickup in this product?

Richard Ascroft: I think with all three products, we will continue to see prior authorizations. Based on our ongoing negotiations, we do expect to have good coverage for Leqselvi versus the competition.

Vivek Aggarwal: So you are expecting a better coverage for Leqselvi against the competition?

Richard Ascroft: I think we are saying we expect at least parity coverage versus the competition.

Vivek Aggarwal: Okay. And what is going to help you in, let's say, priority coverage over the competition?

Richard Ascroft: I think really the profile of the molecule. We know from message testing that both clinicians and patients really prefer what Leqselvi has to offer, particularly from a speed perspective. And from the discussions with payers, they have been encouraged by the data we have shown them as well.

Vivek Aggarwal: Understood. Thanks, Rick. This is from my side.

Richard Ascroft: Thank you.

Vivek Aggarwal: Thank you. Next question is from Kunal Dhamesha from Macquarie. Please go ahead.

Kunal Dhamesha: Hi. Thank you for the opportunity again. Just a logistic question. So the small one-time kind of revenue that we are suggesting in ROW, is it part of innovative medicine business, or is it part of the non-innovative medicine business?

Abhishek Sharma: It's a mix of both, Kunal.

Kirti Ganorkar: But innovative business, we have given the detail, right? What is the growth and the...

Abhishek Sharma: Only about ROW.

Dilip Shanghvi: I understand, but it is still included in the separate number that we have given for innovative business, Global innovative business.

Kunal Dhamesha: So, just to clarify, does the 311 million, does it include any milestone payment this quarter?

Dilip Shanghvi: No.

Kunal Dhamesha: Okay. So, that's great. One question for Rick. Since now we have seen some bit of Stelara biosimilar launches in the US market, and Europe also Stelara biosimilars have been there, so are you seeing any on-the-ground impact? Maybe new to Rx patients, given obviously biosimilar would be at a much lower cost, compared to the medicines like Ilumya or Tremfya?

Richard Ascroft: Not really. We have not seen any major biosimilar first policies amongst payers. We also see more growth in the IL-23 class. So, there already has been movement away from Stelara in multiple therapy areas.

Kunal Dhamesha: Right. So, you don't expect also in the future that that could be the case, because just for the new to Rx patient, not for the existing patient, but…

Richard Ascroft: Hard to predict the future, but we don't at this time based on our current discussions with payers and what we are seeing in the market.

Kunal Dhamesha: Sure. And the last one on the UNLOXCYT launch, I think we have suggested obviously it will be launched. But now, is it imminent? We should expect their launch to be in this quarter? What are we kind of waiting? Is it preparations that we are doing?

Richard Ascroft: I can take this, Dilip, unless you want to.

Dilip Shanghvi: No, please go ahead.

Richard Ascroft: Checkpoint had submitted long-term data for UNLOXCYT. We are currently waiting on that data to be approved and added to the label in the U.S. And once that occurs, we will launch. And of course, we are also planning for that launch, and we are dealing with that currently.

Kunal Dhamesha: Sure. And this long-term data, does it provide us with a clear differentiation versus the competing product? And is it in public domain?

Richard Ascroft: We believe it is very competitive and it is in the public domain.

Kunal Dhamesha: Sure. Thank you and all the best.

Moderator: Thank you. The next question is from Kunal Lakhan from CLSA. Please go ahead.

Kunal Lakhan: Yes, hi. Thanks for taking my question. Can you give some color on the Halol observations and any timeline on the final resolution there?

Aalok Shanghvi: So, we are engaging with the FDA on finding a resolution for Halol. We have responded to the 483. And we are waiting to hear back from the agency.

Kunal Lakhan: Okay, but any timeline you have in mind over which you would expect a full resolution on this plant?

Kirti Ganorkar: I mean, it would be speculative. We will need to wait for the agency to respond.

Kunal Lakhan: Sure. My second question was actually more of a clarification on the tariff announcement. Firstly, are pharma companies being exempted or you would be paying tariffs starting August 1st? Or any tariff would be pending the outcome of 232 investigation? Any color on that?

