Aishwarya Sitaram – Head of Investor Relations: Welcome to the Q2 FY27 earnings call of Dr. Reddy's Laboratories Ltd. We appreciate your continued interest in our company. I am Aishwarya Sitaram, Head of Investor Relations at Dr. Reddy's. Joining us today are members of the leadership team, Mr. Erez Israeli, our Chief Executive Officer, and Mr. MV Narasimham, whom we call MVN, our Chief Financial Officer.

Our quarterly financial results were published earlier today and are available on our website for your reference. We will start today's call with MVN providing an overview of our financial performance for the quarter. Following that, Erez will share his insights on key business highlights as well as the company's strategic outlook. We will then open the floor for questions.

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

Before we proceed, I would like to call out a few housekeeping points. All participants will be in listen-only mode during the opening remarks. Should you need any technical assistance during the call, please use the chat function on your Zoom application. The chat will not be monitored for questions to management. This session is being recorded, and both the audio and the transcript will be made available on our website.

Please note that this call is the proprietary material of Dr. Reddy's Laboratories Ltd. and may not be rebroadcast or quoted in any media or public forum without prior written consent from the company. With that, let me hand the call over to MVN to present the financial highlights for the quarter. Over to you, MVN.

MV Narasimham – CFO: Thank you, Aishwarya. Greetings, everyone, and thank you for being with us today. It is my pleasure to take you through our financial performance for the second quarter of FY27.

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

All financial figures in this section are translated into US dollars using a convenience translation rate of Rs 95.83, the exchange rate prevailing as of September 30, 2026. Consolidated revenues stood at Rs 8,671 crores, which is US dollars 905 million, a decline of 1.5% year-over-year and growth of 7.4% sequentially.

Strong underlying base business performance across key businesses, except Europe and PSAI, driven by new product launches and favorable forex movements, helped mitigate the impact of lower lenalidomide sales.

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

The reported gross margin for Q2 FY27 was 56.2% for Global Generics and 11.8% for PSAI. SG&A spend was at Rs 2,808 crores, an increase of 6% year-over-year and a decrease of 3% sequentially, accounting for 32% of revenue. The year-over-year increase was primarily driven by higher personnel costs following annual increments, adverse forex movement, as well as elevated freight costs due to supply chain disruptions arising from the Middle East crisis.

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

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

Profit before tax was at Rs 1,228 crores, that is, US dollars 128 million, representing a margin of 14.2%. The effective tax rate for the quarter was at 25.6% compared to 22.2% in the corresponding period last year. The ETR for the quarter was higher primarily due to an adverse jurisdictional mix for the quarter in comparison to the same period in the previous year.

Profit after tax attributable to equity holders of the parent for the quarter stood at Rs 925 crores, which is US dollars 97 million, a margin of 10.7% on revenues. Diluted EPS for the quarter is at Rs 11.1.

Operating working capital as of September 30, 2026 was Rs 14,650 crores, which is US dollars 1.53 billion, an increase of Rs 297 crores over June 30, 2026. Cash capex and cash outflow for the quarter stood at Rs 186 crores, which is US dollars 19 million. Cash flow during the quarter was Rs 171 crores, which is US dollars 18 million.

As of September 30, we have a net cash surplus of Rs 2,502 crores, which is US dollars 261 million. Foreign currency cash flow hedges executed through derivative instruments during the period are US dollars 229 million, hedged using a combination of forwards and risk reversal options scheduled to mature by March 2027. These contracts are hedged at a rate of 93.032 to 95.54 per US dollar.

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

Erez Israeli – CEO: Thank you, MVN. Good day, and thank you for your continued interest in our company. I apologize for my voice; I hope it will stay consistent.

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

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

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

Let me now walk you through some of the key highlights of the quarter. We partnered with Takeda to bring India's first approved dengue vaccine, which we call Qdenga, to the private markets in India in the first half of 2027.

We expanded our collaboration with Gilead Sciences to enable access to investigational once-yearly lenacapavir for HIV prevention in 120 countries. In collaboration with the GARDP Foundation, we secured approval for zoliflodacin, an antibiotic used in gonorrhea treatment, in Thailand within six months of US FDA approval.

We received US FDA approval for a rituximab biosimilar, which will be commercialized in the US through our partner Fresenius Kabi. We launched nivolumab in India, marking our entry into biosimilar immuno-oncology in India. Both rituximab and nivolumab are developed and manufactured in-house.

Generic semaglutide is now approved in 10 countries across Latin America, Africa, the Middle East, as well as, of course, Canada and India. Our CDMO business under Aurigene Pharmaceutical Services generated revenues of over US dollars 100 million in the last 12 months.

