“Cipla Limited

Q4 FY26 Earnings Conference Call”

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Moderator: Moderator: Ladies and gentlemen, good day and welcome to the Cipla Limited Q4 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 conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded. We have with us today Mr. Achin Gupta, MD and Global CEO; Mr. Ashish Adukia, Global CFO; and Ms. Diksha Maheshwari, Head, Investor Relations. I would now like to hand the conference over to Ms. Diksha Maheshwari. Thank you, and over to you, ma'am.

Diksha Maheshwari: Thank you, Sagar. Good afternoon. Welcome to Cipla's Q4 FY26 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 confirmation, future events or otherwise.

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

Achin Gupta: Thank you, Diksha. Good afternoon, everyone, and thank you for joining us for our fourth quarter earnings call for financial year 2026. 2026 was a year of milestones for us. We completed our 90th anniversary for the business, and we achieved significant milestones across all of our businesses, One India, North America, One Africa and EMEU.

In India, we crossed a significant threshold with the business surpassing INR12,500 crores in revenues, underscoring the strength and resilience of our domestic franchise, which is our largest franchise. In North America, the successful generic Ventolin approval from our U.S. facility marked an important strategic inflection point and reinforced our R&D capabilities.

Our one Africa business continued to deliver market-leading growth and our EMEU operations scaled meaningfully to become a $400 million-plus business unit. Together, these achievements highlight our disciplined execution and our commitment to sustainable as well as diversified growth across geographies.

Now let me touch upon the individual businesses. Our One India business delivered a robust performance this quarter, growing at 15% year-on-year, driven by strong double-digit growth across Branded Prescription, Trade Generics as well as Consumer Health. Full year growth stands at 9% Y-o-Y.

On the Branded Prescription business, our key chronic therapies, Respiratory, Anti-diabetes, Cardiac and Urology delivered a strong double-digit market growth. Our chronic mix stands at 60% as per IQVIA MAT March '26. Foracort, our leading inhalation brand surpassed the revenue of INR1,000 crores, reaffirming its position as a respiratory market leader.

Meanwhile, Dytor, our cardiac brand, has established itself as a -- as a INR650 crores brand, delivering 25% Y-o-Y growth. This year, we expanded our presence in the IPM by adding 4 brands with revenues exceeding INR100 crores, bringing the total to 33 such brands. And our footprint in the top 300 brands in the industry now has 23 such brands.

This year, our growth has also been helped by a series of successful differentiated product launches across the core therapies. In Respiratory, we launched products into the inhalation franchise, including Foracort G Synchrobreathe, Ciphaler and the triple combination Voltido Trio, which are strengthening adherence while delivering therapeutic benefit.

In antimicrobial resistance, we launched ZEMDRI, Cipenmet-Esblocip, which underlines our presence and leadership in resistant and critical infections and AMR. In urology, we launched a novel product called XTIKTR, which expands our leadership in nonantibiotic management of recurrent UTIs.

In our diabetes franchise, we launched SGLT2-led portfolio, including Empagliflozin. And in dermatology, we launched an innovative solution, Pirfesca for scar management. Together, these launches reflect our execution strength. It reflects our focus on complexity and our commitment to driving sustainable growth through improved patient outcomes.

During the year, we also enhanced our pipeline and portfolio through strategic partnerships. We entered into a collaboration with Eli Lilly for Yurpeak making our entry into the fast-growing obesity segment with best-in-class molecule. Our partnership with Mannkind Corporation of U.S. brought Afrezza India's first rapid-acting inhaled insulin, reinforcing our focus on differentiated diabetes solutions.

And we also gained exclusive rights to Pfizer's key established brands, further strengthening our access to strong brands in the IPM. Additionally, the acquisition of Inzpera Healthcare enhanced our portfolio on pediatric and wellness product side. Put together, these efforts meaningfully enhance our portfolio and reinforce Cipla's long-term growth ambitions.

On trade generics side, we continued the strong growth momentum, delivering double-digit growth Y-o-Y for the quarter as well as for FY '26. This performance was driven by focused execution across distribution, a robust pipeline of strategic new product launches and meaningful advancements in technology-enabled operations.

We will continue to expand portfolio and use that as a key driver for growth with 17 new launches planned this year. Our Consumer Health business continued its strong upward growth trajectory with Nicotex, Omnigel and Cipladine consolidating their number 1 positions in their respective segments.

