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Q2 FY26 Earnings Call Transcript

Pursuant to Regulation 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, enclosed herewith a copy of the transcript of the Company's Q2FY26 earnings conference call, which we shall be uploading on our website after sending this letter to you. This is for your information and record.

For **Sun Pharmaceutical Industries Limited**

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



Corporate Participants

Dilip Shanghvi

Chairman, Sun Pharmaceutical Industries Ltd.

Kirti Ganorkar

Managing Director, Sun Pharmaceutical Industries Ltd.

Aalok Shanghvi

Chief Operating Officer, Sun Pharmaceutical Industries Ltd.

Jayashree Satagopan

Chief Financial Officer, Sun Pharmaceutical Industries Ltd.

Richard Ascroft

CEO (North America), Sun Pharmaceutical Industries Ltd.



Moderator: Ladies and gentlemen, good day and welcome to Sun Pharma's Q2 FY26 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the call, please signal an operator by pressing star then zero on your touchtone phone. I now hand the conference over to Dr. Abhishek Sharma, Vice President and Head of Investor Relations and Strategic Projects. Thank you, and over to you, sir.

Abhishek Sharma: Thank you. Good evening, and a warm welcome to our second quarter FY26 Earnings Call. I'm Abhishek from the Sun Pharma Investor Relations team. We hope you have received the Q2 financials and the press release that was sent out earlier in the day. These are also available on our website. We have with us Mr. Dilip Shanghvi, Chairman; Mr. Kirti Ganorkar, Managing Director; Mr. Aalok Shanghvi, Chief Operating Officer; Ms. Jayashree Satagopan, CFO; and Mr. Richard Ascroft, CEO, North America.

Today, the team will provide an update on the financial performance and business highlights for the quarter, pipeline updates and respond to any questions that you may have. We will refer to the consolidated financials for management comments. The call recording and call transcript will also be put on our website shortly.

The discussion today might include certain forward-looking statements, and these must be viewed in conjunction with the risks that our business faces. You are requested to ask 2 questions in the initial round. I also request all of you to kindly send in your questions that may remain unanswered today. I will now hand over the call to our CFO, Ms. Jayashree Satagopan.

Jayashree Satagopan: Welcome, and thank you for joining us for this earnings call after the announcement of our financial results for the second quarter FY '26. Our Q2 financials are already with you. Let me take you through the consolidated financials of the second quarter. Q2 FY '26 sales were at INR144,052 million, record a growth of 8.6% vis-a-vis the second quarter of FY '25.

Gross margin was at 79.3% for this quarter. EBITDA for the quarter was INR45,271 million, registering an increase of 14.9% over Q2 last year. EBITDA margin percentage for the quarter was at 31.3% against 29.6% for Q2 FY '25 and 31.1% during the first quarter of FY '26. Net profit after tax for Q2 FY '26 was INR31,180 million, which is up by 2.6% over the reported net profit of Q2 last year. EPS for the quarter was INR13 per share.



Effective tax rate for the quarter was 24.7% vis-a-vis 15.8% in Q2 FY '25. During the first quarter of FY '26, the ETR was at 24.3%. forex gain during the quarter was INR4,305 million compared to a gain of INR1,281 million during the same period last year. Balance sheet continues to be strong with a net cash of \$2.9 billion at a consolidated level. This is after our investment in the business acquisition of Checkpoint and settling the GxMDL case.

Now let me take you through the half yearly performance. For the first half, sales were at INR2,81,913 million, registering a growth of 9.3% over the first half last year. Gross margin was at 79.4% for the first half. EBITDA for the first half was INR88,287 million, registering a growth of 17% over the first half of last year. EBITDA margin percentage was at 31.2%. Adjusted net profit for H1 was INR61,141 million, up by 4.1% over the adjusted net profit of H1 during the last year.

I will now hand over this call to Kirti, who will share the performance of our Global Innovative Medicines and India business.

Kirti Ganorkar: Thank you, Jayashree. In Q2, FY '26, our Global Innovative Medicines sales were up by 16.4% to reach USD313 million. U.S. sales of Innovative Medicine has surpassed generics for the first time during the quarter. Our ex-U.S. Innovative Medicine business also continues to deliver strong growth.

Our largest brand, ILUMYA is now commercialized in all the major markets and is available across 35 markets. Coming to India business for Q2, the sales of formulation in India were INR47,348 million, recording a growth of 11% over Q2 last year. India's Formulation sales accounted for 32.9% of total consolidated sales for the quarter.

