Management {? Mr. Nayak ?}: It's my pleasure to welcome you all to our post-results teleconference for the second quarter ended September 30, 2026. For today's call, we have with us Dr. Sharvil Patel, Managing Director, Mr. Tushar Shroff, Chief Financial Officer, Mr. Arvind Bothra, Head of Investor Relations, and Mr. Alok Garg from the Managing Director's office.

To begin with, let me talk about the key developments during the quarter. I am happy to report that we maintained upward momentum during the quarter, with all our businesses delivering strong double-digit growth. A deep and resilient portfolio, coupled with strong execution capabilities, led to robust performance across the markets. With this, first of all, let me walk you through the financial performance for the quarter under review.

We registered consolidated revenues of 79.1 billion rupees, up 29% on a year-on-year basis. Our operating profitability remained robust, with an EBITDA margin of 24% despite continued investments towards Saroglitazar launch-related activities in the US. Adjusted for this investment, our EBITDA margin was higher by 150 basis points. EBITDA for the quarter stood at 18.9 billion rupees, while net profit for the quarter stood at 9.3 billion rupees. Our net debt-to-EBITDA ratio stood at 0.62 times as of September 30, 2026.

Now let me take you through the operating highlights for the second quarter of FY27 for our key business segments. In the pharmaceutical space in India, our branded formulations business sustained market outperformance with strong 19% year-on-year growth during the quarter. Growth during H1 FY27 stood at 20% year-on-year. The business has, in fact, consistently delivered above-market performance during the last 3 financial years and has maintained this momentum through the first half of the current fiscal as well.

In terms of secondary sales performance, the business grew 20% year-on-year, with volume and new products accounting for around two-thirds of the total growth. In terms of therapies, the business gained share in cardiology, diabetology, respiratory, dermatology, gastrointestinal, anti-infectives, and in the super-specialty areas of oncology and nephrology. Our ranking improved in cardiology, diabetology, gastrointestinal, and anti-infective therapies, while on the super-specialty front, we continued to retain our leadership position in oncology therapy. The contribution of the chronic and sub-chronic portfolio has increased consistently over the last several years and stood at 56.9% as per AIOCD MAT September 2026, an improvement of 450 basis points over the last 4 years.

The international markets formulations business is an established growth engine for the company, consistently delivering strong performance over the last several quarters. Building on this momentum, the business reported revenues of 10 billion rupees during the quarter, up 33% year-on-year. Growth was broad-based across markets, supported by strong underlying demand and focused execution.

The North America business, comprising the United States and Canada, delivered strong performance during the quarter, with revenues of 33.1 billion rupees, up 21% year-on-year and 7% quarter-on-quarter. The growth was driven by sustained volume expansion in the base business, supplemented by the continued scale-up of the US specialty business. On the US generics front, we

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filed 4 ANDAs, received 12 approvals, and launched 5 new products during the quarter. Recently, in October 2026, we launched the first generic version of Riociguat tablets. Our US specialty business delivered strong sequential growth during the quarter. This was driven by the addition of Rolvedon following the acquisition of Assertio Holdings during the last quarter and sustained traction seen in the 505(b)(2) products portfolio. We remain confident that we can build a robust specialty platform and transition towards a more differentiated, innovation-led business model.

The consumer wellness business recorded revenues of 11.2 billion rupees, up 76% year-on-year. In this business, on the domestic front, demand trends indicated sustained positive momentum across categories, driven by a steady urban recovery and improving rural offtake. As a result, the business delivered strong performance during the quarter, with 29% year-on-year growth. Both the skin and hair care and food and nutrition portfolios delivered strong performance, with growth of 37% and 25%, respectively. The international business, including the {? Comfoclick ?} portfolio, delivered like-for-like growth of 12% during the quarter.

In the medical devices space, the business registered revenues of 2.2 billion rupees during the quarter. We are investing in enhancing our capabilities in focused segments that offer long-term growth potential to create differentiated value.

On the operations front, recently the USFDA inspected our formulations manufacturing facilities at SEZ 2 Ahmedabad and Moraiya, which concluded with 1 observation and 5 observations, respectively. We are working closely with the regulator to address the observations expeditiously. Following the inspection in Moraiya, we received an important transdermal patch approval on October 21, 2026.

I now request Dr. Sharvil Patel to take you through the key drivers across businesses, as well as our initiatives in our innovation program.

Dr. Sharvil Patel - Managing Director: Thank you, Mr. Nayak, and good afternoon, everyone. It's a pleasure to have you all here on the call. I am pleased to note that we sustained our strong growth trajectory during the quarter, delivering impressive double-digit growth as each of our businesses executed exceptionally well. Importantly, the share of our branded business expanded to around 57% of our total revenue in this quarter, which is an increase of 150 basis points versus the last quarter.