The business is driving very healthy secondary growth and actively exploring opportunities to invest in products and channels to further expand our distribution network. Operating profitability has improved in CHL, reflecting the strength and scalability of our consumer health strategy.

Coming to North America, the business reported quarterly revenue of USD 155 million and an annual revenue of $780 million, supported by demand in our differentiated portfolio and a steady base business. Albuterol market share increased to 19.6% as per IQVIA MAT March '26. During the year, we advanced our portfolio with several key assets, including Liraglutide, Nintedanib and Dapagliflozin.

Notably, we received regulatory approval for the first AB-rated generic Ventolin with CGT, representing the first commercial MDI product to be manufactured from our U.S. facility. This milestone reinforces our growing confidence and capability to deliver complex generics, not just from India, but also from our U.S. manufacturing facility.

We are expecting to launch this product within the coming months. Our Goa facility, together with 2 U.S. facilities is well equipped to support the launch of all 4 respiratory assets planned for FY '27, enabling a seamless and well-coordinated supply to the market. Our One Africa business grew at an impressive 14% year-on-year growth rate during the quarter with a full year growth of 7% Y-o-Y in USD terms, powered by firm performance across key markets.

In the private market, our secondary growth outpaced the market growth with 6.6% versus 4.8% for the market. In EMEU, our focused strategy on deep penetration has built a strong foundation, enabling the business to breach the USD 400 million revenue mark. This is despite the significant volatility that has been happening in the recent months because of the war.

The business remained resilient during the quarter, navigating geopolitical uncertainty and disruptions with strength and discipline. It was led both by DTM and B2B categories alongside consistent margin stability and internal pipeline assets. On the regulatory front, during the year, U.S. FDA conducted and concluded inspections at 3 of our manufacturing facilities in India, Bommasandra in Bangalore, Sitec at Mumbai and Medispray in Goa, all of these inspections resulting in a VAI or NAI classification.

This accomplishment reflects our sturdy dedication to quality, compliance and operational excellence. A quick update on our U.S. pipeline. We continue to prioritize organic investments with sustained focus on advancing R&D capabilities for the U.S. market in particular. We remain very confident in our U.S. business outlook, which is supported by a pipeline of nearly 40 to 50 products to be filed over the next 3 years.

And this includes 12 first to files and 8 B2 opportunities that we are targeting. In the Respiratory portfolio, 5 assets have been filed, including the generic Ventolin. 4 of these are expected to be commercialized in FY '27. We are also going to deepen this pipeline with 4 additional respiratory assets scheduled for filing over the next 24 months.

Importantly, we remain committed to sustainability and innovation with 2 respiratory assets incorporating green propellant expected to be filed over the next 24 months as well. In Peptides & Complex Generics 8 assets are already filed with select launches projected between FY '27 and '28. We aim to file 3 more Peptides & Complex Generics assets in the next 12 to 24 months.

Additionally, we are working on Oligonucleotide, and we are also having 2 global biosimilar assets. One is undergoing clinical study under an IND and the other is in earlier stage of

development. We see biosimilars as a very large and underpenetrated opportunity. And with the recent change in some of the guidelines.

We believe this to be an upcoming almost $200 billion opportunity with around 100 such biologics expected to lose exclusivity over the next decade. So we are going to enhance our efforts on biosimilars. We have a JV with Kemwell, which is focused on execution, which has an initial pipeline of respiratory assets and oncology assets.

We are looking at adding at least 1 to 2 assets on in-house biosimilar development through this JV, which will really build our presence in the biosimilar space over the next 5 to 7 years. On the back of these ambitions and with a very solid foundation of execution, we are also accelerating our AI-led transformation.

Our strength has always been on execution across quality manufacturing and regulatory. And with the AI transformation, we aim to become a leading AI-led pharma organization. We have invested in robust data and technology foundations, which allows us to scale this up in a structured and sustainable way and also in a very timely fashion. So we will be focusing a lot on driving efficiency, productivity and better decision-making with the help of AI over the coming months to coming years. I would now like to invite Ashish to present the financial and operational performance.