Dilip Shanghavi: I mean, that is the understanding. It is post 232 investigation report, the government will decide on the next step. Till that time, I think pharma continue to be exempted from basic tariff.

Kunal Lakhan: Just to follow up on that, from my understanding of what is happening with the EU deal is that they will be paying 15% tariff. But it has a ceiling of that in respect of what the outcome of 232 investigation would be?

Dilip Shanghvi: I think, my understanding is that EU deal also exempts pharma products. Pharma products don't carry 15%.

Kunal Lakhan: : Sure. Alright, thank you so much.

Moderator: Thank you. Next question is from Bino Pathiparampil from Elara Capital. Please go ahead.

Bino Pathiparampil: Hi, thanks for the follow up. Actually, two follow up questions. So, you replied to an earlier question that the India growth is run by the prescription business. It is very healthy now, much higher than the market growth rate. Is there anything that is driving this? So, like new products, etc. which is in there or is it something which is sustainable? Now, whether once this comes into the base would be a better market plus growth rate or is this sustainable?

Kirti Ganorkar: Yes, I think what I can say is I cannot pinpoint to only one thing which is driving the growth. But what I can say it is a concentrated effort on brand building through scientific promotion. Then building deeper connect with the prescriber using science-led promotion. Then improving the prescriber coverage. Then you also know we have done a field force expansion in the past. And declutter our portfolio and building selective presence in tier 2, tier 3 towns. So, all of that if we put together, I think this is helping us to grow better than the market.

Bino Pathiparampil: Okay, got it. Sir, a question on tax rate. Again, to an earlier question you answered 25%. Is that, you know, earlier you had said that your tax rate will gradually move up. Last year we had about 16%-17%. Are you saying that this year it is going to sharply jump to 25%?

Jayashree Satagopan: So, the tax rates have been moving up quarter on quarter during last year. And currently it is around 23.4%. And we expect for the full year to be around 25%.

Bino Pathiparampil: Got it. Thank you.

Moderator: Thank you. Next question is from Tushar Manudhane from Motilal Oswal. Please go ahead.

Tushar Manudhane: Sorry for this. Maybe I missed, but just if there is a revisit on the R&D cost as a percentage of sales for FY'26?

Dilip Shanghvi: No, I think we are staying with the guidance.

Tushar Manudhane: Because this quarter adjusting for the charge is 5.5. So, effectively it implies that the R&D expense is going to be much higher in the coming quarters.

Dilip Shanghvi: Yes, I mean we have three quarters to catch up.

Tushar Manudhane: And sir, subsequently further building on, it is adding the promotional marketing expenses of 100 million. So, if I have to think about the EBITDA margin. So, directionally would this have sort of an impact on the EBITDA margin which we have done on 1Q FY'26? Not, I mean, asking in terms of quantifying the number, but just to have a direction?

Dilip Shanghvi: No, I think the key difference between how you look at and how we look at is that we look at what is in the best interest of the business long term. Now, how that affects short term EBITDA, I think we actually do not even calculate. So, I am not able to respond. But our view is that both UNLOXCYT as well as LEQSELVI have significant opportunity to strengthen our presence in the innovative product business and also strengthen our relationship with the customers. So, we will do whatever is required to become successful. And once we are successful, it pays for everything that we invest in. And in the same way, I think trials also will have to be invested on because then we create future revenue stream.

Tushar Manudhane: Sir, the reference as far as R&D spend is concerned, if it has to be so high, then at least if it is possible to share the name of the product in the subsequent list of the R&D product in the pipeline, that would be helpful. Given that the existing table which has been highlighted in the press release, most of them are up for regulatory filing.

Dilip Shanghvi: GL 34 Phase-II will start. So, that also will add to the cost because those are larger studies.

Tushar Manudhane Got it. And sir, just one more on the, as far as the facilities being compliant for US market, like if you could just share in terms of which all facilities have now, let us say under issue while the business continues, but incremental generic approvals might be stalled and which facilities are sort of compliant to get the approval?