The strategic decisions undertaken over the years and the capabilities built, along with the position... position us well to achieve our medium-term aspiration for the branded business to account for two-thirds of our consolidated revenue. As we prepare for the US launch of Saroglitazar, we continue to invest strategically in the capabilities and infrastructure required to deliver a seamless, differentiated, and impactful market entry. Despite these investments, our operating profitability remained robust, and we are on track to deliver a 24% plus EBITDA margin in line with our FY27 expectations.

On the pharmaceuticals front, our India branded formulations business delivered strong 19% growth during the quarter, significantly outpacing the IPM. More importantly, this outperformance is sustained, with the business consistently outgrowing the industry and strengthening its market position quarter after quarter. Our strong chronic and super-specialty portfolio, coupled with

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innovation-led growth and focused execution, continues to drive sustained market share gains.

Our international markets formulations business continues to be a powerful growth engine for the company, anchored on a therapy-led approach and strategy in emerging markets and sustained portfolio expansion in Europe. The business is delivering strong, broad-based growth and steadily strengthening its presence across geographies.

Our US business is evolving into a diversified and durable growth engine, built on the strength of our generics franchise and an expanding specialty portfolio. Backed by a broad portfolio, strategic partnerships, a resilient supply chain, and strong execution, we continue to deliver sustained prescription growth, gain market share, and strengthen our market position.

We are making significant progress in reshaping our US business beyond generics and towards a higher-value specialty and biologics portfolio. Our differentiated 505(b)(2) products, rare disease offerings, and biologics pipeline are creating powerful new growth vectors. Rolvedon continues to gain momentum, while the USFDA's acceptance of the BLA for the Pembrolizumab biosimilar... [cut off]

Management: ...represents a major milestone in our biologics journey. Alongside the upcoming launch of Saroglitazar, these catalysts position us for the next phase of growth. Notably, specialty products accounted for 16% of US revenues during the quarter, up approximately 550 basis points sequentially, underscoring the pace and success of our strategic transformation.

In the consumer wellness space, our focus remained on building a future-ready portfolio powered by strong brands, innovation, and customer-centric execution. We are enhancing brand relevance by addressing evolving needs across health and nutrition and personal wellness, while driving premiumization and differentiated offerings. Alongside this, we continue to strengthen our omnichannel presence and expand our international positioning to deliver sustainable and profitable growth.

In MedTech, we continue to execute our strategy across orthopedics, cardiology, and nephrology through a combination of capability building, portfolio expansion, and strategic partnerships. Our focused approach reflects a commitment to strengthening the foundation of this business while creating avenues for sustained long-term growth.

With this, let me share some material developments in our innovation efforts during the quarter. On the NCE front, we presented new analysis for the Phase 3 clinical trial of Saroglitazar Magnesium in the PBC indication at the American College of Gastroenterology, or ACG, 2026 annual meeting. The analysis demonstrated consistent biochemical response benefits versus placebo across geographic subgroups, including both US and non-US patients. The findings build on the clinical profile of Saroglitazar in patients with PBC who have an inadequate response or intolerance to UDCA.

We successfully completed the Evidence-IV global Phase 2b trial evaluating Saroglitazar Magnesium in the MASH indication. The study successfully met its primary endpoint, demonstrating resolution of steatohepatitis with no worsening of fibrosis at 52 weeks. We also observed encouraging improvements across several key secondary and exploratory efficacy measures.

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In the biotech R&D space, we received regulatory approval to initiate a Phase 3 clinical trial in India for one of our important monoclonal antibodies.

On the global specialty initiative front, we achieved an important milestone in our biologics journey, with the USFDA accepting for review the BLA for the Keytruda biosimilar developed by our partner Formycon. This is the first publicly announced Keytruda biosimilar filing accepted for review in the United States.

During the quarter, our wholly owned US subsidiary, Sentinel Therapeutics, entered into a licensing agreement with Mario BioPharma for Alvestat, a late-stage asset being prepared for Phase 3 development in alpha-1 antitrypsin deficiency-associated lung disease, a rare genetic respiratory disorder. Alvestat has the potential to become the first oral treatment for this condition. This transaction further strengthens our rare disease portfolio.

Thank you. Now we will start with the Q&A session. Over to the coordinator.

Operator: Thank you, sir. We will now open the call for the Q&A session. We will wait for a few minutes until the queue assembles. We request participants to restrict themselves to 2 questions and then return to the queue for more questions. Please raise your hand from the participant tab on the screen to ask questions. The first question is from Kunal Dhamesha.