Ashish Adukia: Thank you. Thank you, Achin. I'd like to present the key financial highlights for the quarter and the financial year. So we reported a quarterly revenue of INR6,541 crores. And as a result of that, we ended the year with INR 28,163 crores. The EBITDA margins for the quarter stood at 15.2% and 21% for the year. And like every time, this does not include other income.

The gross margin after material costs stood at 65.6% for the quarter and 66% for the full year. And this was primarily driven by the product mix in the revenue. Total expenses for the quarter include the employee cost and other expenses, which stood at INR3,296 crores. This was higher by about 10% Y-o-Y.

Annually, the expenses were INR12,689 crores, which was again a similar percentage increase Y-o-Y. The increase in employee cost reflects our planned investments in talent, both to support our markets as well as to strengthen our manufacturing readiness in both India as well as in the U.S.

Overall, the operating expenses also include continued investment in R&D, which stood at INR509 crores, which is at about 7.8% of the revenue for the quarter. And for the year, it was INR1,974 crores, which is at about 7% of the revenue. These investments are aligned with our pipeline priorities.

It enables our new launches and it builds readiness for the upcoming products. As a result, we are scaling up our annual filings like it has been highlighted by Achin. In addition, we have started to see some impact of ongoing geopolitical situation within the operating expenses, which we are closely monitoring.

In the near quarters, we don't see a meaningful impact. But in the future quarters as the revenue inventory gets consumed, you'll see that impact coming through. For the quarter, PAT stood at INR 555 crores, representing 8.5% of sales with an effective tax rate of 22.2%. On the full-year basis, the PAT amounts to INR3,879 crores, accounting to 13.8% of sales, while the ETR for the year is 25.9%.

Our ROIC stood at 22.9% for the year. And of course, PAT also assumes a certain impairment that we have had during the quarter. Our free cash flow generation and operating efficiency continues to drive healthy net cash position. As of 31st March 2026, the debt on our balance sheet, including the lease liabilities stood at INR 614 crores with net cash equivalent balance at INR10,526 crores.

Looking ahead, our key priorities will include for One India would be to focus on execution to sustain the growth momentum and to outperform the market in branded generic, trade generic as well as in consumer wellness. We will further strengthen our presence in chronic therapies, including Diabetes, Cardiology, Urology and Dermatology while maintaining the robust trajectory that we have built in Respiratory.

In North America, we will concentrate on enhancing our commercial execution and accelerating new product introductions. And our aim is to cross $1 billion mark as a run rate towards the end of this financial year, i.e., FY '27. In South Africa, our focus will be on improving the private mix with correction in tender contribution.

In EMEU our top priority is to drive top line growth by deepening penetration in core markets while maintaining a strong margin trajectory. Looking ahead to FY '27, supported by our ramp-up of new launches and investments that we've made across our manufacturing facilities and ongoing expense optimization initiatives.

We expect the EBITDA margins to be in the range of 18.5% to 20% and this would be actually achieved with a sequential improvement quarter-on-quarter with the key improvement being in the second half of the year. On an overall basis, you will have 18.5% to 20% kind of a range. And this guidance does not include any contribution from Lanreotide in FY '27. I'd like to thank you for your attention, and we'll revert back to the moderator to open up for the questions and answers.

Moderator: Sir, should we open the floor for questions?

Ashish Adukia: Yes. Sure, please.

Moderator: Thank you very much. We will now begin with the question and answer session. Your first question comes from the line of Vishal Manchanda from Systematix.

Vishal Manchanda: During the quarter, did we kind of book any shelf stock adjustment for Revlimid?

Achin Gupta: No. I think we had shared this in the last quarter as well. We did not have any SSA adjustments.

Vishal Manchanda: Okay. And second, on generic Ventolin launch that you are expected to do next month. So just wanted to understand if the Innovator is supposed to launch a green version of Ventolin sometime by third quarter of this financial year. So hypothetically, if the innovator is replaced -- is able to replace all of their Ventolin product with the new version, would that impact Cipla?

Achin Gupta: Generic to the existing Ventolin. The switching to another variant is -- I think that will be a process, which is not an automatic process under the U.S. law at this point of time. So we do not anticipate any near-term impact of that change as and when the transition starts to happen.

Vishal Manchanda: Okay. And if you could update on the respiratory pipeline, the key assets, Advair, Symbicort, Qvar, Flovent?