We continue to receive global recognition for our commitment to sustainability. FinanceAsia awarded a silver medal in the Best Large-Cap Company in India category in its Asia's Best Companies 2026 awards, reflecting strong endorsement by the Asian investor and analyst community. We improved our CRISIL ESG score to 73 out of 100 from 66, becoming the only pharmaceutical company in the leadership category.

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

Our North America generic business reported revenue of US dollars 264 million for the quarter, accounting for 29% of our overall revenues and reflecting a decline of 29% year-over-year and growth of 12% sequentially. The decline is attributed to lenalidomide sales versus last year. The underlying base business, excluding lenalidomide, continued to deliver strong double-digit growth driven by new product launches.

During the quarter, we launched six new products, including the first-to-market launch of Sugammadex injection. We remain on track to launch additional products, including complex injectables, during the year.

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Our branded franchise, comprising India, emerging markets, and the consumer health business in nicotine replacement therapy, or NRT, together accounted for 53% of our overall revenue and continues to provide a strong foundation for stable margins for the company.

Our emerging market business recorded revenue of Rs 2,059 crores, accounting for 24% of overall revenue and reflecting robust growth of 24% year-over-year and 12% quarter-over-quarter. New product launches across markets, including acquisitions coupled with favorable currency movement, drove growth during the quarter. We introduced 27 new products across countries in Q2 FY27.

Our India business revenues were Rs 1,851 crores, accounting for 21% of overall revenues and consistently delivering robust double-digit year-over-year growth of 17% and sequential growth of 8%. Growth was driven by recent launches, including acquired brands, along with price increases and higher volumes.

According to IQVIA September 2026 data, our IPM rank improved to 8 for the quarter and 9 for the year. We continue to outperform the Indian Pharmaceutical Market, or IPM, with moving quarterly total growth of 21% versus 14.7% for IPM, and moving annual total, or MAT, growth of 19.4% versus 13.2% for the market. Four of our brands feature in the IPM top 50 new launches, and we launched four new brands during the quarter.

Our European business, which includes NRT, posted revenue of 127 million euros for the quarter, accounting for 16% of our overall revenues. Revenues declined 6% year-over-year and 3% sequentially on account of price erosion in generics, partially offset by revenues from new product launches.

Growth was further affected by the continued impact of the operating model changes following NRT integration, as highlighted last quarter. During the quarter, we launched six new generic products across markets.

Our PSAI business reported revenue of US dollars 88 million, accounting for 10% of overall revenues. Revenue declined 19% year-over-year and 3% sequentially, primarily on account of lower API volume uptake. Our CDMO business delivered double-digit growth this quarter. During the quarter, we filed 28 drug master files globally.

We remain committed to improving the health of our business and delivering consistent growth and sustainable margins. As we continue to strengthen our core business, we are also investing in future growth drivers across peptides, biosimilars, consumer health, and innovation.

Our focus remains on progressing key products such as semaglutide and abatacept, driving operational efficiency, and pursuing targeted inorganic opportunities to support long-term growth and shareholder value.

Operator: With that, I invite your questions as we move into the Q&A session. Thank you very much, Erez. We will now begin the question-and-answer session. To join the question queue, please use the raise hand option available on the toolbar at the bottom of your Zoom application. If you wish to exit the question queue, you may click on the lower hand option.

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Participants are requested not to ask more than two questions at a time and to rejoin the queue in case of any incremental queries. I would like to reiterate that the chat will not be monitored for any questions to management. However, in case of any technical concerns, please feel free to use the chat option to reach out to us.

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

Neha Manpuria – Bank of America: Hi, thanks for taking my question. My first question is on sema. I think you mentioned that we are on track to resume sema in early November. Erez, I think you had given us volume guidance last time when we announced the disruption in supplies.

Two questions on sema. First, is the resumption happening with our own API, or is it the same partner that we are using? Second, given what has happened in Canada with the one player which is already there, how confident are we of meeting the guidance that we had given for sema?

Erez Israeli: I am very confident. The confidence is based on orders that we already have. We obviously just need to supply. The main issue was with our ability to scale up the API. This problem is solved, and we shipped all the necessary API to our partner. We still need to have the results of the validation, so this is still pending, but I am confident that it will be successful. Then we are ready to launch.

Most of the quantities will go to Canada, and some of the quantities will go to Latin America, primarily to Latin America and a little to Africa.

Neha Manpuria – Bank of America: Understood. My second question is on the gross margin improvement that we have seen in the quarter. MVN, if you could give us some color in terms of what is driving this gross margin improvement, and is it fair to assume that as sema comes through, this is the bottom in terms of gross margin and gross margin should only improve from here?

