

# Cipla

**Operator:** Ladies and gentlemen, good day and welcome to Cipla Ltd. Q2 FY27 earnings conference call. As a reminder, all participant lines will be in listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal the operator by pressing star and then zero on your touchtone phone. Please note that this conference is being recorded.

We have with us in today's conference Mr. Achin Gupta, MD and Global CEO; Mr. Dinesh Jain, Global CFO; and Ms. Diksha Maheshwari, Head of Investor Relations. I now hand the conference over to Ms. Diksha Maheshwari. Thank you, and over to you, ma'am.

**Diksha Maheshwari – Head Investor Relations:** Thank you, Shaurya. Good afternoon and a very warm welcome to Cipla's Q2 FY27 earnings call. I'm Diksha Maheshwari from the Investor Relations team at Cipla.

Let me draw your attention to the fact that on this call, our discussion will include certain forward-looking statements, which are predictions, projections, or other estimates about future events. These estimates reflect management's current expectations of the future performance of the company. Please note that these estimates involve several risks and uncertainties that could cause our actual results to differ materially from what is expressed or implied. Cipla does not undertake any obligation to publicly update any forward-looking statements, whether as a result of new confirmations, future events, or otherwise.

I hope you have received the investor presentations that we have posted on our website. I would like to request Achin to take over.

**Achin Gupta – MD and Global CEO:** Thank you, Diksha. Good afternoon to all of you, and we appreciate you joining our Q2 FY27 earnings call.

We are pleased to report revenue of INR 7,404 crore, with steady sequential growth of 4% Q-o-Q. This was supported by broad-based performance across our key businesses. One India recorded its highest-ever quarterly revenue, while our global portfolio continued to demonstrate resilience amid a dynamic operating environment. We continue to invest in the pipeline, and we received key approvals, including our first DPI approval for generic Advair in the US. In line with our objective of strengthening the biosimilar pipeline, we partnered with Qilu for pembrolizumab in North America, and we initiated clinical development for one more respiratory biosimilar asset from our own pipeline. Together, these developments reinforce our confidence in the long-term opportunities across our markets and portfolios.

Coming to business-wise performance, One India delivered 12% Y-o-Y growth, sustaining its track record of consistent double-digit growth over the last few quarters, driven by strong execution across key therapies and the resilience of our franchise in the IPM. In our branded prescription business, we continue to outperform the market, delivering 15% growth, which was led by the chronic portfolio. As per IQVIA YTD September '26, our key chronic therapies continue to grow ahead of their respective markets, with respiratory growing 11%; anti-diabetics growing 50%, including GLP; urology growing 11%; and dermatology growing 16%. This was underpinned by strong brand equity, robust volume growth, effective field execution, and sustained momentum from new

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## Cipla

product introductions. Our overall chronic mix stood at 60.3% as per IQVIA MAT September '26.

Our launch momentum remained strong. During the quarter, we strengthened our portfolio through targeted launches across key therapies, including Trevis-Mart in respiratory, Galvus DM and SR in anti-diabetics, Daitori in cardiovascular, and Rizont-M in anti-infectives. These launches collectively underscore our focus on deepening our presence in priority therapy areas and further add to the breadth and competitiveness of our portfolio as we continue to lead the IPM in terms of volume share.

We also entered into an exclusive licensing agreement with CTTQ, a Sino Biopharm group company, for an asset, a novel HER2 bispecific antibody-drug conjugate. This partnership further strengthens our innovative oncology portfolio and expands our presence in next-generation targeted cancer therapies.

Our trade generics business delivered strong double-digit Q-o-Q growth. Expanding the portfolio remains a key growth driver here, with 15-plus new launches this quarter.

Our consumer health business continued its upward trajectory, with Nicotex, Omnigel, and Cipladine consolidating their leadership positions in their segments. The business is driving healthy secondary growth and actively exploring opportunities to invest in products and channels to further expand distribution. Operating profitability improved, reflecting the strength and scalability of our consumer health strategy.

Coming to North America, we delivered quarterly revenue of \$172 million in Q2, which represents a \$10 million improvement versus the previous quarter. We remain confident of furthering this momentum through the remainder of this year, supported by our launch pipeline and the scale-up of these new assets. Cipla continues to hold the number one position in the overall US albuterol MDI market this quarter as well, with a market share of 22% as per IQVIA data for the last week of September '26. So far this year, we have secured approvals for two key respiratory products, with generic Ventolin approved in Q1 and generic Advair approved in Q2. Notably, generic Advair approval marks our first DPI approval from our US-based manufacturing network, further validating our differentiated respiratory capabilities and reinforcing our commitment to complex respiratory therapies.

Another important strategic milestone during the quarter was our exclusive partnership with Qilu Pharmaceuticals for the US commercialization of a biosimilar to Keytruda, pembrolizumab. Looking ahead, we remain focused on enhancing the performance of our North America business through a combination of new product launches and disciplined commercial execution.