Achin Gupta: So I think as we had guided, we were expecting four approvals this year. Ventolin has already got approved. We are having different goal dates for different products. So during the year, we are expecting Advair, Symbicort and then one other asset to get approved. So this will happen during, I think H1 and 1 is H2 as well.

Vishal Manchanda: Okay. And what is holding back Advair for so long?

Achin Gupta: I think your question is probably more historic. If you recall, we had OAI at our Indore facility. So we had to tech transfer to the U.S., which caused the delay. But now we are ready with everything. So it's just a matter of receiving the approval.

Vishal Manchanda: And just one final one.

Achin Gupta: Sorry just to complete went through a pre-approval inspection on our U.S. facility for this particular product.

Vishal Manchanda: Got it. And just one final one. Do you expect to see any benefit out of the EU FDA for your respiratory portfolio because you source a lot of the basic devices from Europe?

Achin Gupta: At this point, we are not expecting any meaningful impact of that. I think it's more business as usual at this point in time.

Vishal Manchanda: So is there a change in the duty structure there? Or it remains the same pre and post EU FDA?

Ashish Adukia: It remains the same. So there is no benefit as such. And in EU, we are already selling Respiratory devices, which are in-house. So there's no significant benefit that we see coming from EU FDA.

Vishal Manchanda: My question was more from a sourcing standpoint, the key raw materials that come from Europe, would they be cheaper for you?

Ashish Adukia: No. So it's -- we get some raw materials from there, especially on the devices side, but there's no any such benefit that we have out there.

Moderator: Your next question comes from the line of Sidharth Negandhi from CWC.

Sidharth Negandhi: Just wanted to understand the specific initiatives around AI, which you mentioned. If you could share any specific initiatives that you've taken and anything -- any other pilot initiatives that you see scaling up in future?

Achin Gupta: Yes. So AI is a broad-based implementation that we are targeting, which will focus across multiple functions. And the difference between what used to happen in the past versus now is we are focusing on end-to-end processes versus small limited use cases. So this will be -- we have implementations across quality, regulatory, corporate functions and a lot of the R&D-related use cases as well. So the idea is to use it in a way that helps obviously faster and better decision-making, but also ultimately gives us productivity benefits.

Sidharth Negandhi: Right. And on the biosimilars front, I just wanted to understand in terms of your strategy for biosimilars, are you looking at in-licensing? Or are you looking at your own development? And what sort of a pipeline and time line are you looking at for that, both from a U.S. and EU perspective? And is that sort of accelerated given the new FDA draft guidelines?

Achin Gupta: Yes. So we have predominantly an in-house strategy where we have 2 assets currently under development for developed markets. One of them is already under clinical trial under an IND of U.S. We will be adding 1 to 2 assets each year, which will then, therefore, start resulting into a pipeline of 6 to 8 in-house assets over the next 5 to 8 years.

On top of that, we are considering a limited amount of in-licensing where there are near-term opportunities that are not within our in-house portfolio. So for those, we are open to considering some in-licensing opportunities as well. But we see this as a newer space more so because of the changes to the guidelines, which have placed us in a good position where we can run these like the other complex projects, and we can benefit from the overall economics of developing these projects.

Moderator: Your next question comes from the line of Surya Patra from PhillipCapital.

Surya Patra: My first question is on the U.S. revenue guidance, what you are talking about, about $1 billion by the end of this year. Sir -- and also simultaneously, you have mentioned that in your guidance for '27, you have not factored Lanreotide. So that means in your expectation for FY '26, you are not considering Lanreotide. And obviously, this Lenalidomide is not there.

So if we kind of deduct these two product revenue from the $780 million annualized revenue of FY '26 for U.S. So the number what you're talking about is almost like double the size of base U.S. business of FY '26. So what is the kind of a bridge that you are talking about where from this revenue buildup that will happen? Can you give some clarity, sir?

Achin Gupta: Yes. So the guidance, I just wanted to clarify is a $1 billion run rate by the end of the year. We are not guiding for $1 billion revenue during the year, right? And the reason for that is because a lot of this is contingent on pipeline maturing. So we have 1 approval already in hand. As we mentioned, there are 3 other respiratory approvals.

There's one big peptide approval, and there are 3 other products which have already got approved in the year, smaller assets, et cetera. So as these products get approved, our run rate will keep

improving, and we will get to that $1 billion by the end of FY '27. Which puts us in a very good position because what -- historically, we were shy of that, we would want to see the year ending at a good run rate of $1 billion in the U.S.