Kunal Dhamesha: Hi, hi. Thank you for the opportunity, and congratulations on a good set of momentum in the branded business. Dr. Sharvil, the first question is on Saroglitazar. We have now also built up some commercial infrastructure. Where do we see those expenses from the second quarter over the second half of FY27? Do we see a meaningful ramp-up there, or is it going to stay at that level and then probably increase as we launch the product? Also, can you provide an update on the approval cycle—where we are and what kind of queries we are getting from the agency at this point in time?

Management: [pause] Yes, we continue to invest. We have been continuing to invest from the last quarter to this quarter in the commercialization effort, and we will also see some growth in the next quarter and the next 2 quarters for the commercial launch. This is in the expectation that all our queries have been answered as they have come through, that we have been able to clear most of the queries that have come from the regulators, and that we are potentially seeing a GDUFA date approval for Saro if everything goes right and if there are no further last-minute queries.

Kunal Dhamesha: Would it be fair to say that these queries would be more related to labeling and so on?

Management: Yes.

Kunal Dhamesha: Okay, sure. My second question is on the Riociguat launch. How has that launch been faring for us? Would we have gone with a good amount of inventory in the market?

Management: It's been a good launch. There are only 2 specialty distributors, and both are working with us, so we have gained good share with them. We hope to get good market share with this.

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Kunal Dhamesha: Sure, sure. Lastly, for the domestic business, we have seen very strong growth in this quarter. For H2, and perhaps a comment on the overall IPM as well, how do you see IPM growth faring in the second half or perhaps next year, given that IPM growth itself has been strong and we have been gaining market share? What is the kind of outperformance that can be expected? I think the delta between our performance and the IPM is even bigger this quarter, right? So how should we think about the sustainable outperformance? Thank you.

Management: The last 2 quarters have seen very strong performance versus the IPM. The IPM, I think, obviously had some base issues because of GST and other things. We still believe that the market will grow between 10% and 11%, and we will definitely grow 200 to 400 basis points consistently more than the IPM from a future point of view. Obviously, currently our growth trajectory looks faster, and I think we will see that momentum continue.

Kunal Dhamesha: Sure, thank you, and all the best.

Operator: Thank you. The next question is from Neha Manpuria.

Neha Manpuria: Hi, thanks for taking my question. My first question is on Saro. If I got the numbers right, we are already spending close to about 15 to 20 crores on Saro commercialization. Sharvil, did you say that this cost would increase for the next 2 quarters? Is more investment required?

Management: Yes. We are looking for a March launch, and obviously we would still see hiring of the sales field force and other front-end teams continuing. So we expect our commercial expense to be around 100 million dollars every year.

Neha Manpuria: Okay, understood. This is the number. Does this include pre-launch costs and everything included in the 100 million dollars? Would that be a fair assumption?

Management: Yes, the commercial spend.

Neha Manpuria: Okay, understood. In terms of Saro, I think we had a GDUFA date in November. Is it fair to believe that we would be able to launch this, if not in November, probably before the end of this fiscal year, based on the queries that we have received?

Management: We are currently on track with our responses. November is our current GDUFA date and, as I said, our current expectation is to launch in March.

Neha Manpuria: Okay.

Management: Because obviously we are not launching in December. It is the year-end, and it does not make sense to launch at the end of the year.

Neha Manpuria: Okay. For the other product in generics, Ibrance's generic, Palbociclib, I think we were to determine whether we have pediatric exclusivity or not. In your assessment, could that be an earlier launch versus the September time frame, the September 2027 time frame? Is that a possibility?

Management: No, our estimate is for a September and October launch.

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Neha Manpuria: Understood, understood. In which case, how should I think about US revenue from the 250-odd million dollars of revenue that we have done this quarter, going into the second half as well as next year? Obviously, we have Revlimid, and Saro will obviously see uptake slowly. Is this a sustainable base? It seems like we have seen very good base business momentum. I am just trying to understand how sustainable...

Neha Manpuria: ...enable this basis, and should we expect the {? Mira ?} background competition impact to already be factored into this 350 number that we have seen in the quarter?

Management: Yes, the {? Mira ?} background is already factored in, and as I said, we are still guiding for single-digit growth on constant-currency terms on the high base of FY26.

Neha Manpuria: And for 28, what would this look like?

Management: For 28, we have not given guidance right now, but as I said, our pipeline is good. We have the Palbociclib launch coming and other things, and obviously our base business as well as the new products that we are planning to launch will continue. I think closer to the year-end we can give a better idea of that, but we have good traction on the portfolio of products that will come through. We also have good upside on transdermal patches and others, which are also significantly helping. This is not a short-term but a long-term opportunity.