MVN: Neha, just as we guided earlier, we want gross margin to be in the range of 50% to 55%. This quarter, we are at 52.1%. The improvement from last quarter to this quarter is a combination of new products and business mix. I think we will be in this zone certainly in the coming quarters as well.

Erez Israeli: Your assumption is correct. Yes, it will only get better from here.

MVN: Yes.

Neha Manpuria – Bank of America: Understood. Thank you so much.

Operator: Thank you, Neha. The next question is from the line of Kunal Amesha from Macquarie. Kunal, please go ahead.

Kunal Amesha – Macquarie: Hi. Thank you for taking my question. The first one is on the cash flow line item for other assets and liabilities. There has been a large change of around Rs 1,370 crores. MVN, could you please help us understand what is driving that?

MVN: This is the one where the SSA claim that we had—the payments have happened this quarter. That is the one change, and then there are other balances due to various operations, but that is the biggest one. If you remember, it was US dollars 50 million that we had provided in Q4 during this

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H1.

Kunal Amesha – Macquarie: Okay, so the cash flow has happened now.

MVN: Yes.

Kunal Amesha – Macquarie: Great, thank you. Continuing on the gross margin front, another way to look at it is that there has been a sequential improvement in US revenue, a meaningful improvement. Would you be able to split that between the new product launches driving it, volume improvement in existing products, or pricing improvement? How should we think of that delta in the US business and the similar driver and approximate split for the gross margin improvement on a quarter-over-quarter basis?

MVN: Certainly, the new products that we have launched, {? Borsataneb ?} and Sugammadex, in the US, compared to our company average gross margins, have margins on the higher side. The nivolumab that we launched and the business mix have also contributed to this margin.

Erez Israeli: Kunal, the main driver is actually the business mix, because the businesses that are relatively highly profitable—India, EM, and NRT—all of them are much more profitable than our average and went to 53%. This is one contribution.

The second is what MVN said: the US is more profitable because of the contribution of the new products. The combination of both gave us that. The last point is that we did not increase expenses. Expenses are essentially flat this quarter. If you grow sales double-digit and do not increase the cost, it obviously leads to this margin improvement.

Kunal Amesha – Macquarie: Sure. Lastly from my side, would we also have seen some drag from the raw material price increase? Given that oil prices are high and chemical prices are also high, how should we look at that cost line item from, let us say, the second-half perspective? Do you think that Q2 is when we have seen most of the increase, or can we see some drag in Q3 and Q4?

MVN: Here, I think this is because of the war. The increases that we have seen are in KSMs, the second one is solvents, and the third is logistics and freight outwards for exporting material from India to all other countries. We have seen the increase on these three fronts, and overall it has had an impact of close to 100 basis points on EBITDA.

We believe that is already part of the gross margins, and we believe this trend will continue for Q3 and Q4 as well.

Erez Israeli: I do not see or anticipate additional growth unless, of course, there are additional geopolitical issues, as much as we can predict. If it stays the way it is now, based on our limited understanding, we are in the same place.

Kunal Amesha – Macquarie: Sure. I have more questions; I will join back the queue. Thank you, and all the best.

MVN: Thank you.

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Operator: Thank you, Kunal. The next question is from the line of Damayanti Kerai from HSBC. Damayanti, please go ahead.

Damayanti Kerai – HSBC: Hi, good evening, everyone. Erez, I have a clarification on semaglutide resumption. You mentioned that you have already started supplying API to your partner, the fill-and-finish partner. However, what remains is the validation. I am not clear on this. I thought validation would be completed and then you would supply to your fill-and-finish partner. Can you help us understand this?

Erez Israeli: Sure. You perform validation because we had to come back and essentially adjust the process for the API. Then you validate the API. When you ship it to our partner, you then need to validate the drug product using that API.

This is a process that takes about three weeks, and so far, give or take, all the activities are on time. That is why it took us until November in the first place. So far, it is on track, but you essentially have validation at each stage of the scale-up of the process.

Damayanti Kerai – HSBC: Sure, that is helpful. Another point on semaglutide is that you mentioned it is approved in around 10 countries. Did you secure more approvals in other markets while trying to resolve the API issue, or will you pursue them after resuming supplies in the existing approved markets? How do you plan this, because you mentioned that you would be targeting launches in more than 70 countries across the world, right?

Erez Israeli: The right number is now 89 markets. All the markets where the process had started continued; we did not stop. The scale-up issue has nothing to do with the regulatory process, and we do not require any amendment to the file or anything like that.

Everything continued, and all the approvals we received were in accordance with the process in each of those respective countries, and this will continue. Some approvals in other markets were delayed because of the scale-up, as we needed to ship samples of the products to them. Those samples will now be sent to those places. We will continue the process for all the other markets as well.