Sun Pharma is ranked number one and holds 8.3% market share in over INR2,350 billion Indian pharmaceutical market as per Pharmarack MAT September 2025. Corresponding market share for the previous period was 8%. For the quarter ending September '25, we grew higher than IPM. And we have done well across all major represented therapy areas.

We're happy to note that on MAT basis, the sales growth has been led by volumes and new product launches versus the IPM growth, which is predominantly price led. As per SMSRC, March-June 2025 report, we continue to be number one brand company based on the prescription volumes. Sun Pharma is also ranked number one by prescription with 13 different doctor categories. For Q2 FY '26, the company launched 9 new products in India. I will now hand over call to Rick for the updates on the U.S. business.

Richard Ascroft: Thank you, Kirti. I will update on the performance highlights of our U.S. business. Our overall U.S. business declined by 4.1% to \$496 million for the quarter. Growth in Innovative Medicines was led by



ILUMYA, CEQUA, and ODOMZO. Innovative Medicines growth was offset by lower sales in our generics business due to additional competition for certain products and lower sales of lenalidomide.

U.S. accounted for 30% of consolidated sales for the quarter. For the second quarter, we launched three new generic products in the U.S. We also launched LEQSELVI this quarter, and we've been pleased with our initial access and the response from health care providers and patients that they've had to the product. We anticipate access will continue to improve as well as overall uptake of the product.

I will now hand over the call to Aalok, who will cover Emerging Markets and Rest of World.

Aalok Shanghvi: Thank you, Rick. I will provide an update on the performance highlights of our other businesses. Our formulation revenues in Emerging Markets were \$325 million, up by 10.9% over Q2 last year. The underlying growth in constant currency terms was 8%. In Emerging Markets, we have seen broad-based growth both in the Generic and Innovative Medicines business, aided by favorable currency movement.

Emerging Markets accounted for 19.7% of total consolidated revenue for the second quarter. Amongst the larger markets in local currency terms, South Africa and Brazil have done well.

Formulation revenues in Rest of the World were \$234 million up 17.7% over Q2 last year. We have seen growth both in the Generics and Innovative Medicines business in Rest of the World and Rest of the World markets account for approximately 14.2% of consolidated revenue. I will now hand over to Mr. Shanghvi.

Dilip Shanghvi: Thank you, Aalok. Let me take you through our R&D initiatives. We continue to invest in building an R&D pipeline of our Innovative Medicines business. Consolidated investments towards R&D for Q2 FY '26 stands at INR7,827 million or 5.4% of sales. Innovative R&D accounted for 38% of our total R&D spend, and stands at approximately 10% of Global Innovative Medicine sales for the quarter.

Regarding updates on Innovative Medicines, we are awaiting FDA decision on UNLOXCYT updated labelling. And we remain on track to launch UNLOXCYT in the U.S. in the second half of FY '26. We are also planning to file ILUMYA psoriatic arthritis sBLA during second half of FY '26.

Abhishek Sharma: Operator, we can open for Q&A now.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from Saion Mukherjee from Nomura. Please go ahead.

Saion Mukherjee: Thanks for taking my question.



Moderator: Saion we can't hear you. Your voice is breaking. Mr. Saion Mukherjee you may go ahead with your question. We seemed to have lost the lines from Mr. Mukherjee. We will move to the next question. The next question is from Kunal Dhamesha from Macquarie. Please go ahead.

Kunal Dhamesha: The first one on the intangible assets, which seem to have moved sharply from the March '25 level, almost around USD 950 million plus. So I can see the \$300 million intangibles which have moved from under development to other intangible head, but if you could provide a broader moving pieces here?

Jayashree Satagopan: Thank you, Kunal, for your question. The increase in the intangible assets is also due to the Checkpoint intangible that has got added during the quarter. And we also had a milestone payment for ODOMZO.

Kunal Dhamesha: So Checkpoint would be close to \$400 million plus, right?

Jayashree Satagopan: Yes, it is about \$471 million.

Kunal Dhamesha: So then rest of the \$500 million, what is driving that?

Jayashree Satagopan: So we had Leqselvi related apart from Checkpoint, which is another larger piece, as you would know.

Abhishek Sharma: So Kunal, Leqselvi moved from intangibles under development into intangibles.