Neha Manpuria: Understood. Sorry, one other follow-up on the gross margin. Given that we saw an improvement in the US, we do not seem to see that much of an improvement in gross margins. I understand that obviously there is {? Mira ?} competition, but with the Rolvedon launch and the base business improvement, should that not have reflected in better gross margins in this quarter, or am I missing something here?

Management: No, part of it is that we also have wellness in it, and wellness does not have the company's gross margin. Since wellness is growing so fast, its gross margins are obviously not in the 70s. The second thing is also that we had some very significant gross-margin products that declined. These have offset the gross margins that have gone.

Neha Manpuria: Understood. Okay, thank you so much, sir.

Operator: Thank you. The next question is from Bino.

Bino: Hi, good afternoon. A few quick questions. In Q2, have we seen any sort of benefit from the {? Rosivuat ?} launch, or would it all be in Q3?

Management: It is an October launch, so Q3.

Bino: Okay. This partnered product, Cabometyx, or Cabozantinib, is a late opportunity, understood to be for FY30-31. Originally, we were expected to have sole exclusivity, but we have seen a couple of other approvals recently. Does that still remain a sole-exclusivity opportunity?

Management: There can be other filings, but the main point is that there is patent litigation going on right now. That is still ongoing. Once the appeals court decision comes, we can talk more about it later.

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Bino: Okay. Generally, if there is sole exclusivity, others do not get final approval, only tentative approval. That is why I asked. Next, in MedTech revenue, I see a sharp quarter-on-quarter dip. Was there any particular reason for that?

Management: It is seasonal. In Europe, July and August are a very lean season because of the summer holidays.

Bino: Got it. One last question on the depreciation and amortization number, which has sharply gone up in the quarter. Is that because of Assertio, and would that be at similar levels going forward?

Management: Yes, you are absolutely right. That includes the amortization related to the Assertio acquisition. We expect this depreciation to continue at the current level, with a marginal increase, because there will be some depreciation on capital work in progress that will likely get capitalized. Overall, we believe that we will be at the current run rate up to September 2027 because that also includes {? Mira Vagrom ?}-related depreciation on the licensing of that particular deal.

Bino: Got it. Do you maintain the guidance for the full-year 24% plus EBITDA margin?

Management: Yes, we maintain our guidance of a 24% EBITDA margin for the full year.

Bino: Thank you. I will join back the queue.

Operator: Thank you. The next question is from Niharika Agarwal.

Niharika Agarwal: Thank you for the opportunity. My question was regarding costs. We are seeing an increase in employee costs and other expenses, so I wanted to understand what exactly is driving this increase and how much of it is linked to investments in new businesses versus a higher underlying cost base.

Management: On personnel expenses, if you look at them on a quarter-on-quarter basis, excluding R&D expenses, there is marginal degrowth. However, on a year-on-year basis, there is growth mainly driven by the acquisitions that we have completed over the last 1 year. That is driving the overall HR-related expenditure, excluding R&D-specific expenses.

The second point is regarding other expenses. If you look at the commercial launch for Saroglitazar and R&D expenditure, sequentially there is marginal degrowth in overall other expenses. I am referring to expenses excluding R&D spend and the ZTI commercial spend that we have incurred. What we are expecting is that, excluding R&D and the Saro commercialization cost, other expenses would be in the range of 2,000 to 2,050 crores. That is the kind of spend we are expecting on the other-expenses side.

Niharika Agarwal: Thank you. For the acquisitions, when can we expect operating leverage to kick in?

Management: Overall, if you look at our acquisitions, CCL is already going to be accretive very soon, and Amplitude, as we have said, is a long-term investment through which we are building the whole platform. Rolvedon and the other businesses are already profitable, from day one.

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Niharika Agarwal: Okay, thank you. Regarding the Keytruda biosimilar, now that it has been accepted for US review, what is the expected timeline for launch?

Management: This will obviously involve patent litigation that will have to run its course, so I do not think we can provide an update on when the launch will be. All we can say is that we are one of the first filers for the product and that it is under review with the FDA, but the launch will depend on the IP litigation.

Niharika Agarwal: If you can share some information on it, how will the economics be split between Zydus and Formycon?

Management: Formycon and us [pause]—it is a profit-sharing arrangement.

Niharika Agarwal: Okay. Okay. That was all for me. Thank you.

Operator: Thank you. The next question is from Pratik Bugkar.

Operator: Hi, Pratik. Are you able to hear us? Hi, Pratik. Are you able to hear us?

Pratik Bugkar: Hello?

Operator: Yes, Pratik. Please go ahead.

Pratik Bugkar: Thank you for taking my question. My first question is on Desidustat and the commercialization progress for that. What are the key milestones that will trigger a meaningful contribution, either in terms of a large payout or perhaps royalties on Desidustat?