Damayanti Kerai – HSBC: Sure. My second question is on your NRT, the nicotine business. There has been flat performance for the last two quarters, and you mentioned that it was due to a change in the business model. When should we see a recovery in the NRT business?

Erez Israeli: Last year, or last quarter, if you recall, we had to carve it out from Haleon. Haleon used to do it, and we gave them certain margins for handling the business.

The new business model means that now we are selling it either ourselves or through distributors, but the payment to Haleon is no longer there. This normally means lower sales but more profit.

The year-over-year comparison will continue until we finish the year. I think we have two more quarters like this. In general, the business is doing well. It will grow in the same way that you have seen so far, somewhere between high single-digit and possibly even double-digit growth, and profitability is well above the expectations that we had put into the business model. We are very pleased with this.

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Damayanti Kerai – HSBC: Sure. Thank you. I will get back in the queue for more questions.

Operator: Thank you, Damayanti. The next question is from the line of Tauseef Shaikh from BNP Paribas. Tauseef, please go ahead.

Tauseef Shaikh – BNP Paribas: Good evening, and thank you for the opportunity. My first question is on abatacept. While the GOAL date is set for December, is there any incremental update that you would like to share with us, especially regarding the Bachupally plant?

Erez Israeli: Yes. The plant underwent the inspection. We are still waiting for the EIR to come, and the GOAL date is indeed December 22. We are hoping for an approval. It is ultimately with the US FDA.

Tauseef Shaikh – BNP Paribas: That is helpful. On the R&D expense, which seems lower compared to year-over-year and quarter-over-quarter, you mentioned that this was on account of lower spending on Global Generics. How do you see this trend going forward? Should we assume that this is the new base?

MVN: R&D is low this quarter; you are absolutely right. In the coming quarters, we believe our R&D will be in the range of 7% to 8%.

Tauseef Shaikh – BNP Paribas: That is helpful. I will get back in the queue.

Operator: Thank you, Tauseef. The next question is from the line of Madhav Marda from Millennium. Madhav, please go ahead.

Madhav Marda – Millennium: Hi, good evening. Just one question. If I understood the initial remarks correctly, you mentioned one or a few complex injectable launches in the second half of the year. Could you clarify whether you can share some more views on that product? Did I hear correctly that we have some complex injectables lined up in the near term?

Management: [pause] We will talk about it more when we get closer to the end of the year. We do have a few interesting products in our pipeline. We have always spoken about that. We have already completed a number of launches, and we want to continue that momentum.

Erez Israeli: Yes, but I am careful about making promises because I got burned in the past when dealing with the approval of complex generics, and some of you have been with us for many years and remember that. Let us say that we have some exciting products ahead.

Madhav Marda – Millennium: If I remember correctly, in 2022 we held the analyst meet in Bombay, and at that time we shared the names of a few products. Is it from that list itself? You had disclosed four or five products in the pipeline.

Management: [laughs] You will know by the end of the year.

Madhav Marda – Millennium: Fine. But it is a meaningful product for the US market, is that right?

Madhav Marda – Millennium: [trails off] Meaningful product, yes.

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Management: Okay, got it. All right, thank you.

Operator: Thank you, Madhav. The next question is from the line of Forum Parekh from Bank of Baroda Capital. Please go ahead.

Forum Parekh – Bank of Baroda Capital: Thank you for the opportunity. My first question is on the European business excluding NRT. Growth seems to be declining there, probably because of Germany. How should we look at it? NRT is also now flat because of the change in the business model, and excluding NRT, it is also declining, which is taking a toll on the European business. Can we expect it to return to double-digit growth?

Management: It will. First of all, NRT will grow. NRT is growing, and that part will obviously also have a positive impact on the relevant part of Europe.

You are absolutely correct about the performance this quarter. The next quarter should be better. I expect NRT to deliver either high single-digit growth or even double-digit growth, depending on certain scenarios. As for Europe, I expect growth, but it will not be significant growth this year.

Forum Parekh – Bank of Baroda Capital: On excluding NRT, how should we look at growth ramping up?

Management: You mean Europe excluding NRT?

Forum Parekh – Bank of Baroda Capital: Yes.

Management: It should grow, probably at a single-digit rate this year.

Forum Parekh – Bank of Baroda Capital: That is helpful. My second question is on SG&A cost. Here also, the contribution has come in lower at 26% versus the earlier trend of 29%. Would this be the new sustainable number to look at?

Management: Overall, I just want to clarify that our SG&A percentage is 32%. As you know, we have also discussed that the cost productivity initiatives we are undertaking are now becoming visible.

Given the coming quarters, at least during the rest of this year, you may not see significant changes to this number. It is going to remain around this level, with small changes here and there.