Surya Patra: Okay. So that means kind of in the second half, we will see a run rate of almost like $100 million incremental revenue versus the quarterly run rate in the first half?

Achin Gupta: Yes.

Surya Patra: Okay. And now is it fair -- I mean since you have mentioned that Lanreotide, you have not factored while guiding the margin for the year. So is it -- so what is the outlook that we are giving for Lanreotide for this year and for the subsequent period given the kind of total disruption that we are currently seeing for that molecule?

Achin Gupta: Yes. So for Lanreotide, we have the partner who is working on the remediation efforts. And that's in full swing, and we are helping them as much as possible on navigating that part. So I think maybe by next quarter, we'll have closer visibility on their exact remediation time lines, which will also include a reinspection from the FDA.

So that we can come back and guide after a quarter. But in parallel, we have also identified alternate supplier for this -- alternate manufacturing site, which will be based out of the U.S. So the objective is to be able to file by early next year -- next calendar year or Q4 of this financial year. That gives us a two-pronged approach to overcome this. And so I think it will come back. It's a very interesting opportunity being a long-acting injectable. And once we are able to resolve either of these 2 and now we have two shots at the goal. We will be back in this definitely from an FY '28 perspective, it will be.

Surya Patra: Sure, sir. Sir, on Ventolin, that is the next question. So when we already mentioned that we have around 22% kind of -- or more than 20% kind of market share in the Albuterol market itself in the U.S. So now with another variant of Albuterol is getting approved, do you find any changes to the kind of market dynamic in terms of the pricing or in terms of the competition or in terms of your scope in Albuterol as a whole, whether it will lead to incremental business or not since it is a variant of albuterol only and the prescription would be based on Albuterol HFA that way?

Achin Gupta: No. These are different products because they get substituted to the different innovator products. So it's a different NDC, different market. And we have CGT on the generic Ventolin. So we will actually be exclusive for a 6-month period. And we expect a significant uptick. There is no cannibalization that will happen on the other variant, which is a generic to another variant of same molecule. So we're more likely to take the share from the existing Ventolin suppliers rather than going from the other franchise.

Surya Patra: Okay. Just last one question from my side, sir. Is there any scope of rationalization of the cost on the cost front, see because if the revenue is likely to slide on the U.S. front, particularly, so are we likely to see any reduction in any cost line item for FY '27?

Achin Gupta: So look, there are two parts talking on a number of productivity enhancement measures, which will help us optimize the cost, including some of the tech-related transformation that we spoke

about. But the short term, there are disruptions because of the war situation on sourcing side. So right now, we're having visibility to what we've seen so far.

But if it prolongs, that's something that is still yet to be quantified. But to answer your question on basic efficiencies and productivity, yes, we are working on that, and it will materialize as we go through during the year. There's one more point which I think you should keep in mind is we had invested in our North America facilities for these complex products. And so far, the cost has been there in the last quarter or 2, but the revenues have not commensurately come. So we will see that corresponding revenue with the new launches. And therefore, the economies of scale will improve as we go along.

Moderator: Your next question comes from the line of Tushar Manudhane from Motilal Oswal Financial Services.

Tushar Manudhane: Sir, just on the R&D connecting R&D spend overall almost INR2,000 crores and -- but at the same time, very few ANDAs being filed. So is it that the R&D spend for ANDA is significantly higher maybe for FY '26, '25 compared to the earlier, let's say, the philosophy of R&D spend for ANDA? That's my first question?

Achin Gupta: Yes. Actually, we have gone up products, including some First-to-Files, which are on Oligonucleotide side as well. So we've gone into more respiratory, more peptide and more Oligo, which is resulting in higher spend per filing.

Ashish Adukia: And some of these also involve litigation cost as well. So that also leads to higher R&D spend, which has got everything in that R&D spend that you see, both API cost, your R&D that you buy, litigation, et cetera, et cetera. And of course, some of these Oligonucleotide, et cetera, we go outside to CRO, CMOs as well. So there is also cost involved in that.

Tushar Manudhane: So sir, typically, at least for without getting into product specific details, but let's say for Respiratory and Oligo products, like per ANDA R&D spend broad number you would like to call out?