A quick update on our pipeline: our pipeline for this financial year includes three additional significant launches for the US, which is in line with our previous guidance. This includes two more respiratory assets and one key peptide opportunity. Additionally, we have four biosimilar programs under development for global markets, which continue to advance steadily through key development milestones. Alongside these efforts, we remain focused on strengthening our R&D capabilities, particularly for the US market. We are progressing well on organic pipeline development, with approximately 45-50 filings planned over the next 3 years.

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# Cipla

In the South Africa private market, we achieved strong secondary growth of 6.5%, which outperformed the market growth of 5% as per IQVIA MAT August '26. The One Africa business continued to strengthen its position through solid performance in key therapies and successful new launches, reinforcing our presence across diverse markets.

In EM&U, we delivered revenue of \$101 million during the quarter. While the business operated in a challenging geopolitical environment and there were certain market-specific headwinds, we demonstrated resilience through strong execution and cost discipline across both DTM and B2B segments.

A word on the regulatory front: we continue to make steady progress across our global manufacturing network. During the last quarter, the US FDA classified the inspection at our InvaGen Unit 3 facility in New York as Voluntary Action Indicated, or VAI. During the current month, the US FDA conducted a routine GMP inspection at our InvaGen manufacturing facility in Long Island, New York, which concluded with zero Form 483 observations. As you are aware, the US FDA also conducted a follow-up GMP inspection at our Pithampur facility in India in the previous quarter and issued 7 observations in Form 483. We continue to engage constructively with the US FDA and remain committed to maintaining the highest standards of quality and compliance across our network.

Overall, we continue to focus on sustained growth in our core businesses, improving productivity, and strengthening our pipeline in order to serve patients with trusted, high-quality medicines. Now, I would like to invite Dinesh to present the financial and operational performance. Dinesh, over to you.

**Dinesh Jain – Global CFO:** Thank you, Achin. Now, I would like to present the key financial highlights for the quarter.

We reported quarterly revenue of INR 7,404 crores, with sequential growth of 4% quarter-on-quarter. The EBITDA margin, excluding other income, stood at 18.7% for the quarter, reflecting a sequential improvement of 200 basis points. This performance is in line with the guidance of sequential margin expansion, and we remain confident of continuing this trajectory over the remainder of the year. The reported gross margin, after material costs, stood at 64.4%, up 7% quarter-on-quarter, supported largely by an improved product mix. Total expenses for the quarter stood at INR 3,382 crores, reflecting an increase of 4% quarter-on-quarter. This increase reflects our planned investment in upcoming product launches and enhanced manufacturing readiness. We remain [cut off]

**Management:** and focused on innovation and future readiness. R&D investments for the quarter were INR 423 crores, or 5.7% of revenue, directed largely towards global filings and key development programs. We continue to guide for full-year R&D expenses in the range of 6% to 7% of revenue. Profit after tax for the quarter stood at INR 878 crores, representing 11.9% of sales, with a sequential improvement of 77 basis points. The ETR for the quarter stood at 27.2%.

Now, coming to our free cash generation and operating efficiency, these continue to drive a healthy net cash position. As of September 30, the debt on our balance sheet, including lease liabilities, stood at INR 699 crores, with a net cash equivalent balance of INR 9,823 crores.

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# Cipla

Looking ahead, our key priorities will include the following. For One India, the aim is to focus on execution to sustain the growth momentum and outperform the market in the branded prescription, trade generics, and consumer businesses. We will further strengthen our presence in chronic therapies while maintaining robust territorial leadership in respiratory.

In North America, we will remain focused on driving growth through new product introductions, including the key launches. We continue to maintain the guidance to exit this fiscal year with a \$1 billion annualized revenue run rate.

In South Africa, our focus will be on continuing to grow faster than the market in the private sector. In emerging markets and Europe, the top priority is to drive top-line growth while maintaining a strong margin trajectory.

I would like to thank you for your attention, and we request the moderator to open the session for questions and answers.

**Operator:** Thank you very much. We will now begin the question-and-answer session. Anyone who wishes to ask a question may press star and 1 on their touchtone telephone. If you wish to remove yourself from the question queue, you may press star and 2. Participants are requested to use handsets while asking a question. Ladies and gentlemen, we will wait for a moment while the question queue assembles.

The first question is from the line of Surya Narayan Patra from PhillipCapital India Private Limited. Please go ahead.

**Surya Narayan Patra – PhillipCapital India Private Limited:** Thank you for the opportunity, sir. Sir, for the second half, you have reiterated in the opening remarks your target of exiting the year with a US revenue run rate of around \$1 billion. It is relatively close now. If you can give some sense or colour on what is bridging the gap from the current \$170 million-plus level to the \$250 million level, that would be helpful, sir.