I also want to reiterate, taking this opportunity, that we believe the level that we agree on and discuss all the time with all of you is sustainable. We think that the 20%-plus margin, while we are actually aiming for the famous 25% EBITDA margin, will continue, and we are planning to consistently deliver this level.

Forum Parekh – Bank of Baroda Capital: My last question is on the India business. We have performed well, and IPM growth is also moving into double digits and is likely to sustain at current levels for the remainder of the year. Can we expect the current run rate of 17% to be the growth rate for the year?

Management: It is obviously going to remain at a high double-digit level. It may be a little lower or a little higher, but we are in the right neighborhood. We also want our growth to be higher than

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market growth, by a few basis points, I think.

Forum Parekh – Bank of Baroda Capital: That is helpful. Thank you.

Operator: Thank you, Forum. Participants are requested to restrict the number of questions to two to ensure that everyone in the queue gets an opportunity to interact with management. The next question is from the line of Prakhar Nema from BNY Mellon. Prakhar, please go ahead.

Prakhar Nema – BNY Mellon: Firstly, thanks for taking these questions. What is the company's strategy for expanding the biosimilar business through research and development and partnerships? Could you please share some light on this?

Management: We are pursuing both. We are naturally leveraging our Bachupally facilities as well as additional facilities that we will build in the future. Abatacept is going to be the first meaningful product to be launched from our own facilities. Rituximab is obviously one of them. Abatacept is going to be meaningful, and more products will follow.

In parallel, we are talking to partners around the world and trying to license products that are not in our own internal pipelines. We are pursuing this either globally or for specific regions. Both will continue.

Prakhar Nema – BNY Mellon: Perfect, thanks. One more question: what revenue can we expect over the next three to four years?

Management: It depends on the success of abatacept in the coming years, because this is going to be a significant product for that. Abatacept should be in the hundreds, so you should expect hundreds of millions of dollars.

Following abatacept, we also have pembrolizumab and daratumumab, which will come in the next five years.

Prakhar Nema – BNY Mellon: Thank you so much. Thanks for taking my questions.

Operator: Thank you, Prakhar. The next question is from the line of Abdul Kader Puranwala from ICICI Securities. Abdul, please go ahead.

Operator: [pause]

Operator: Abdul, you have been unmuted.

Operator: [pause]

Operator: Let us move on, and then we will come back to you. Abdul, we will come back to you. The next question is from the line of Vishal Manchanda from Systematix. Vishal, please go ahead.

Vishal Manchanda – Systematix: Hi, good evening, and thanks for the opportunity. On rituximab, would it be possible for you to share where we are in terms of market share in Europe?

Management: We have a single-digit market share in Europe.

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Vishal Manchanda – Systematix: Low single-digit or high single-digit?

Management: Low single-digit.

Vishal Manchanda – Systematix: Are there any timelines or guidance as to where we can be perhaps a year or two down the line? Do we have the capacity?

Management: Indeed, we were constrained by capacity. We should be in a better position once we are able to add more qualified capacity for it. At the same time, we are talking about a product with a high level of competition, so I would not expect a significant change because of that.

Vishal Manchanda – Systematix: Your JV entity in China received its first generic approval for a drug called icotinib in July. Is that contribution part of our numbers in the current quarter, or will it come in subsequent quarters?

Management: We are recording our share of the profit. We are not recording the sales; we are recording our share of the profit from that, which is 51%. So it is part of the profit in our share of that entity.

Vishal Manchanda – Systematix: So this would be part of the JV's share of profits?

Management: Correct.

Vishal Manchanda – Systematix: Have we started selling this, and have we now ramped up to our full potential? Are we the only generic here, or have other generics entered?

Management: To the best of my knowledge, we have started. I do not recall the competition.

Vishal Manchanda – Systematix: One final question on abatacept: once we get the approval, how long will it take to get listed on the formularies? Will it be six months, or can we start gaining market share quickly after approval?

Management: As you correctly said, the ramp-up will happen after six months, once we have obtained all the codes and completed all the registrations. However, we can initially sell smaller quantities from day one. So expect the launch upon approval, but the ramp-up will occur after six months.

Vishal Manchanda – Systematix: If I can ask one more question on sema, can you guide us on where generics stand in terms of market share in Canada as of today?

Management: As of today, there is only one generic in Canada. I do not remember its market share. Let us say that the Canadian market will have to get us big.

Vishal Manchanda – Systematix: Got it. Thank you.

Operator: Thank you, Vishal. The next question is from the line of Surya Patra from PhillipCapital. Surya, please go ahead.

Operator: [pause]

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Operator: Surya, you have been unmuted. While Surya joins back in, the next question can be from the line of Dr. Bilopotiparamphil from Elara Capital. Bilo, please go ahead.