Achin Gupta: I think that's very case specific. So it's difficult to call out an average number. We are guiding towards 7%-ish on R&D spend as a percentage of sales. And we're also going to -- I think in the mix, the mix will also change slightly in the coming year because, as I said, 40 to 50 filings with Respiratory with First-to-Files and certain number of peptides, et cetera. So hard to put a metric on per filing because the nature of that filing changes a little bit. But our endeavor is to go after complex opportunities, which keeps the business sustainable and NPV per project has to be high right, that's the internal criteria.

Tushar Manudhane: Got it, sir. And secondly, the Albuterol market share has sort of reduced quarter-over-quarter while the number was at 19.5% it moved up to 22%, and we are now back to 19.5%. Anything to read through in that?

Ashish Adukia: No. I think it's hardly a reduction that you see out there of 0.4% or so that we've seen. So I think 19% to 20% or rather 19.5% to 20% is something that you should pencil in -- we are ranked out

there. And if the supply was -- if you could supply more, then we could -- there's a potential to increase the share as well.

Tushar Manudhane: And just to complete on the R&D part, is this Indore regulatory issue also one of the reason for, let's say, is the delay in filing because of the regulatory issue at Indore site or the Indore site classification has got nothing to do with the filing of the assets?

Ashish Adukia: No. So now we have derisked out of Indore. So our assets are filed from U.S. And one of the assets we are doing from Goa because Goa is here.

Tushar Manudhane: No, no. I was referring to, let's say, prospective filing, not the ones which are already filed. Let's say, where we do R&D spend, where the product probably from validation or exhibit batches are ready but because of classification at Indore site, the acceptance of filing by U.S. FDA, is there that kind of a delay also happening?

Ashish Adukia: Same likewise for potential filings also, we are focusing more on Goa and U.S. sites. And Indore, I think we will accelerate as and when -- as soon as it clears. Yes.

Tushar Manudhane: Got it, sir. And just lastly on Ventolin, this product will see a gradual pickup in terms of market share? Like what's your strategy, if you could highlight, given while we have exclusivity, but will the pickup be gradual enough or we can have a sizable business in, say, 2 to 3 quarters time line?

Ashish Adukia: Yes. So you will see towards second half a ramp-up happening in generic Ventolin. Though we will launch it within the quarter 1 and quarter 1, yes, but the ramp-up will happen in half 2.

Tushar Manudhane: Capacity won't be the constraint for this product?

Ashish Adukia: No. We have U.S. facility for it.

Tushar Manudhane: From the device combination as well perspective?.

Ashish Adukia: From big, sorry, come again?

Tushar Manudhane: From the drug device while drug would be there from...

Ashish Adukia: Not a problem at all on the devices side.

Moderator: Your next question comes from the line of Damayanti Kerai with HSBC.

Damayanti Kerai: My question is again on your U.S. exit guidance of $1 billion in FY '27. So you indicated a couple of interesting products in respiratory peptides, et cetera, which can help you to achieve this rate. So my 2 questions there. What kind of visibility you have on these products, which gives you confidence that you can receive approval in this year? And second is for some of the bigger assets, what kind of risk mitigation strategies which you have already implemented? So if you can elaborate on these 2 points?

Ashish Adukia: No, see I think it's -- in terms of confidence in each of these assets, we are seeing some developments happening. Like for example, in Advair, now you've had a PAI that has happened. Okay. Ventolin where we were expecting around the same time we've got the approval. In certain other assets also, there is an ongoing discussion readiness that is there.

Of course, we can't anticipate when the approval will come through. But some of them, we are aware of the goal date, et cetera. Well for quarter 3, quarter 4 ramp-up to happen to $1 billion kind of a run rate. And that's what we have envisaged in our business plan. And from facility point of view, all these facilities are also derisked. So from internally, it's only pending approval from internally we are ready to kind of launch these assets as soon as the approval comes.

Damayanti Kerai: Sure. So when you say facilities issues are derisked, so most of these filings are filed from 2 sites, say from India and from U.S. Is that the case?

Ashish Adukia: No, that won't be the case. Right now, these are filed from U.S. or from Goa, you will have 1 or 2 assets filed. But -- and these are respiratories that I'm talking about. The peptide is with a partner site outside. So we don't anticipate -- that we don't anticipate any risk in the facility. Goa has recently got inspected as well. There are 2 observations we are waiting -- we have responded to those observations. We are waiting for the classification. I can't comment on that. But nevertheless, that's the status of our visibilities here.