Kunal Dhamesha: Okay. So that's another \$300 million, and there should be ODOMZO?

Abhishek Sharma: No, then the rest are several small items. It's largely Checkpoint and Leqselvi.

Kunal Dhamesha: Secondly, on the incremental specialty spend that we had suggested that we would be spending around \$100 million in this year related to the launches of Leqselvi and Unloxcyt. So is it fair to assume that some of that has started in Q2? And should we see the run rate to be more similar in the quarter 3, quarter 4 or should we expect some acceleration deceleration? Any color would be helpful?

Richard Ascroft: Yes. I'm happy to address that. So we did see a slight increase in Q2, and we would expect to see further increases in Q3, Q4 particularly as we launch Unloxcyt.

Kunal Dhamesha: And lastly, on the Generics piece. The generic Revlimid seems to have kind of gone down even on a sequential basis? Is it a fair assumption? And would it be now a meaningful contributor in this quarter?



Richard Ascroft: In the quarter that follows?

Kunal Dhamesha: In quarter 2 versus quarter 1, the movement of lenalidomide?

Abhishek Sharma: Yes. Okay. So on lenalidomide, we have said that Y-o-Y, there is a drop. Q-o-Q, the number is flat.

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

Neha Manpuria: Thanks for taking my question. We have two questions on the specialty business. On Leqselvi, when should we start seeing revenue contribution from improving payer coverage and payer access that you talked about? Would more meaningful revenue contribution from this be evident, let's say, in the later part of this fiscal or more so would you say in fiscal '27? What would be your assumption there?

Richard Ascroft: We're already starting to see paid prescriptions through commercial channels, and we would expect that to continue to grow throughout the year.

Neha Manpuria: And on ILUMYA, is it fair to assume that the prescription growth that we are seeing, I know as a category biologics in psoriasis is growing. But even as we wait for psoriatic arthritis approval to come through, we can continue to see the momentum in prescription growth over the next few years?

Richard Ascroft: Was the question related to ILUMYA for psoriasis?

Neha Manpuria: Yes, that's right.

Richard Ascroft: We do expect to see continued growth. As you shared, the IL-23 market continues to grow as does the overall psoriasis market. We continue to release new data on ILUMYA and sharpen our sales and marketing tactics, so we would expect to see continued growth.

Neha Manpuria: And the last one I have is on R&D spend. If you look at R&D, we are obviously tracking below the guidance that we had revised down last quarter. How should we think about R&D spend for the full year? Do we expect to pick up going into second half or would it remain at the current 5.5% level that you see?

Dilip Shanghvi: So Neha, I think we should come in the lower end of the guidance overall, that's what is our assessment today.

Neha Manpuria: Lower end of the 6% to 8% guidance that you mentioned, right sir?



Dilip Shanghvi: Right.

Moderator: The next question is from Vishal Manchanda from Systematix.

Vishal Manchanda: I have a question on the balance sheet. If I look at the other current assets, it's almost doubled since , March '25 from INR2,500 crores to almost INR5,000 crores. Could you clarify on this? What led to this?

Jayashree Satagopan: Yes. This is mainly on account of the GxMDL settlement, which has gone into an escrow account.

Vishal Manchanda: Sorry, which settlement?

Jayashree Satagopan: Last quarter, we had a settlement on the GxMDL case, and that amount has been deposited in an escrow account.

Vishal Manchanda: And second one on cosibelimab. I wanted to understand whether it has been filed for European markets. And whether our competitors, Keytruda and Libtayo, do they have a European approval already?

Dilip Shanghvi: Yes, we are in the process of compiling the dossier for Europe. Once it's filed, we will share the update with investors.

Vishal Manchanda: And just one final one on ODOMZO. If you could share what would be ODOMZO share in the basal cell carcinoma market among the BRAF inhibitors?

Dilip Shanghvi: It's not a BRAF inhibitor. It's a Hedgehog inhibitor.

Vishal Manchanda: Sorry, Hedgehog inhibitor.

Dilip Shanghvi: So I think it all depends on different geographies. Rick can update on the U.S. market share. But in Europe, I think, is in excess of 60% market share.

Richard Ascroft: Yes. And it depends on the customer. In dermatologists, we have over a 50% share in the United States.

Vishal Manchanda: And in the overall market, including the oncologist?

Richard Ascroft: The oncologists are slightly less. I don't have the exact figure for the overall market at this time.