Dr. Bilopotiparamphil – Elara Capital: Hi, good evening to all of you, and congratulations on a great set of numbers. A couple of clarifications. I see from the footnotes this Bendamustine deal and some milestones in Russia, which are part of revenue. Where are they included in the revenue breakup? Are they part of US revenue and Russia revenue, respectively?

Management: They are both in the sales line. Bendamustine is in US revenue, and the milestones are in Russia revenue. Am I right? The Russia milestone is part of EM.

Dr. Bilopotiparamphil – Elara Capital: What is this Bendamustine deal about? What was the logic behind transferring or selling the product rights?

Management: Which one? Bendamustine out-licensing. We thought that, overall, we would get better economics through the partner as part of the deal. That is why we gave these rights to the partner.

Dr. Bilopotiparamphil – Elara Capital: In the quarter, I see that finance income is significantly lower versus Rs 290 crores last quarter and is also lower than the similar numbers in previous quarters. This quarter it is only about Rs 90 crores. Is there any reason why finance income is so much lower?

Management: The exposure we have on the balance sheet is in forex, especially due to the movements. As you know, from June to September, the Ruble spot rate showed a significant variance. I think that resulted in this P&L debit in this quarter as compared to Q1.

Dr. Bilopotiparamphil – Elara Capital: Sorry, this quarter is lower compared to Q1?

Management: Yes, yes, yes.

Dr. Bilopotiparamphil – Elara Capital: I am sorry, one last question. What would be the capex for the full year? The first half is much lower than your typical run rate.

Management: Earlier, we guided around Rs 1,800 crores. My view is that it could be a little lower, but I definitely expect around Rs 1,600–1,700 crores.

Dr. Bilopotiparamphil – Elara Capital: Got it. Thank you. I will join back the queue.

Operator: Thank you, Bilo. The next question is from the line of Amlan Das from JP Morgan. Amlan, please go ahead.

Amlan Das – JP Morgan: I wanted one clarification on the abatacept scenario. Apart from the IV indication, we also heard in previous calls that for the subcutaneous indication you expect approval in the US in Q4 FY28 and in non-US markets for both indications in Q1 FY28. Do those timelines remain consistent, or has there been any change?

Management: Consistent. We remain consistent with that.

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Amlan Das – JP Morgan: Thank you. The non-US market is also roughly US$1 billion for the reference drug. How do you expect the ramp-up in the non-US markets for abatacept?

Management: We believe that the European market is very important for this. It will be launched a little after the United States, but we believe Europe is a significant market.

Amlan Das – JP Morgan: For these markets, manufacturing will be done in Bachupally itself, right?

Management: Correct.

Amlan Das – JP Morgan: Thank you. Thanks for the opportunity.

Operator: Thank you, Amlan. The next question is from the line of Dhara Gantra from UTI Pension Fund. Dhara, please go ahead.

Dhara Gantra – UTI Pension Fund: Am I audible?

Operator: Yes, we can hear you.

Dhara Gantra – UTI Pension Fund: Thank you so much for taking my question. I had one question largely from the India market perspective. What we have seen in the last 2 years is that IPM growth has been in the single digits or high single digits. In the last 6 months, or the last 3 months, what we are seeing is that growth has accelerated. [trails off]

Dhara Gantra – UTI Pension Fund: Versus the last 2 years, the growth was more driven by pricing. This time around, there is much more volume growth. Both for Dr. Reddy's and for the industry, what do you think is changing, and what is the outlook for the second half of the year and going forward?

Erez Israeli: One thing that changed significantly is obviously the launch of semaglutide and the GLP-1 products. This is a significant addition in terms of volumes. The second point is that there are more new products, such as innovative products like ours, coming to the market. In general, this is the main contribution.

I believe that if you take GLP-1, you will get either close to single-digit growth or higher growth. I did not do the math, but this is the main contribution, I believe.

Dhara Gantra – UTI Pension Fund: You do not see smaller players vacating the market, a slowdown in trade generics, or anything of that sort driving IPM growth?

Erez Israeli: I do not. At least the way I see it, the main growth for us is in places where there is high demand. For us, it is primarily innovation and branded generics. The products behind which we are investing are doing well. The rest are performing like the market normally does, mostly driven by prices.

Dhara Gantra – UTI Pension Fund: Sure, thank you.

Operator: [pause] We are going to try and see if Abdul can join us now. [pause] Abdul, can you please unmute yourself? [pause] Abdul, you have been unmuted. It looks like there are continued

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technical issues at his end. We will move on. The next question will be from the line of Vivek Agarwal from Citi. Vivek, please go ahead.

Vivek Agarwal – Citi: Thanks, Aishwarya. My question is on abatacept. I am trying to understand what could be a fair market share for your biosimilar in the US once the product is available across the formularies, even one year down the line.