**Operator:** Sorry to interrupt, sir.

**Surya Narayan Patra – PhillipCapital India Private Limited:** Yes.

**Operator:** Sir, could you keep a little distance from your device?

**Surya Narayan Patra – PhillipCapital India Private Limited:** Sure. Okay. Is it fine?

**Operator:** Okay. Yes, please go ahead.

**Surya Narayan Patra – PhillipCapital India Private Limited:** Yes. In the opening remark, you pointed out your target of exiting the year with a US revenue run rate of around \$1 billion. What is bridging the gap from the current \$170 million-plus level to the \$250 million level? That would be helpful, sir.

**Management:** Yes, sure. We had guided to a sequential improvement this year, and we had mentioned that there are 4 big respiratory product approvals and 1 big peptide approval that we are expecting this year. Our revenue guidance is a function of the upswing that will come from these launches as we get the approvals and as we scale up these products to gain greater share in the

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# Cipla

market. We have different pathways to get there, and therefore, we are maintaining the same guidance at this point in time.

**Surya Narayan Patra – PhillipCapital India Private Limited:** Sir, just one clarification here: are we in any manner thinking about the resumption of Lanreotide, or even the progression of Ventolin, as 2 incremental components to achieve this timeline and revenue number?

**Management:** Regarding the 2 products that you mentioned, Ventolin will be a big driver for us as we progress through the year and as the product scales up. Ventolin will be a big contributor. We do not anticipate Lanreotide being back during this financial year. We are pursuing 2 parallel paths. One is to work with Pharmathen on their remediation and represent the matter back to the FDA to resume supplies of Lanreotide from there. The second is a new site in North America, which we are working on to file Lanreotide. However, neither of these is included in our exit run rate guidance of \$1 billion as far as Lanreotide is concerned.

**Surya Narayan Patra – PhillipCapital India Private Limited:** Sure. My second question is about the domestic business. It seems that the GLP-1 portfolio, largely led by {? Yugrpic ?}, is currently about 10% of your domestic sales. This could be because of the first-year penetration that we are seeing in GLP-1 products in India. Is there any sense of what the growth in this GLP-1 portfolio could be, or is there possible growth that one should consider for the next year? The adherence to the product or therapy among the patient population may not be as strong as it currently appears. Also, if you can include your Semaglutide launch timeline, what growth are you expecting from this GLP-1 portfolio next year?

**Management:** We are seeing very good adoption of GLP-1 as a therapy, particularly Tirzepatide as a molecule in which Cipla is participating. We are seeing month-on-month growth rates of somewhere between 5% and 10%. We expect that trajectory to continue. {? Yugrpic ?} has become the second-largest brand in the GLP rankings. We do not expect any saturation on this front. We expect steady growth in the months to come.

**Surya Narayan Patra – PhillipCapital India Private Limited:** Okay. Just one more point, sir. Regarding the trade margin cap that we have seen on the oncology portfolio, currently the supply and the price point of the suppliers are not being impacted. Is this likely to create competition among the suppliers?

**Management:** I think this discussion is still ongoing. The one thing that the government had announced was a margin cap on high-price oncology products, which will benefit patients, and we do not believe it will have any significant impact on our business. Regarding anything else that comes out through these discussions and rulings, we will have to wait and see what the directive is before we can comment on the impact.

**Surya Narayan Patra – PhillipCapital India Private Limited:** Sure, sir. Thank you. I wish you all the best.

**Management:** Thank you.

# Cipla

**Operator:** Thank you. The next question is from the line of Tushar Manudhane from Motilal Oswal Financial Services Limited. Please go ahead.

**Tushar Manudhane – Motilal Oswal Financial Services Limited:** Thank you for the opportunity. Sir, regarding generic Advair, has this product been launched?

**Management:** Tushar, this is getting launched in Q3. You will see Q3 and Q4 revenues building up.

**Tushar Manudhane – Motilal Oswal Financial Services Limited:** We received approval in July. Could you explain whether this is a normal timeline for launching the product, or is the product taking a little longer to launch?

**Management:** As we had explained last time, we have put up a new plant in the US. This is actually the first DPI to come out of that facility. Therefore, you are right; normally we expect to launch immediately upon approval, but it has taken a couple of months longer.

**Tushar Manudhane – Motilal Oswal Financial Services Limited:** Got it. Secondly, with respect to investments in biosimilars, first, how much would the overall investment in the biosimilars space have been for Cipla? Secondly, regarding the second biosimilar agreement, if you could share the clinical development status of the product from {? Cleas ?} Pharma?

**Management:** On biosimilars, our investment is in 4 assets that are currently under development. All of these assets are part of the R&D expenditure that we report. I think it is subsumed within that, and we are guiding towards R&D expenditure of 6% to 7% on an ongoing basis, so it will be part of that.

Regarding the pembrolizumab biosimilar that we have recently licensed for North America, we expect it to be among the first wave of launches and therefore to make a very significant contribution to our North America business once it reaches the market.