Management: Desidustat is a royalty arrangement. Once the reimbursement pathway is set up in China, perhaps in the next 4-5 quarters, we would see the uptake, and it is a royalty arrangement, so it is mostly a profit-sharing arrangement.

Pratik Bugkar: All right. On Ounsoflast, what would be our commercialization strategy, particularly for ALS? Would we give preference to our own existing US infrastructure, including Sentinel, or would we consider an outside partner for that?

Management: It is a little too early to talk about it, but we do have plans to generally build our own front-end specialty business, so as we come nearer to completion [trails off]

Dr. Sharvil Patel: [inaudible] completion of our clinical development, we can talk about it, but currently it is a little too early because it is still in early clinical development; it is in Phase 2b clinical work.

Pratik Bugkar: One last question, if I can, on the biologics CDMO side. We had also partnered with a company for biologics and monoclonal antibodies. What progress are we seeing there on the biologics CDMO?

Dr. Sharvil Patel: That company has received funding and has started a Phase 3 clinical trial. We are helping them with the clinical supplies for the product, and once the Phase 3 trial produces good data and the product gets approved, we will obviously have the commercial rights to manufacture it

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for them.

Pratik Bugkar: Are there any details you could provide about the target disease or exactly what drug that is?

Dr. Sharvil Patel: [pause] It is a drug that has been tested in cancer, colorectal cancer, and one more cancer. That is the trial that is going on in the US.

Pratik Bugkar: Okay. Thank you, sir. That will be all. Thank you.

Operator: Thank you. Participants who wish to ask questions can raise their hand from the participant tab on the screen. The next question is from Shreya Chatterjee.

Shreya Chatterjee: Hello?

Dr. Sharvil Patel: Yes.

Shreya Chatterjee: Thanks for taking my question. Could you provide some color on the nature of the observations that you received for Moraiya, and whether they include data integrity, cross-contamination of products, or anything related to that? Also, how much of your current revenue comes from Moraiya, and what future product filings will come from the Moraiya facility?

Dr. Sharvil Patel: In terms of revenue, Moraiya accounts for less than 30% of US revenue. We do not have many filings from Moraiya. In fact, we recently received 1 transdermal approval following our audit. Most of the CRLs that we have received do not indicate any major facility concern. We have responded to the FDA regarding the observation.

Shreya Chatterjee: Got it. Regarding Keytruda and your MedTech business, how large do you see the Keytruda opportunity, and how large do you see the MedTech business becoming going forward? What would the EBITDA margins be for the MedTech business? Some numbers would be helpful.

Dr. Sharvil Patel: Today, the existing business, which is mostly the Amplitude Surgical business, has EBITDA margins of around 20%. Obviously, it is a platform build, so over the next 3-5 years we hope to build both scale on the orthopedic side and the nephrology and cardiovascular sides. That is a build-out that we will undertake over the next 5 years.

Specifically on Keytruda, it is a very large biologics product with more than $30 billion in revenue. Depending on the launch and the number of competitors, it will be a meaningful launch.

Shreya Chatterjee: Is it still a billion-dollar-plus kind of revenue opportunity?

Dr. Sharvil Patel: As I said, it all depends on the time of launch and the number of competitors. I do not think we can provide that estimate today.

Shreya Chatterjee: How many launches, such as ANDAs, 505(b)(2)s, or FDFs, are we looking at in the next 2 to 3 quarters? Could you provide some numbers?

Dr. Sharvil Patel: About 15 to 20 in the next 2 to 3 quarters.

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Shreya Chatterjee: Are these all ANDAs, or do they also include 505(b)(2)s and FDFs?

Dr. Sharvil Patel: Both.

Shreya Chatterjee: Both. Okay. Thank you.

Operator: Thank you. The next question is from Nitin Agarwal.

Nitin Agarwal: Hi, sir. Thanks for taking my question. Sharvil, you mentioned the transdermal patches and the hormonal patches opportunity and how it is playing out. Can you give us some sense of what kind of opportunity you see here?

Dr. Sharvil Patel: Right now, we are at capacity. We are selling as much as we can make. Demand in the market is 50% more than what is currently being served, so there is significant unmet demand. Obviously, no companies have the capacity to cater to it immediately. Building new capacity also takes time in transdermals. Currently, the market has more demand than actual availability. That is where we are.

This business has also scaled up meaningfully for us, and we are doing well. With additional capacity potentially coming in 1 year, we could see it scale up further.

Nitin Agarwal: When do you see this additional capacity coming through for us? Can you give us the scale of the quantum of capacity increase that we are planning?

Dr. Sharvil Patel: It will take at least 1 year, but we could double our capacity.