We have seen across many biosimilars that sometimes the market share remains range-bound at around 10%-15%, while some products gain market share as high as around 50%-60%. Based on the opportunity itself, competitive dynamics, and your capacity and capability, what kind of market share would be a fair market share for this product for you?

Erez Israeli: Thank you. At least at the moment, assuming that we receive approval, we are alone. In terms of competitiveness, it is us and the innovator.

It is a medical benefit product in the United States. The sensitivity to price and market share is not as significant as it is in pharmacy benefit, as you know well. I believe that a fair market share can be anywhere from 15% to 25%, depending, of course, on the success of the launch.

We also need to add that once the subcutaneous product comes to the market, it will obviously add to the market share, which will come later. We are talking about February 2028. So, give or take, it is primarily about the sweet spot between market share and prices.

Vivek Agarwal – Citi: Just a clarification: is this 15%-25% for the entire abatacept market, or are you talking only about the IV version?

Erez Israeli: Initially, it will be for the IV version. It could be that there will be some movement on that, but we will start with IV, and the subcutaneous version will come in February 2028.

Vivek Agarwal – Citi: Understood. In terms of confidence in approval, based on your discussions with the FDA, would you like to assign any probability? How comfortable are you based on your discussions with the agency and the type of queries? What are the chances of approval, or is there a possibility of receiving a CRL in December and the approval being delayed by a few months?

Erez Israeli: I have been 33 years in this business [laughs], and I have had my share of scars from these predictions. We feel good about the product, we feel good about the inspection, and we feel good about the correspondence with the US FDA. We want to and are preparing to launch in December.

If you ask me whether there is a chance that we will receive a CRL, there is a chance. I do not want to say that; obviously, none of us wants it, but there is a chance.

Vivek Agarwal – Citi: Understood. The second question is on the US generic business trajectory. On a quarter-over-quarter basis, we have seen improvement, and part of the improvement has also been driven by some products that may face competition in the coming quarters, Q2 and Q3.

I want to understand how we should look at the US or North America numbers on a quarter-over-quarter basis. Is there any possibility of a dip in Q3 or Q4, or can you maintain the

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current trajectory going forward in the second half?

Erez Israeli: For the US, one product we discussed is abatacept. The other is obviously semaglutide, which is not a US product but will be included in North America sales. There are also complex generics that are on paper.

If we have those products, or a combination of them, we will actually grow versus the current state and sustain it. I believe the numbers are sustainable.

Naturally, we have bortezomib. After the six months, that SKU—we have one SKU that has 180—will obviously go down. I do not think it will have a significant impact, so we will be able to absorb it without a problem.

Overall, I am optimistic, but it obviously depends on our ability to be successful with all the products that I mentioned.

Vivek Agarwal – Citi: Understood. Just one last question on margins. The reason I also asked about the sustainability of the US business is that in the coming quarter, you are also indicating that R&D spend is expected to increase. I am wondering, if R&D spend increases, some of these products such as bortezomib decline, and this quarter also had some impact from milestone income, how are you confident that you will be able to maintain margins close to around 20% in the second half?

Erez Israeli: [pause] First, we know our numbers. I am sharing that confidence again: we will reach it, and it will go even higher.

The reason we feel this way is, first of all, the growth that we see in EM, in India, in consumer health, as well as in the United States. Second is the way we control expenses. R&D will indeed be higher, but other expenses will be lower, and we are planning to continue to do that.

It is primarily the mix, the growth, and obviously the continued launch of new products. For me, 20% or 21% is not impressive. We have always said that we want 25%. We are recovering from lenalidomide, and that is where we are going to be.

I said it before as well. Now I think people believe me: we will have 20%-plus, and if we successfully launch semaglutide the way I believe we will, it will be more; it will be 21%-plus.

Vivek Agarwal – Citi: Thanks, Erez. Congratulations on the great set of numbers, and best of luck. Thank you.

Operator: Thank you, Vivek. The next question is from the line of Tushar Manudhane from Motilal Oswal. Tushar, please go ahead.

Tushar Manudhane – Motilal Oswal: Thanks for the opportunity. Just one question from my side. What kind of price erosion have we seen in Sugammadex after launch?

Erez Israeli: I do not recall the price.

Management: Very low price, I think. The initial contract that we signed is continuing.

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Erez Israeli: I think the product launch was probably versus the innovator. I do not remember.

Management: Maybe I can get back to you on this later, Tushar.

Tushar Manudhane – Motilal Oswal: Sure, that is it from my side. Thanks for the opportunity.

Operator: The next question is a follow-up question from Kunal, so the next question is from the line of Dr. Kunal Dhamesha.