Vishal Manchanda: And would dermatologists be the primary prescriber here?

Richard Ascroft: It's both.

Moderator: Next question is from Harith Ahamed from Avendus Spark.

Harith Ahamed: On semaglutide, where we have a filing in Canada as per Health Canada disclosures. Based on your previous experience with filings in that market, what are the time lines that we can look at for approval of this product? And on semaglutide again, in India, where the market formation is expected in March '26. So we plan to have a product ready with an approval by the market formation time?

Abhishek Sharma: So India, I will ask Kirti.

Kirti Ganorkar: Yes, India, I think what we have told you in our last call also, India will be ready for the launch in the first wave when the LOE happens on the patent expires.

Richard Ascroft: For Canada, I don't believe we share that information.

Dilip Shanghvi: One is that. And second, I think it's still not very clear.

Richard Ascroft: Right? How Canada has been shared.

Harith Ahamed: And in the ROW segment, we've seen a very strong growth this quarter, constant currency terms around 17% to 18%. And in the last quarter, we had alluded to some onetime sales. So has that continued into the second quarter?

Abhishek Sharma: So before we answer the drivers for this one, there is no one-off in this quarter sales. For ROW, basically, the growth has been led by both Generics as well as Innovative Medicines. But there is no one-off.

Harith Ahamed: A couple of months back, there was an announcement by the U.S. President on 100% tariffs on patent drug imports into the U.S. Well, there's no final policy that's been released yet, but is this a risk for our IM products given that we are manufacturing these products outside the U.S. And at the same time, we are manufacturing these in geographies where U.S. already has a trade deal and these trade deals cover pharma as well. So how should we look at this particular risk?



Richard Ascroft: Look as you say, there's a lot of uncertainty at this point. I mean, we don't have any additional tariffs that we're paying today. The original announcement has been put on pause, and we're still awaiting the outcome of the Section 232 investigation.

Moderator: The next question is from Bharat from Equirus.

Bharat: Just wanted to understand, there is some investment into subsidiaries, which is showing up in the cash flows amounting to almost like INR3,400 crores. Can you explain what is it all about?

Jayashree Satagopan: This is mainly Checkpoint acquisition...

Bharat: Because this amounts to almost like INR390 million, whereas we have paid almost INR500 million for Checkpoint. So just was trying to understand that there was a big difference?

Abhishek Sharma: No, the Checkpoint consideration is not USD500 million, Bharat, it's less. It's what we disclosed was USD355 plus.

Moderator: Next question is from Shyam Srinivasan from Goldman Sachs.

Shyam Srinivasan: Just the first one again on the consolidated cash flow statement. Just the net cash generated Y-o-Y has declined despite similar profits. So just -- I can see it is working capital. But if you could explain why our lower cash generated, please?

Jayashree Satagopan: Yes. There is some amount of increase in the working capital, which we believe will get normalized in this quarter. As I was also mentioning in the initial commentary, there has been a settlement that has happened towards GxMDL plus our brand acquisitions that have happened, which is the reason why the cash flow overall has come down compared to the 1st April '25.

Shyam Srinivasan: So by the end of the fiscal, we expect this to be -- the generation to be in line at least with the growth in PBT. Let's assume?

Jayashree Satagopan: Yes. I think the cash generation to clarify has been good. Working capital changes happened during the quarter, and this has happened during this quarter. Other than that, there have been 2 other items. One is the business acquisition. The other one is a settlement. So they should get normalized.

Shyam Srinivasan: And just on the opening comments now, I think called out that the U.S. business formulation, we have now innovative higher than Generics. So obviously, you don't call it out, but of the \$500 million U.S.



formulation, so I assume \$250 million, \$260 million is now innovative. That's a 70%, 80% of global innovative business, right?

So just maybe the question is the other way around. What is the prognosis now for the Generic business? Do you foresee that this kind of decline continues? Does it still be -- make sense for us to be -- it's still significant, but just your thoughts on how we should look at the U.S. generic business going forward?

Richard Ascroft: Our strategy is to grow both our Innovative Medicines business as well as our Generics business.

Shyam Srinivasan: Last question, just again, just in light of the tariffs and U.S. based on localized manufacturing in the U.S., what are your thoughts? Is there any move for us to move supply chains back into the U.S.? I know policy is still uncertain. But just your thoughts, you have enough cash. What about looking at U.S. manufacturing assets?