**Tushar Manudhane – Motilal Oswal Financial Services Limited:** Got it, sir. Thank you. That's it from my side.

**Management:** Thank you.

**Operator:** Thank you. The next question is from the line of Dr. Kunal Dhamesha from Macquarie Capital Limited. Please go ahead.

**Dr. Kunal Dhamesha – Macquarie Capital Limited:** Thank you for the opportunity. The first question is on the US business. Could you provide some details on the US ramp-up that we are expecting in the second half, from the \$172 million exit rate to a \$1 billion exit rate? If I split this ramp-up between existing products and new products that are yet to receive approval, how should we think about that?

**Management:** The ramp-up is a function of new launches this year, which includes Ventolin, which was already approved, and Advair, which was approved in Q2. The ramp-up of these 2 products will make a significant contribution. Then we have 3 big opportunities—2 respiratory products and 1 peptide opportunity—which will also help in this transition. As I said, we have multiple pathways to

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# Cipla

get to that exit run rate, and we are working towards delivering that kind of exit run rate.

**Dr. Kunal Dhamesha – Macquarie Capital Limited:** I understand that. I just want to know, of the \$80 million ramp-up that we are expecting, what proportion could potentially come from the products for which we have already received approval or which have already been launched, and what proportion would come from the 3 approvals that we are waiting for?

**Management:** It is a little difficult for us to give product-wise guidance, but as I said, Ventolin will be a big part of this, Advair will contribute significantly, and some of the new products that we are discussing are also very significant drivers. We have different ways of reaching that exit run rate, but each of these individually is a very large opportunity for us, and that is how we are looking at delivering the growth rate that we are discussing.

**Dr. Kunal Dhamesha – Macquarie Capital Limited:** Regarding Ventolin, we launched this product in Q1, and we also have CGT. What is leading to the ramp-up being delayed to H2 for us? Are these contracts that we are waiting for in terms of renewals, or are supplies from our side ramping up? How should we think about this?

**Management:** These are from our North America manufacturing site, which is a new facility. Therefore, it is a function of the supply ramp-up that is happening, and as we are able to fully ramp up, you will see significant growth in the remaining part of this year.

**Dr. Kunal Dhamesha – Macquarie Capital Limited:** And it would not largely be a function of the usual respiratory uptick that we see in the US business during winter, correct? That is not a big part of our calculation, is it?

**Management:** No. If you look at a crowded albuterol market, on the other Proventil generics, we are holding a very healthy 22% leading market share. From a commercial share perspective, we are very confident, and we have all the right relationships to get to that share. However, we need to ramp up supplies.

**Dr. Kunal Dhamesha – Macquarie Capital Limited:** Without disclosing the supply numbers, let us say that you are manufacturing a certain quantity. Where do you think that quantity could be—2 times, 3 times, or 4 times—by the second half?

**Management:** This is approximately a 24 million-unit market. We can get to a much higher share of that market compared to Proventil, given that we are the only generic in this market. It is probably not 2, 3, or 4 times. It will be an exponential increase from where we are.

**Dr. Kunal Dhamesha – Macquarie Capital Limited:** Sure. Thank you. One last question on the trade generics business. We have said that there was strong double-digit sequential growth in Q2. Could you provide how the business performed on a year-on-year basis, and also discuss the disruption that—

**Dr. Kunal Dhamesha – Macquarie Capital Limited:** —we had in Q1? Would you say Q2 is more of a normalized run rate, or is it in Q3 that we would get a normalized quarterly run rate in that business?

# Cipla

**Achin:** On the trade generics front, it had good growth from last quarter to this quarter. However, if you compare it year-on-year, this is mid-single-digit growth, and that is a function of some seasonality and also some cost-related factors that have come in. We expect steady growth in this business, as we have delivered in past years. There is no change in the thesis on trade generics, which has been a very steady performer for us over the years.

**Dr. Kunal Dhamesha – Macquarie Capital Limited:** Sure. Thank you, and all the best.

**Achin:** Thank you.

**Operator:** Thank you. The next question is from the line of Damayanti Kerai from HSBC Bank. Please go ahead.

**Damayanti Kerai – HSBC Bank:** Good evening, and thank you for the opportunity. First, as you retain your guidance for the US exit run rate, do you also retain the guidance for EBITDA margin that you indicated earlier, in the range of 18.5% to 20%?

**Dinesh:** Damayanti, we are maintaining both guidances: the US exit run rate of \$1 billion and the full-year EBITDA guidance of 18.5% to 20%. We are not changing the guidance.

**Damayanti Kerai – HSBC Bank:** Thank you for that clarification. My first question is on the awaited launches for the US. As you indicated, 3 significant launches are still remaining for the second half. My question is specific to the peptide opportunity and the Symbicort respiratory inhaler. In your observation, how far are you from final approval, and how confident are you about launching these products so that they can contribute towards the second-half ramp-up?