Nitin Agarwal: Secondly, regarding these hormonal products, apart from the patches, do you have any other products where we can play?

Dr. Sharvil Patel: We have Rivastigmine and Scopolamine as well.

Nitin Agarwal: Secondly, regarding the 505(b)(2) scale-up that you mentioned, apart from the Januvia-type combination, are there any other 505(b)(2)s that are meaningful for us?

Dr. Sharvil Patel: Sorry, could you repeat that question?

Nitin Agarwal: I am asking whether, apart from the Januvia combination product launches among the 505(b)(2)s, there are any other 505(b)(2)s that are currently meaningful for us.

Dr. Sharvil Patel: Yes, we have filed a significant number of products in the 505(b)(2) category. Some are in the oncology supportive injectables space, and some are in the liquid oral space. We also have partnerships on products for which we have filed 4 other products, some in the antiretroviral, or HIV, and other areas. So, yes, we have a reasonably large pipeline of 505(b)(2)s.

Nitin Agarwal: Okay. Thank you so much.

Operator: Thank you. The next question is from Sayon Mukherjee.

Sayan Mukherjee: Hi, thanks for taking my question. Dr. Sharvil, regarding Saroglitazar, you talked about some new data that you presented recently. How significant is that? What are the key

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tailwinds and headwinds that one needs to look out for when you launch this product in the market in March?

Dr. Sharvil Patel: On the tailwind side, one good thing has been that more patients have been identified with PBC, so diagnosis has increased. Second, the number of patients being put on PBC drugs has also improved significantly. There are many patients who want to receive treatment. Doctors are also preferring to treat with the new drugs in this PPAR class. Those are the 2 positive factors. The market has expanded faster, both in terms of the number of patients and the number of patients being put on the drugs.

On our side, we presented our data. We are one of the few companies that have shown strong data with ALP rising, and we have shown a significant decrease in ALP. That is part of the differentiation that we have shown, as well as the side-effect profile. Obviously, once we get the label, we can talk more about the product.

We also had a good Phase 2b readout for the MASH trial, and we have shown strong data on steatohepatitis ballooning as well as no increase in fibrosis. Obviously, that is not the trial that we are pursuing right now for Phase 3, but it provides good data to show how efficacious and safe the product is.

Sayan Mukherjee: When you eventually consider peak sales, compared to the other 2 products, do you think you can reach a comparable scale with the other products that are ahead of you in the market, given the efficacy and safety profile that you see today compared with the other products currently in the market?

Dr. Sharvil Patel: We are third to market, and our current goal is to achieve a 20% patient share. We are not talking about equaling or beating competitors; we are assuming a 20% market share.

Sayan Mukherjee: For the MASH indication, you said you will not be pursuing a Phase 3 trial at this point. Is that correct?

Dr. Sharvil Patel: Yes, not yet. The current expectation is a biopsy-led trial, which is almost impossible to conduct anymore.

Sayan Mukherjee: Is that also not a licensing candidate? Would there not be interest from other companies as well?

Dr. Sharvil Patel: No, because the trial is difficult to conduct. It is not a question of—

Sayan Mukherjee: Okay. So, basically, the Phase 2 data that you obtained could have some spillover benefit for your PBC indication and can help you [inaudible].

Sayan Mukherjee: ...in some form in the marketplace. That is the way to think about it.

Dr. Sharvil: And also in other markets, including, first of all, India, that data will have a meaningful impact because we have those indications in India as well. This is now an FDA-approved US trial.

Sayan Mukherjee: Right, right, right. Okay. On the R&D side, R&D spend has increased considerably. We are spending almost 650 crores a quarter now. Could you provide some split of this—how much

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is going into innovative programs, how much into the development of biosimilars and vaccines, and how much into the remaining conventional generic programs? An approximate split would be helpful.

Dr. Sharvil: I would say that conventional generic programs account for only about 10 to 12 of the 30 products we file. Most of the products we develop are either first-to-file products, complex generics, biologics, vaccines, specialties, or NCEs. A large part of our development effort, and the growth in R&D, is coming from these areas.

We have the Saro trials continuing, with the next trial for marginal ALP as well. We have started the ALS Phase 2b trial in the US, and it is also recruiting. We also have a trial ongoing for Desidustat in sickle-cell anemia. We obviously have a couple of biologics and biosimilar trials ongoing, and you have seen our success with biosimilars. Those continue to do well. Our vaccine PQ trials have been completed, and we will obviously continue to add more programs. So, most of the programs are focused on a complex or differentiated pipeline.

As a percentage, we have guided that R&D costs will be around 8% to 8.5%. We do not see R&D coming down for us, and it will continue to grow because we are investing heavily. The future of the company also depends on ensuring that we continue to have a differentiated specialty portfolio in both India and the US. What we are achieving today, whether in India or any other market, is because of the portfolio that we have created. This is simply doubling down on that.