Richard Ascroft: Yes. We already have a manufacturing footprint in the U.S. We are kind of constantly assessing that manufacturing footprint. And we are open to considering moves to the U.S. in due time.

Moderator: Next question is from Kunal Dhamesha from Macquarie.

Kunal Dhamesha: Just on ROW, is there any particular new launch that we have seen or particular geography, which has done good? And what would be the constant currency growth?

Aalok Shanghvi: Yes. So there is very little forex impact and the growth was led by both the Generics and the Innovative Medicines, particularly by ILUMYA and ODOMZO.

Kunal Dhamesha: Yes. And the second question I have is on the India semaglutide market, once it is Generics, Sun Pharma being with the dosage form? And slightly, longer horizon question is Sun Pharma's expectation of how the GLP-1 market is expected to grow in the medium term? Any color would be helpful?

Kirti Ganorkar: No, I can tell you broadly, the GLP market is very exciting, and it will continue to grow, but very difficult to give any specific numbers and what it will grow in the future. What we can say, we want to participate in the market whenever the first opportunity is available.

Kunal Dhamesha: And will we be there in both the dosage forms, injectable as well as oral?



Kirti Ganorkar: I don't want to disclose that much but we will remain competitive, if others launch, we'll also launch along with them. That's what we are saying.

Moderator: Next question is from Damayanti Kerai from HSBC.

Damayanti Kerai: My first question is on your USD 100 million spend for supporting the 2 launches in this fiscal. So if you can explain how costs will build up, say, majority of hiring for salespeople, etcetera, will be done in this year itself. So going forward in '27, what kind of cost you assume to continue? Some color on that will be helpful?

Richard Ascroft: Yes. We have already launched Leqselvi, so that sales force is in place, and we do now have the sales force in place for Unloxcyt. So we will start to obviously see those expenses. Some of these expenses will continue to occur in '27 and beyond as we continue to support and grow these 2 very important products.

Damayanti Kerai: So is it reasonable to assume that majority of the fixed costs will be covered within this \$100 million budget, which you have put aside? And then going ahead, it will be more variable costs in line with how products gain market share? Will that be a logical assumption to take?

Richard Ascroft: I think so. What I would say is that the sales force, obviously, that cost will continue. Our marketing expenses will continue. The patient support programs will continue. Some of the upfront marketing costs will not. Those are more onetime costs, but we'll continue to have the carrying cost of the people as well as our marketing and patient support programs.

Damayanti Kerai: My second question is a clarification on Revlimid opportunity. So should we assume September was the last quarter when you had some meaningful sales coming from that product? And going ahead, there will be virtually no sales? Or how should we look at that?

Richard Ascroft: We'll have a small amount of sales for the rest of the fiscal year.

Damayanti Kerai: Okay. But majority is done in first half, right?

Richard Ascroft: Correct.

Moderator: Next question is from Vishal Manchanda from Systematix.

Vishal Manchanda: So just a clarification on Fibromun, is the Phase III and Phase II data on soft tissue sarcoma and glioblastoma. Is yet to come out? Or it's already there?



Dilip Shanghvi: Yes. I think both the data are yet to come out. But this is also something which will be disclosed by Philogen, who is managing the studies.

Vishal Manchanda: Okay. Any time lines like would this be announced this fiscal year or it will take longer?

Dilip Shanghvi: I mean I don't want to announce on their behalf, but I'm not aware that there is any delay in the recruitment or conduct of the study.

Vishal Manchanda: On the GLP-1 compound, GL0034. We have been kind of pushing this like a bit -- considering the competitive landscape, we are probably pushing it later, I think. We're not hurrying to develop this. Is there a reason to this or how should...

Dilip Shanghvi: No, I think we are quite excited with the early data that we're getting with patients, both for MASH as well as for diabetes. And we would be presenting this data shortly. But the Phase II study also, I think we disclosed that should be in the press release we've given that should start shortly global Phase II.

Vishal Manchanda: And are we doing this through the recombinant route or the synthetic route?

Dilip Shanghvi: So as on today, I think the initial -- all the studies have been done with synthetic. But at some point of time, we might even consider switching over to recombinant.

Moderator: Next question is from Neha Manpuria from Bank of America.

Neha Manpuria: Quickly on Cequa, I know that Restasis already has enough generic players, but there is anticipation that you should see some more competition there. Does that impact our ability to grow Cequa at all? If we do see additional competition in Restasis, what do you think could be the impact on Cequa given how well you've been doing in that product?