Alok Shanghvi: Yes, sure. So, we currently have three facilities that are under warning letter from the US FDA. Mohali, Dadra, and Halol. We have other facilities in Baska, Ohm, Hungary, Haifa, Brampton which continue to supply to the U.S. and do not have, and we have one more facility in Billerica in the US, which is in near Boston. So, all of these facilities continue to supply and are in a compliant status with US FDA.

Tushar Manudhane: Got you. And reasonable to assume that the ANDAs awaiting US FDA approval would be a good number of ANDA from those sites as well?

Alok Shanghvi: So, the decision to file the product from the facility would be a function of the compliance status of the facility and the technology available at the facility.

Tushar Manudhane: No, I was referring to the 119 ANDAs which await US FDA approval, those ANDAs?

Abhishek Sharma: That breakup we do not give Tushar.

Tushar Manudhane: Yes, that's it from my side, sir. Thank you.

Moderator: Thank you. Next question is from Surya Narayan Patra from PhillipCapital. Please go ahead.

Surya Narayan Patra: Yes. So, just one clarification about after settling this antitrust litigation, is it fair to believe that there is no more litigation relating to the antitrust that is there?

Jayashree Satagopan: So it is there and we have given details in the annual report.

Surya Narayan Patra: Sorry for that. Second is about the Ilumya, for the new indication of psoriatic arthritis. Sir, you mentioned that the filing is likely sometime this year. But what are the likely**,** means how far the drug is from the commercialization in the US? And what could be the targeted market that can be addressed by this product?

Dilip Shanghvi: I mean, typically there is an approval timeline for a new indication. Hopefully, we should achieve whenever that timeline is met post the filing. I think I do not know specific target for psoriatic arthritis, but broadly, what I understand is that around 30% of the psoriasis patients also suffer from psoriatic arthritis. So, that market then becomes available to us.

Surya Narayan Patra: Okay. And about the kind of formulary addition of this molecule. Since there is a kind of already one molecule there in the market, so whether the timeline required for putting this new drug in the various formularies would be kind of less critical and will be taking less timelines and all that? Or how should one think about it?

Richard Ascroft: Is this question specifically related to Ilumya?

Surya Narayan Patra: Yes. For the new indication, psoriatic arthritis.

Richard Ascroft: We would expect to have similar access to what we have today for psoriasis. It would likely fall under the same contractual arrangement.

Surya Narayan Patra: Sure. Thank you.

Richard Ascroft: Thank you.

Moderator: Thank you. Next question is from Yogesh Soni from InCred. Please go ahead.

Yogesh Soni: Thanks for the opportunity, sir. One bookkeeping question. I wanted to understand the amount for which we have settled Incyte litigation, one time amount that we have given. And whether that would be from part of exceptional items in second quarter?

Jayashree Satagopan: We don't give indications on this.

Abhishek Sharma: The terms are confidential.

Yogesh Soni: Okay. So, another question that I have is I wanted to understand the Unloxcyt launch timeline. Whether it would be towards the start of second half or later part of the year?

Richard Ascroft: We expect to launch in the second half of the fiscal year.

Yogesh Soni: Okay. Got it. Thank you.

Moderator: Thank you. The next question is from Vivek Agrawal from Citigroup. Please go ahead.

Vivek Aggrawal: Thanks for the opportunity again. Just one clarification. For the U.S. generic business, you indicated that it is down YOY as well as quarter-on-quarter in this quarter. Is that right?

Richard Ascroft: That is correct.

Vivek Aggrawal: Okay. Thanks. And just a related question. Previously, you commented that clearance of Halol facility is going to be very important for pickup in the US generic business. So, now Halol clearance doesn't look like in the site at least this particular year. So, how we should look at the generic business this particular year or

the year after that? Are you expecting growth in the business from launches from the other facilities or is it going to decline YOY? Thank you.

Richard Ascroft: I don't think we provide that forward-looking guidance. But as Alok mentioned, we obviously have other sites in which we are able to supply the US market. And we have an existing portfolio that we can look to grow to offset any headwinds we face for our new products.