Dr. Kunal Dhamesha: Hi. Thanks for the follow-up. Just one question on the abatacept subcutaneous filing. Where are we in that process?

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

Dr. Kunal Dhamesha: February 2027?

Erez Israeli: 2027, if I remember correctly. Yes.

Management {? Ashwari ?}: You will see if I am keeping myself honest. Yes, the February or March range, I think, around April. In that quarter, we are going to submit.

Dr. Kunal Dhamesha: Sure. Another question on the complex generics launch that we are looking forward to in the second half. Are these products dependent on the IP outcome for those launches, or is it more about approval?

Erez Israeli: Approvals. FDA approval.

Dr. Kunal Dhamesha: Are these Paragraph IV filings?

Erez Israeli: It is a launch and approval situation, Kunal.

Dr. Kunal Dhamesha: Lastly, on abatacept, you suggested that the ramp-up will happen a couple of quarters later as we get included in the formulary. When we launch, what kind of infrastructure and commercial infrastructure will we require, especially for the US market, and when do we start building it out?

Erez Israeli: We already started doing this three years ago. The main framework for sales and marketing in North America is already in place. We will hire a couple more sales teams to cover certain geographies. This is still pending, but the lion's share of the team is already there.

Dr. Kunal Dhamesha: So there is not much incremental cost related to that?

Erez Israeli: No, not much.

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

Operator: Thank you, Kunal. The next question [pause] apologies. The next question is from the line of Aman Vij from Astute Investment Management.

Operator: [off-mic discussion] Aman, please go ahead.

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Aman Vij – Astute Investment Management: Good afternoon, team. Am I audible?

Management: Yes, yes.

Aman Vij – Astute Investment Management: My questions are on the semaglutide side. First, given that we expect the validation to be completed by November, where are we in terms of launches in other large markets such as Brazil and Turkey, in terms of approval timelines and launch timelines? Any rough estimate?

Erez Israeli: Brazil will likely be in Q4, at the beginning of Q4. For the rest of the markets, we are going to launch in all the smaller markets either at the end of Q3 or at the beginning of Q4.

These are primarily the timelines from the time we finish validation and start selling batch by batch. Some of it may reach the markets in Q3, and some will come in January. All of it will be in that timeframe: some in December and some in January.

Aman Vij – Astute Investment Management: That helps. The second question is about the guidance of 6–7 million devices this year. What are the latest estimates for the next 1–2 years, FY28 and FY29? Where do you see this number?

Erez Israeli: It obviously depends on the success of the 6–7 million, but as I mentioned in the past, the run rate of 12–15 million pens that we discussed previously is still my estimate.

However, it can fluctuate as we understand the markets better once we receive all the approvals and understand the competition in each market.

Aman Vij – Astute Investment Management: Right. You mentioned this number last time as well. I want to understand whether you are more positive on the number or slightly negative at this point.

Erez Israeli: [pause] I have not changed my view. We need to see the success of the market share that we will take, as well as the success in the market share of our partners. I do not have any additional information. Right now, it is the same as what we discussed in the past.

Aman Vij – Astute Investment Management: Okay, thank you for answering the question.

Operator: Thank you, Aman. In the interest of time, we will take one last question from the line of Shayan Mukherjee from Nomura. Shayan, please go ahead.

Shayan Mukherjee – Nomura: Thanks for taking my question. I have one question on the PSAI segment. Growth has been muted for a while, so how do you see that growth playing out?

You also mentioned CDMO revenues of over US dollars 100 million. Can you give us some color on the nature of this revenue? Is it related to generics or innovation? Also, when do you expect the new contract that you signed to begin? Is it meaningful? Are there any other CDMO contracts that can be added over the next year or so? Thank you.

Management: Thank you, Shayan. On the CDMO, I believe the growth trajectory will come. It is a combination of growth in discovery, what you call innovation, which is growing in double digits.

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We also have certain contracts with large companies in which they want to transfer their production to our lines. We have several of these projects. We also have the normal CDMO business, meaning that we are doing projects for Phase 3 and Phase 2 for innovative companies.

I believe that this business should grow and should reach 2-3 times these numbers in the next 3-4 years. This is still our plan, and I believe that we should get there.

On the API side, part of the issue is that our older products have lower demand. Part of it is because most of our launches and most of our activities are done more as B2B finished products. This is actually going well.

We recognize part of it as part of PSAI and part of it as part of the relevant EM or North America businesses. Overall, B2B is actually growing.

The API business is declining in part because, for most of the products, including peptides and this kind of product, customers prefer to buy the finished product rather than the API.

Shayan Mukherjee – Nomura: Understood. Thanks, Erez. Thank you.

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

Management: Thank you.

Management: 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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