Richard Ascroft: We continue to see good growth for Cequa, even as new competitors have come to the market. We believe it has a good value proposition for patients, and we put in the right programs to support patients as well. So even as new competitors have entered, we have continued to grow and would expect to continue to do so.

Neha Manpuria: A new competition coming into Restasis does not impact pricing at all for Cequa. Would that be a fair assumption?

Richard Ascroft: Can you re-ask the question?



Dilip Shanghvi: What she is saying is that Generics for Restasis whether that affects your growth of Cequa?

Richard Ascroft: Not really. No. I think what currently is in place for Restasis, it will just be eroded by further Generics. As you know, they've been able to hold on to quite a bit of share, but the Generics will largely compete with Restasis and won't have a meaningful impact on the other brands within the category.

Neha Manpuria: And second question, I know there's a lot of uncertainty on the tariff situation, but I think there was another new investigation under the Section 301 that was mentioned recently. Does that in any way impact ILUMYA, even though we don't sell ILUMYA, in Europe, its through the partner. Do you think that could be under consideration as a part of this investigation? Any views you have around that?

Richard Ascroft: I don't think we have any views at this time. I think as we shared before, the tariff situation, as you know, is very fluid and uncertain. So it's hard for us to predict what the impact will be on our -- on either our Generics or Innovative Medicines portfolio at this time.

Moderator: The next question is from Surya Narayan Patra from PhillipCapital India.

Surya Narayan Patra: Sir, my first question is on the specialty business in the non-U.S. In fact, what we are observing that the ROW and Emerging Market growth looks really strong in the recent quarters. So is it mainly driven by the fundamental growth triggers that we are witnessing in those markets or it is also a role played by the specialty business in the non-U.S.?

Dilip Shanghvi: Both actually.

Aalok Shanghvi: Yes. I mean I would say both of them are factors in how the growth played out.

Surya Narayan Patra: So can you elaborate a bit on your specialty in the non-U.S. market business, although it has already been indicated that brands of U.S. is likely to see newer markets and hence, growth. So any incremental initiative thought process about expansion, extension of these brands, if you can?

Kirti Ganorkar: No, what I said is like ILUMYA, we are launched in 35 countries. And some of the countries, the launch has happened over a period of last 1 year. So this launch will also get picked up, and we see there will be good commercial traction. So ex-U.S., I believe that ILUMYA will be a strong franchise for us to continue to grow.



Surya Narayan Patra: And second question is about the Semaglutide entry in Canada, although we have filed for that. Whether we will be there in the first round of commercialization? Or how later that we would be even if our filing is relatively recent. So any time line about the commercialization of the product in the Canada?

Richard Ascroft: Yes, we really don't have any further comments on that at this time.

Surya Narayan Patra: My next point is about the tariff one. So whether we have any negotiated price, the way innovators are offering to Trump for their Medicaid program. So for our innovative brands, whether we have any negotiated price with the TrumpRx?

Richard Ascroft: We do not. As you probably are aware, we were not one of the 17 companies that received letters from the Trump administration.

Surya Narayan Patra: So then this tariff concern is a kind of overdone now considering the kind of arrangement what innovators are trying to have with TrumpRx?

Richard Ascroft: We don't know is the honest answer. I think it's unclear what will happen with the tariffs after the investigation. What we know now is that there's a pause. We believe that Generics are already excluded. We believe that will continue to be the case. And it's unclear at this point what the impact will be on brands. Certainly, we'll be prepared to have discussions when the time comes.

Surya Narayan Patra: Sir. Just one bookkeeping question...

Abhishek Sharma: Surya, can you get back in the queue, please?

Moderator: Next question is from Alankar Garude from Kotak Institutional Equities.

Alankar Garude: Sir, first question on Leqselvi. Even though the penetration of targeted treatments for alopecia areata is quite low in the U.S., you've seen some stagnation in prescriptions for 1 of the other 2 molecules for this indication in particular. So from a market standpoint, is there any aspect that could hinder growth for targeted treatments like Leqselvi?

Richard Ascroft: We expect the market to continue to grow. You're probably commenting one of the competitors has stopped promotion. So as well as we've launched, there's been another competitor that have launched that are having an impact on that product's growth. We believe the market will continue to grow. We see that. We see new physicians that are starting to provide JAKs, are starting to prescribe JAK inhibitors. And over time, we would expect that confidence to grow, the number of prescribers to grow and more patients to be treated.