Vivek Aggrawal: Thanks. That's from my side. Thank you.

Moderator: Thank you. Next question is from Anubhav Agarwal from UBS Securities. Please go ahead.

Anubhav Agarwal: Thank you. Just one clarity on the tax rate. So, this 25% number, does it include the deferred tax component? How much is this deferred tax component? Just trying to understand, is the cash tax rate for the company also 25%?

Jayashree Satagopan: So, we have to look at it all inclusive on a yearly basis, which will be at 25%. The cash outgo may be lower because of some MAT credits that are still available with us.

Anubhav Agarwal: Yes. So, I am just trying to understand, is that difference dramatically? I mean, just like taking a case, right? The effective tax rate could be 25%, but the actual cash outflow may be 20%. So, is that the case?

Jayashree Satagopan: Yes. There will be a difference, but we don't share the exact details.

Anubhav Agarwal: Thank you.

Moderator: Thank you. Next question is from Kunal Dhamesha from Macquarie. Please go ahead.

Kunal Dhamesha: Hi. Just one clarification from Rick. So, on the question related to the formulary access for Ilumya for PsA indication, did you mean that from day one of launch, we will have similar access to what we have currently for Ilumya or whatever that date may be, whatever Ilumya would have coverage? Is that the correct understanding?

Richard Ascroft: That is the correct understanding.

Kunal Dhamesha: So, then is it also fair to kind of assume that the ramp-up could be much faster here?

Richard Ascroft: Well, we should have far fewer free goods than we typically would have with a new launch. Yes.

Kunal Dhamesha: Sure. And then, while there is a second question, while there is an overall number of 30% of psoriasis patients having psoriatic arthritis, is there any, age-related increase or decrease in incidence that we have seen in the data in terms of prevalence data that maybe aged individuals do have a higher 50% prevalence maybe?

Richard Ascroft: That's something we will have to follow up on. I am not aware if there is an age-related change that happens with psoriatic arthritis. Certainly, as patients have psoriasis longer, they're more likely to have psoriatic arthritis. But I am not sure if there's a major difference between an older population and a younger population. We will have to follow up.

Abhishek Sharma: No, Rick, you're right. There is no age relation, between the onset of psoriatic arthritis and psoriasis.

Kunal Dhamesha: Sure. Thank you.

Moderator: Thank you. Next question is from Madhav from Fidelity. Please go ahead.

Madhav: Yes, just wanted to check the plan to file for the PsA indication by end of this calendar year. Typically, what's the approval timeline? Is it about 12 months? Is that the right way to think about it?

Richard Ascroft: Yes.

Madhav: Thank you.

Richard Ascroft: 10 months-12 months.

Moderator: Thank you. The next question is from Aditya from Digital Beast Securities. Please go ahead.

Aditya: So, thank you for taking my question and good evening, good morning to all of you. This quarter, we have done EBITDA of 31.1%. What is our guidance for the full year?

Jayashree Satagopan: We normally do not give a margin guidance.

Aditya: Okay. So, if I can ask, what led to a margin of 31.1%? Is it the low cost of raw materials or there has been some other cost saving measures which you have taken that has led to a margin of 31.1%?

Jayashree Satagopan: Yes, there has been a mix of factors. As I was mentioning earlier, there is an improvement in the raw material cost. It is also the product mix which has been quite helpful. We have seen a higher specialty sales and also the branded formulation business.

Aditya: Okay. Thank you very much.

Moderator: Thank you very much. We will take that as the last question. I would now like to hand the conference over to Dr. Abhishek Sharma for closing comments.

Abhishek Sharma: Thanks everyone for joining us at this late hour. If you have any questions which have remained unanswered today, you can reach out to the investor relations team. Wish you all a very good evening. Thank you and over from us.

Moderator: Thank you very much. On behalf of Sun Pharma, that concludes the conference. Thank you for joining us. Ladies and gentlemen, you may now disconnect your lines.