**Achin:** Damayanti, Achin here. We are confident about the approval. We are getting closer to launch, but the exact timeline is more a function of how the FDA reviews these files. We are confident about the approval.

**Damayanti Kerai – HSBC Bank:** Is it safe to assume that you have goal dates for both products in the coming months, when we will hear back from the FDA?

**Achin:** Yes, that's right.

**Damayanti Kerai – HSBC Bank:** My second question is on the Ventolin opportunity, which you have launched and which is in the ramp-up phase. When I look at the market share gain so far, it is still in the single digits, while you are indicating a significant ramp-up in the second half. Is it simply a matter of ramping up supply from your end? Do we have enough visibility on market demand and your penetration within the channels to make it a successful launch?

**Achin:** Yes, exactly. We are dealing with the same set of customers, and we have very strong relationships across the rest of our portfolio, including another very similar inhaler. We are therefore very confident about our commercial strategy, and our teams are in touch with the customers. That should not be a problem.

**Damayanti Kerai – HSBC Bank:** My last question is on the Pithampur FDA observation. This plant has been undergoing upgrades and improvements for quite some time. What actually led to 7

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# Cipla

observations? That seems below expectations. How do you view the situation?

**Achin:** We had received an OAI on this facility approximately 3.5 years ago, and that is the normal time it takes for the FDA to revisit. This time, as we had shared previously, we did not have any repeats and we did not have any DI. We are working on resolving these, and we remain committed to getting the facility out of OAI status.

**Damayanti Kerai – HSBC Bank:** You have undertaken risk mitigation for most of your key approvals in the near to medium term. Is it safe to assume, as you indicated earlier, that you will do dual-site filings, and so on?

**Achin:** Yes. If you see, all the new approvals have been mitigated. They are coming from US sites or Goa. Also, if you look at the last several US FDA audits we have had, we have been coming out with VAIs and good responses. The team is working on it, and we do not see any downsides at this point from the Indore audit. If the site gets converted to VAI, it will open up further opportunities for us going forward.

**Damayanti Kerai – HSBC Bank:** That's helpful. Thank you, Achin. All the best.

**Achin:** Thank you.

**Operator:** Thank you. The next question is from the line of Neha Manpuria from Bank of America. Please go ahead.

**Neha Manpuria – Bank of America:** Thank you for taking my questions. Achin, just to clarify, regarding the 2 respiratory approvals and the peptide approval, did I hear correctly that we expect the goal dates for these products to be in Q3, or would this be more Q4-weighted?

**Achin:** Neha, we expect these to be approved in this financial year. That is part of what we have guided. The exact dates are not 100% in our control, so we will announce them as soon as they are approved.

**Neha Manpuria – Bank of America:** Understood. My second question is regarding the respiratory launches. Once we receive approval, is it fair to assume that the time to ramp up probably would not be as long as what we have taken for Advair and Ventolin? Are these also from the US facility, or are they filed from our India facility? I think one of them is third-party, correct?

**Achin:** One of these partnered assets is from the Goa facility, which has been manufacturing MDIs for quite some time, so there is no ramp-up involved there. The other one is from the US facility.

**Neha Manpuria – Bank of America:** Understood. Would the ramp-up for that product also be more gradual, as we have seen for Ventolin and Advair?

**Achin:** No. Some of this was a function of all the remediation that we have done in the last 3 to 4 years, and Ventolin and Advair were the first launches from these units. However, the team is now in place and has the experience of working on these products, so we do not expect similar challenges on future launches.

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**Neha Manpuria – Bank of America:** Understood. My second question, Dinesh, is on other expenses in the quarter. There seems to have been a very sharp quarter-on-quarter jump. I wanted to get a sense of whether there was any one-off in that number in the second quarter.

**Dinesh:** Neha, there is no one-off per se. If you look at it sequentially, our normal Q2 expense base is always higher than Q1. As we have guided earlier, as Achin mentioned just now, our launches will ramp up subsequently, but our investments in them have already happened. I think that is one factor at play here.

**Neha Manpuria – Bank of America:** Okay, understood. My last question: would the full-year tax rate be closer to the 25% level or to the 27% that we reported in the first half?

**Dinesh:** It will be in the range of 27% to 27.5%, Neha.

**Neha Manpuria – Bank of America:** All right. Thank you so much.

**Operator:** Thank you. The next question is from the line of Bino Pathiparampil from Elara Capital Private Limited. Please go ahead.

**Bino Pathiparampil – Elara Capital Private Limited:** Good afternoon. I have a couple of questions. First, to follow up on Keytruda, you said you hope to be in the first wave of launches. Could you also provide a timeline? I believe the patent expiry is around calendar year 2029. Is that your target entry time?

**Achin:** Yes, that's right. We expect to file it next year, which allows us to be in time for the patent expiry and launch in time for the patent expiry.