Alankar Garude: And the second one is more of a clarification. I missed your response on the U.S. manufacturing presence. You spoke about already having a presence, but you also spoke about open to considering a further manufacturing presence in the U.S. Did I hear it correctly?

Richard Ascroft: That is correct.

Kirti Ganorkar: We're open for all options.

Moderator: Next question is from Shashank Krishnakumar from Emkay Global.

Shashank Krishnakumar: Just one question that I had on biosims. I know that we have been always steadfastly focused on scaling up our specialty portfolio in the U.S. But given the FDA's recent guidance, any rethink in terms of U.S./Europe biosimilar strategy. Given that a lot of our peers have been incrementally allocating more capital and R&D investments to biosims, so any rethink there in terms of our strategy for the U.S.?

Dilip Shanghvi: So I think we are studying and possibly waiting for the clear guidance to come before we take a decision. Because clearly, this would reduce potential investment, but there will also be impact in terms of future competition. So also, there is no complete clarity on substitution. So all of that will help us finally take a decision.

Moderator: Thank you. Next question is from Anubhav Sahu from MC Research.

Anubhav Sahu: My first question is on the sema opportunity. Basically I want to understand how calendar year '26 will look at as for this opportunity is concerned? Are we basically targeting Canada and India as the 2 geographies for the generic launch? And at the same time, I mean, just trying to understand what capacity we are looking at for ourselves for the GLP-1 drugs? I mean -- and how much we plan to do it in-house?

Kirti Ganorkar: I think Canada, there are two questions already been asked. We are not giving any clarification on Canada. Coming to India, as I said earlier, we will launch once there is an LOE. Regarding capacity and where we manufacture, we are not disclosed as of yet.

Anubhav Sahu: And for our Innovative molecule, let's say utreglutide, I mean could you mention which key indication we are looking at? I mean I understand obesity, anti-diabetes, one of them, but there are other indications also which we are looking at?

Dilip Shanghvi: Yes. I think the Phase II that we have disclosed is a type 2 diabetes study.

Moderator: Next question is from Rashmi from Dolat Capital.



Rashmi: Just one question. We have seen a spike in interest cost this quarter. And if I see the balance sheet short-term borrowings have also gone up. So is it because of the acquisition or it would be reduced in the future or anything if you can comment on it?

Jayashree Satagopan: Yes, you're right. This is a short-term borrowing that we have taken for the acquisition. And since it is also short term in nature, it will get evened out in the coming quarters.

Rashmi: So the amount will be more or less similar to last year level only? I mean, you will bring it down to that level?

Jayashree Satagopan: Yes, it should get reduced over a period in time.

Moderator: Next question is from Surya Narayan Patra from PhillipCapital.

Surya Narayan Patra: So one clarification about the tax rate. So this quarter, it looks obviously higher with 27% plus kind of tax rate. And also, there is a kind of onetime adjustment relating to the merger. So if that is to be factored, then the tax rate will look even higher, more than 30%. So first of all, what is that INR140 crores adjustment whether it is into the crate already, and that is to be separated, considering it is one-off. If you can give some clarity about that ma'am. And what is the ETR that you are expecting for the full year?

Jayashree Satagopan: Yes. Our ETR has gone up to 24.5% and we expect it to be hovering around 25%. This is what we've been guiding. We used to get some benefits on account of carry forward tax losses as well as the benefits of having our facilities in Assam and Sikkim. Those are getting over and therefore, the tax rate will get normalized.

Surya Narayan Patra: And just one more point about the GLP-1 opportunity. So how do we position ourselves whether our focus would be vial oriented to enter into the domestic market or it would be pen-oriented approach that we follow?

Dilip Shanghvi: Those are -- I mean we have to remain competitive, and we need to have a product which can compete with the best product. Even the Semaglutide, which Kirti is talking about will be a pen product. So that's not an issue.

Moderator: That was the last question. I would now like to hand the conference over to Dr. Abhishek Sharma for closing comments.



Abhishek Sharma: Yes. Thank you. Thanks, everyone, for joining in. If you have any questions which remain unanswered, today, you can always reach out to the Investor Relations team. Good evening, good night to all of you.

Dilip Shanghvi: Thank you.

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