Sayan Mukherjee: This specialty component—the ALP trial, ALS, and Desidustat that you mentioned—how much of the R&D spend would be on this? I am not referring to FTF, complex generics, or biosimilars, but just these innovation assets.

Dr. Sharvil: That will only increase. I can probably come back to you, but I think that over a period of time, 70 to 80 million dollars, or perhaps close to 100 million dollars, will be spent mostly on these late-stage clinical programs.

Sayan Mukherjee: Understood. Thank you, and I will join back the queue.

Operator: Thank you. The next question is from Bino.

Bino: Hi, thanks for the follow-up. I have a follow-up question on the margin guidance. According to your press release, the first-half EBITDA margin is 24%. Are we assuming that the second half will be similar? As Rolvedon comes in, should that not be a higher number?

Dr. Sharvil: Our Saro spend will also increase.

Bino: Okay. So you are expecting a similar margin in the second half.

Dr. Sharvil: Yes.

Bino: Thank you.

Operator: Thank you. The next question is from Kunal Dhamesha.

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Kunal Dhamesha: Thank you for the follow-up. Dr. Sharvil, regarding the specialty revenue contribution for our US business, on a sequential basis, is the jump primarily due to Rolvedon? Is that a fair assumption?

Dr. Sharvil: Yes, the major jump is from Rolvedon and also from better traction at Sentinel.

Kunal Dhamesha: Regarding Rolvedon's contribution, should it be stable across quarters? I assume there is no seasonality.

Dr. Sharvil: Sorry, what should it be? I am sorry.

Kunal Dhamesha: Should it be stable across quarters, or is there some seasonality?

Dr. Sharvil: Yes, I think it should be stable for the next couple of quarters. Then perhaps in 6 to 8 quarters we will see another increase.

Kunal Dhamesha: Sure. My second question is on balance-sheet leverage. Our net debt-to-EBITDA is around 0.6 times. What is the strategy there? Would we focus on deleveraging, or are we comfortable with where we are in terms of leverage?

Dr. Sharvil: Whatever cash we generate, we will use it to pay down our debt, and it has come down versus the last quarter. Net debt has come down from {? 5,900 crores ?} to 5,200 crores. That will obviously continue if we continue to generate cash. However, as I said, there is also an uptick in the capex cycle as well as in all the investments. We are building for future growth, and I think that is very critical for us over the next 5 years. We have always said that we are comfortable with net debt-to-EBITDA of up to 1 time, and that is what we are guiding.

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

Dr. Sharvil: Thank you.

Operator: Thank you. The next question is from Sayan Mukherjee.

Sayan Mukherjee: Thank you for the follow-up. Dr. Sharvil, Zydus has invested significantly over the last 3 years. There has been a step-up across various businesses. Do you have an appetite for large acquisitions at this stage, or would you like to consolidate the business before making the next move? How should we think about inorganic appetite at this point in time?

Dr. Sharvil: What we have seen success with, and what we are continuing to see success with, is mostly bolt-on acquisitions. We did one on the platform side for MedTech, but beyond that, we are only looking to do bolt-on acquisitions that can help us with access or with a new portfolio. That is our strategy for now.

Sayan Mukherjee: You are still looking at more deals, but is there an appetite to undertake large acquisitions? The last 3 years have been particularly active in terms of inorganic moves.

Dr. Sharvil: We do see a lot of deals. As I said, we are looking at portfolios, products, licensing, and portfolio buyouts. We will continue to focus more on the specialty or differentiated side. We are seeing a lot of opportunities, but not any big-ticket item.

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Sayan Mukherjee: Regarding Saro again, you mentioned that you would eventually like to achieve a 20% patient share. In terms of ramp-up, if we think about FY28 and FY29, can you provide any color on how this ramp-up would look? Will we see meaningful revenue in FY28, or do we need to wait at least 1 year to see revenues coming in? I am asking about the trajectory.

Dr. Sharvil: FY28 will not have any meaningful revenue. We will mostly be starting from FY29, but more realistically from FY30.

Sayan Mukherjee: So are you looking at a 20% share by FY30, or what kind of share are you looking at by FY30?

Dr. Sharvil: No, by FY30 we are not looking at 20%. We are looking at a 10% to 12% share only.

Sayan Mukherjee: Understood.

Dr. Sharvil: Our IP runs longer, and by 2033-34 we would have definitely peaked or gained a significant share. That share would then continue until expiry.

Sayan Mukherjee: In terms of large opportunities, you mentioned a few, such as Ibrance and possibly Keytruda. Are there any other big opportunities that you can discuss for FY28 or FY29, either in the US or outside the US, such as vaccines or any large tender wins that we should keep in mind?