**Bino Pathiparampil – Elara Capital Private Limited:** Is the US filing and approval process completely in {? Kelun's ?} hands, or are you involved as well?

**Achin:** We have a lot of expertise in that area, so our teams are going to be involved.

**Bino Pathiparampil – Elara Capital Private Limited:** Got it. One other question: there is this product Dovato, which is dolutegravir and lamivudine, for which it seems that you have a first-to-file. Could you confirm that and also give us a timeline for launch?

**Achin:** Can we get back to you on that? I will have to check the exact status and come back to you. [laughs]

**Bino Pathiparampil – Elara Capital Private Limited:** Okay, sure. To wind up, regarding the respiratory assets you are expecting, is one of them from the Ellipta franchise?

**Achin:** No, that is later. Right now, what we have are MDIs.

**Bino Pathiparampil – Elara Capital Private Limited:** Great. Thank you. I'll jump back into the queue.

**Operator:** Thank you. The next question is from the line of Abdulkader Puranwala from ICICI Securities Private Limited. Please go ahead.

# Cipla

**Abdulkader Puranwala – ICICI Securities Private Limited:** Thank you for the opportunity. I have 2 questions. First, regarding your India business, if I look at your consumer business in Q2 as well as in the first half, there seems to be a slowdown. Can you help us understand whether it is mainly because of the higher base last year or whether there is anything else to read into it? Thank you.

**Achin:** If you look at the brands themselves, all of them have continued to grow and gain market share. Therefore, that leadership is maintained in their categories. We have high single-digit growth, but there were some headwinds in the form of cost and pricing, which we are working on mitigating. We will see good double-digit growth in the consumer business going forward.

**Abdulkader Puranwala – ICICI Securities Private Limited:** Understood. My second question is on margins. This quarter, we have seen a good amount of sequential improvement. For the second half and FY28, when we see the US performing better than where we are today, could you provide some colour on how the margins may shape up?

**Achin:** Right now, what we can say is that we are expecting sequential improvement for the remaining 2 quarters of this financial year. By the start of next year, we will provide guidance for next year. However, we expect margins to improve from where we are now towards the end of the year in order to deliver the 18.5% to 20% that we have guided for the current FY27 itself.

**Abdulkader Puranwala – ICICI Securities Private Limited:** Got it, sir. Thank you.

**Operator:** Thank you. Anyone who wishes to ask a question may press star and 1 on the touchtone telephone.

The next question is from the line of Vivek Agarwal from Citi Group. Please go ahead.

**Vivek Agarwal – Citi Group:** Thank you for the opportunity. I have a small clarification on margins. You are highlighting that you expect quarter-on-quarter improvement in margins in the coming quarters of this year. I am looking at the company's Q4 margins, which generally remain on the lower side because of seasonality. This time, however, you are expecting quarter-on-quarter improvement from Q3 to Q4. Is that the right way to understand it?

**Dinesh:** As we guided earlier, we are expecting a ramp-up in the US business. I think that is going to lead to this sequential improvement.

**Vivek Agarwal – Citi Group:** Thank you. That's all from my side.

**Operator:** Thank you. The next question is from the line of Sayan Mukherjee from Nomura Asset Management Company. Please go ahead.

**Sayan Mukherjee – Nomura Asset Management Company:** Thank you for taking my question. Achin, regarding South Africa, one clarification: you mentioned that growth is almost 30% faster than the market as per secondary data, but the primary data seems to suggest a decline. Is this all related to the accounting changes? Could you discuss the primary growth that you are seeing in that market?

**Sayan Mukherjee – Nomura Asset Management Company:** Could you discuss the market, both for the private market as well as for the tender business?

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**Management:** There are 2 factors. One is the accounting change, which we explained last quarter; the same thing is valid for this quarter as well. It restates the top line slightly while preserving the same EBITDA.

Also, on the tender front, we had lost one of the tenders, which we contested in court, and a favorable ruling has just come out a few days back. Right now, what you are seeing as a dip in the overall reported numbers is also partially on account of the tender business, which we are hoping will correct now that the court ruling is in our favor.

**Sayan Mukherjee – Nomura Asset Management Company:** Also, of your total emerging market business or Europe business, what percentage would currently be tender-driven?

**Management:** It is not that high. [cut off]

**Sayan Mukherjee – Nomura Asset Management Company:** Okay.

**Management:** It is not very high. We will have to quantify it exactly, but we do not play too much in tenders across the world. I think the larger portion will be in the South Africa tender.

**Sayan Mukherjee – Nomura Asset Management Company:** The other question I have is on R&D spending and biosimilars in general. You have 4 products under development. Will you be required to conduct Phase 3 trials here? In that context, I wanted to understand how you see R&D spending increasing over the next 2 years from the current quarterly run rate of 400 to 500 crores.