Dr. Sharvil: In the US, you will still see some more opportunities. We have many first-to-file and exclusive filings, so depending on IP, litigation, and our launch, we can discuss them once they become more realistic. This includes some 505(b)(2) products that could be early launches, such as the early Sita launch.

Beyond that, vaccines are a significant upswing opportunity for us. We have seen a significant uptick in vaccines. We have started seeing our registrations with the WHO and prequalifications, and we believe that in the future, Rabies, TCV, and MR tenders that are getting closer to prequalification should provide significant upside over the next 2 to 3 years.

Management: ...once published, we should get a decent share of that. So we would see a meaningful upswing from where we are today. In the next 3 to 4 years, we will definitely double our business from the current annualized {? 400-450 crores ?}.

Sayan Mukherjee: Thank you. Do you expect to see a similar opportunity on the biosimilar side as well?

Management: Nivolumab has been a great success. We have many opportunities like this every year in India to launch, so we would see that momentum continuing as well.

Sayan Mukherjee: Would biosimilars be largely India-led, or when you talk about them—

Management: Currently, they are India-led, but now we also have the US. We have Russia, where we used to have a small presence, Mexico, South Asia, and now some Latin American countries are coming up. From FY28 onwards, you would also see global biosimilar revenues.

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Sayan Mukherjee: So this is a non-US emerging-markets piece?

Management: Emerging markets and the US.

Sayan Mukherjee: Emerging markets and the US. How large is the total biosimilar business today, if you can share?

Management: In India, we have obviously crossed 1,000 crores.

Sayan Mukherjee: Outside India, there would not be much at this point, right?

Management: Yes.

Sayan Mukherjee: Over the next 3 years or so, as you mentioned, do you expect similar revenue from emerging markets, meaning ex-India?

Management: Over the next 3 to 4 years, Pembrolizumab will obviously be a major factor. I am not considering Pembrolizumab because that is a very large opportunity. Excluding Pembrolizumab, this business, together with Semaglutide, will add meaningfully to our revenues outside India and the US.

Sayan Mukherjee: Okay. Thank you so much.

Operator: Thank you. We will wait for a minute for the queue to assemble. Anyone who wishes to ask a question, please raise your hand from the participant tab on the screen. The next question is from Rashmi Shetty.

Rashmi Shetty: Thanks for the opportunity. Sir, is it fair to assume that in FY28, Saro expenses will go up, and that as we are also expanding our MedTech and Comfort Click businesses, they will be completely integrated? Do you feel that maintaining the 24% EBITDA margin at that level will be somewhat challenging, also due to the inflationary scenario? Or do you feel that the other branded businesses will be able to absorb it?

Management: We have only provided guidance through FY27. We have not given guidance for FY28 yet. Perhaps in the fourth quarter, we can discuss the next year. However, as I said, all our businesses are delivering strong growth, so we are confident that we will continue to do well.

Rashmi Shetty: Sir, are the 2 products, Palbociclib and Ribociclib, FY28 launches?

Management: Palbociclib is in FY28. [pause] I do not know which was the other one you mentioned.

Rashmi Shetty: Ribociclib, or something similar.

Management: I do not think so. Riociguat has already been launched. I do not know which one you are referring to. We do not have Ribociclib.

Rashmi Shetty: Okay, okay. So only Palbociclib will be there. Will this product be in a low-competition market for you, or will you have exclusivity?

Management: Exclusivity.

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Rashmi Shetty: It would be 6 months of exclusivity, right?

Management: Yes.

Rashmi Shetty: Regarding the US business, this quarter we have done around {? 347-350 million dollars ?}. Even if you exclude specialty sales, there is a good quarter-on-quarter delta. We have already taken the entire erosion that is coming from {? Mira background ?}. Is the delta in the base business due to new launches, or have you seen some market share expansion in the existing products?

Management: It has been a mix of both. The base business has also continued to grow quarter-on-quarter. The new products are also contributing through the launches that have occurred. Both of these have led to better growth in the non-specialty business as well.

Rashmi Shetty: Is this likely to sustain in the subsequent quarters as well?

Management: Yes, at least for the next 2 quarters.

Rashmi Shetty: Okay. Got it, sir. Thank you so much.

Operator: As there are no further questions, we will close the call. Thank you very much to the Zydus management team. Ladies and gentlemen, on behalf of Zydus Lifesciences, that concludes today's conference call. Thank you for joining us. You may now disconnect your line and exit the webinar. Thank you.

Note: {? ... ?} indicates a figure or name where audio clarity was insufficient for confident transcription. Verify against the source audio or the company's published filings.

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