**Management:** For the US, there is a general acceptance that most products will have a waiver on Phase 3. For the first one that we have, where we are the lead on the product under development, we have had a consultation with the FDA and understand that we would not need Phase 3. We would expect similar trends for the remaining biosimilars as well, so that would not be a challenge. Investments are more focused on product development and running Phase 1 or bioequivalence studies.

**Sayan Mukherjee – Nomura Asset Management Company:** So, do you think your R&D spending will continue to remain at 6% to 7% in the years ahead?

**Management:** This year it is 6% to 7%. It is also a percentage, so as revenue grows, you have more to invest. We will provide more detailed guidance, or if there is any change, we will provide that guidance along with next year's numbers. For this year, we will stay within 6% to 7%, and we are able to support all of these programs.

**Sayan Mukherjee – Nomura Asset Management Company:** Regarding these biosimilar assets, do you have facilities, or are you investing in facilities? Could you provide an update on drug substance and drug product capabilities?

**Management:** We have a joint venture called {? Aspergen ?}. It is a joint venture with an experienced manufacturer called Kemwell. That is the one that we refer to as in-house because Cipla has majority ownership there.

**Sayan Mukherjee – Nomura Asset Management Company:** Do you already have a facility there?

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**Management:** Yes. That joint venture has access to a facility, and it is also scaling up.

**Sayan Mukherjee – Nomura Asset Management Company:** Okay. Thank you.

**Operator:** Thank you. The next question is from the line of Alankar Garude from Kotak Institutional Equities. Please go ahead.

**Alankar Garude – Kotak Institutional Equities:** Thank you for the opportunity. Achin, when you say multiple pathways to achieve the US guidance, can you elaborate on that? Does it mean that you would be able to achieve the guidance even if one of the 3 large pending approvals does not come through in FY27?

**Management:** [pause] Alankar, I think the idea is that through a combination of the ramp-up of existing assets that are already approved and new assets, we have pathways to get to that number. The exact combination of what drives exactly how much is also a function of when we receive these approvals. That is the reason we mentioned that statement. With the visibility we have, we remain confident that we should be able to get there.

**Alankar Garude – Kotak Institutional Equities:** Understood. So, basically, Achin, you have some flexibility to possibly do better on the already approved assets. At the same time, the timing of the new assets remains uncertain, and while you are confident, the exact timing can vary, as you highlighted earlier. From a scenario standpoint, assuming one of the relatively smaller assets out of the 3 gets delayed, can that really make a big difference as far as the guidance is concerned?

**Management:** There are multiple permutations and combinations here. It is hard to answer that particular question, Alankar, but as we said, Ventolin has a lot of potential and is a very big opportunity. That itself covers a lot of the delta between the current level and the exit rate. Then, through some combination of the new products, we remain confident of getting to that exit rate.

**Alankar Garude – Kotak Institutional Equities:** Okay, fair enough.

**Management:** Exact attribution to each product is a little difficult because there are a lot of moving parts.

**Alankar Garude – Kotak Institutional Equities:** Understood, fair enough. The second question is that you had previously spoken about a greater focus on specialty and innovative assets, particularly in developed markets. Can you take us through the thought process here and share any progress on this front?

**Management:** If you look at it, we have called out an increase in the number of products filed for the US market. We are saying that we will be able to complete 45–50 filings for North America in the next 3 years, compared to roughly 10 on average in the past. All of these are complex assets. We do not have plain-vanilla generics in the pipeline.

The second leg is biosimilars, where internally we have 4 assets under development. We have also said that we will add 1 or 2 each year. We will selectively in-license a few—not too many, but a few—such as {? Pembro ?}, to fill the pipeline for the more immediate future.

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Third, we have started looking at markets such as India and other emerging markets where we have a branded presence. We are in-licensing innovative products, such as the deal we announced with {? CTTQ ?} for a breast cancer ADC product, a bispecific ADC. We are interested in those kinds of partnerships in order to further develop the portfolio and take it more towards the differentiated, patent-protected side. Those are the levers that we are working on.

**Alankar Garude – Kotak Institutional Equities:** Just one clarification: are licensing or acquisitions of innovative assets in developed markets part of your strategy?

**Management:** [pause] It is less about innovative assets, but there are certain 505(b)(2) assets that could be of interest to us. That strategy will probably be more in the nature of acquisition than licensing because an acquisition typically comes with some front-end capability and some experience in marketing those products. We are considering those opportunities, and we will continue to strengthen a more differentiated product pipeline as a percentage of our overall portfolio.

**Alankar Garude – Kotak Institutional Equities:** Got it. That helps. That's it from my side. Thank you.

**Management:** Thanks.

**Operator:** Thank you. The next question is from the line of Ashutosh Kumar Jha from Balyasny Asset Management. Please go ahead.

**Ashutosh Kumar Jha – Balyasny Asset Management:** Thank you for taking my question. I wanted to understand one aspect of our overall business structure. Given that US revenues have declined following the Lanreotide supply disruption, is it fair to say that more than 55% to 60% of your current EBITDA comes from the India business at this point?

**Management:** We are not reporting segment-wise profitability numbers. However, the India business remains profitable and is growing well, while much of the R&D expenditure is directed towards developed markets such as the US. Therefore, if there is a swing in revenue in North America, it impacts the EBITDA of North America more than that of India, which has delivered steady double-digit growth over the last several quarters.

**Ashutosh Kumar Jha – Balyasny Asset Management:** Understood. Thank you so much.

**Operator:** Thank you. The next question is from the line of Bharat Shely from Equirus Securities Private Limited. Please go ahead.

**Operator:** Bharat, kindly unmute your line, please.

**Bharat Shely – Equirus Securities Private Limited:** Hi. Thanks for the opportunity, and good evening, everyone. I wanted to understand the 3 assets that we are discussing, particularly from the second-half perspective. Since all these products will take some time to ramp up, are we indicatively talking about these opportunities being approved by the end of Q3?

**Management:** Not really, because we are not anticipating ramp-up issues for these products that are awaiting approval.

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**Bharat Shely – Equirus Securities Private Limited:** Regarding Symbicort as well as the peptide opportunity that we keep referring to, have we ever received any CRLs for these products before?

**Management:** We are normally not able to discuss individual product goal dates or CRLs. As we said, we remain confident of receiving the approvals. The exact details on those products are also competition-sensitive, so it would not be prudent to discuss them in too much detail.

**Bharat Shely – Equirus Securities Private Limited:** Regarding Symbicort, have you seen any changes in the dynamics of the opportunity, considering that additional competition has entered the product?

**Management:** Again, our thesis is that respiratory is a complex opportunity, as reflected in the FDA classification as well. There are entry barriers, and therefore it typically remains a market with fewer players. Some products may have a one-player, two-player, or three-player market, but it is typically not a highly competitive commodity generic market. We currently see a lot of opportunity in Symbicort, and if the competitive dynamics do not change dramatically by the time we enter, we are quite confident of generating a significant contribution from the generic Symbicort.

**Bharat Shely – Equirus Securities Private Limited:** Sure. That's helpful. Thanks a lot, and best of luck.

**Operator:** Thank you. The next question is from the line of Shyam Srinivasan from Goldman Sachs. Please go ahead.

**Shyam Srinivasan – Goldman Sachs:** Good evening. Thank you for taking my questions. Looking at the India business prescription growth, with branded prescription growth at 15%, if I leave out the anti-diabetes portfolio, including semaglutide, we have seen slower growth than the market. Am I reading too much into this, given the very diverse portfolio, or is there something to read into this?

**Management:** The line was a little blurred, but are you asking about the growth rate across therapies in the India business?

**Shyam Srinivasan – Goldman Sachs:** Yes. I am saying that if we remove the semaglutide contribution, which one participant said is 10%, from the 15% year-on-year growth, then the growth would be much lower and probably much lower than the industry for the other therapies. I am wondering whether there is something that we should understand or analyze better.

**Management:** The growth is beating the market. Overall, it is 14.6% versus 14.3% for the market on an H1 basis. If you look at respiratory, there is a beat on the market. GLP and other diabetic therapies have also done well, while cardiac and dermatology have also beaten the market. Our numbers have a little more skew towards respiratory, so one may get this impression because respiratory therapy grew more slowly than diabetic, cardiac, and other therapies in the last 2 quarters. So [cut off]

**Management:** We have a market-beating performance across individual segments, and we have been focusing on building a very strong presence in chronic therapies other than respiratory. We have very solid portfolios in cardio, metabolic therapies, obesity, dermatology, and urology. I think these are very strong focus areas for us. We continue to drive market-beating growth in these segments in order to bring greater stability and reduce seasonality in the business.

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**Shyam Srinivasan – Goldman Sachs:** Very helpful. My second question is on your cash balance. You are now running with a very high cash balance in cash and cash equivalents. Is there a different approach or philosophy for deploying this cash, because do we need so much cash on our balance sheet? That is the second question. Thank you, and all the best.

**Management:** [pause] We will look at opportunities to acquire assets. We have been selective about that, as we mentioned earlier. We are looking at complex or differentiated opportunities, which are more likely to be in North America or Europe, primarily. Since we are the number one player in India by volume, we find it more difficult to find non-exclusive, non-overlapping assets in the Indian market. However, we are on the lookout. We evaluate many opportunities; we are simply being selective so that we make the right moves, which will help the business grow over the longer term as well.

**Operator:** Thank you. We take that as the last question from the participants. I now hand the conference over to Ms. Diksha Maheshwari for closing comments.

**Diksha Maheshwari:** Thank you, everyone, for joining us. If you have any further questions, please write to [investor.relations@cipla.com](mailto:investor.relations@cipla.com). Back to the moderator; we can end the call.

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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.