Damayanti Kerai: Sure. My second question is on your India business. So obviously, fourth quarter, I believe, is very strong. And full year, you ended at 9% growth for the segment. So when we look ahead, say, '27, '28, do you think you can outpace IPM growth in, say, next 1 or 2 years or it might take slightly longer because the market growth also improved in recent time, we are seeing around low double-digit growth for market. So on that perspective, you are just like close by, but not outpacing the market as of now?

Achin Gupta: Yes. So we are confident that we'll be able to deliver a strong double-digit growth as well as a market beating growth in FY '27, '28. And we've been seeing that consistent trend over the last couple of quarters.

Damayanti Kerai: Okay. So you think it's possible. Okay. And my last question is on your gross margin trends. If qualitatively, you can give some color given now your product pipeline is becoming more complex generics heavy. So in that sense, how should we look at your gross margins in the near term or in medium term?

Ashish Adukia: Yes. See, it's a large mixed bag in the gross margin. So there are many factors that go into it. So like in the last quarter, I had highlighted that we had R&D cost, material costs going up due to which the gross margin had got impacted. So some bit of that has got reversed in this quarter where the margin is better because also not just the product mix, but also because the R&D material cost was lower in comparison to the previous quarter that you saw.

I think the way I look at it is that, of course, Lenalidomide was a high margin up. But most of our Respi assets that are coming are mostly in-house products. So in-house products will always give you a higher end of the margin more than the company average that you're seeing today.

So it will only accrete to your company gross margin. But at the same time, some of the peptides that we're talking about in Oligo, Oligo is much later, but peptides that we're talking about, they are partnered products. So while the gross margin could be high out there, but there is also a profit share as a royalty that we end up paying, which goes into gross to net.

So therefore, your gross margin in those products will be after the profit share, which kind of brings it down. But at the same time, the SNDA et cetera, in the U.S. at least is not much. So it is accretive significantly to your EBITDA margin. In India, we are moving more and more towards chronic.

So chronic will definitely come with 5% to 10% better gross margin. And we are keeping a very tight control on how much what ILDs we do. So keeping all these things in mind, I think gross margin should have a positive bias. And the last thing that I just want to highlight is that generally, you will see in the results also there are strong control that we have over cost.

So every year, we take some target to actually reduce the cost such that it is lesser than the revenue growth that you see out there. So I think these are the things that we take care of. Of course, there is this whole geopolitical and war risk that is there. We had some impact of that in quarter 4. We have some impact in quarter 1 not significant though. But some of these inventories that you're buying today as it gets consumed in second half, there may be some cost, but that's temporary. Like I think your question was more around longer-term sustainable?

Damayanti Kerai: Yes.

Ashish Adukia: From the term I've talked about, but there may be some blips here and there because of the reasons that I mentioned.

Moderator: Our next question comes from the line of Nikhil Mathur with HDFC Mutual Funds.

Nikhil Mathur: I'm sorry to be hopping on the U.S. guidance. One clarification. When you're saying that you will be at a $1 billion exit run rate, does it include Lanreotide or it doesn't include any contribution from Lanreotide?

Achin Gupta: At the moment, we've left that out of this guidance. So that will be an upside to plan if we can successfully get back in the market before that.

Nikhil Mathur: Okay. So if I analyze this quarter's U.S. revenue, you are at around $620 million. We are talking about $1 billion exit. So this is about $380 million of incremental revenue. Just wanted to understand the skewness of this $380 million. So there are, I think, 6, 7 products that you are launching this year?

How -- what kind of contribution will be from one or two products in this incremental revenue? Will it be skewed towards one or two products or can there be equitable distribution among 6, 7 products? Because it's -- I'm just asking so it doesn't create a big risk in FY '28 because if competition comes in, then again, you kind of face a situation which you faced in Revlimid this year?

Achin Gupta: So Nikhil, in terms of annualized revenues from these products, I think a couple of them, we are expecting $100 million plus annualized opportunities, right? And the other 2 are also significant, right? So -- and then there's -- so this is respiratory and then there's a peptide asset, which is also big.

So we are expecting big contributions. I think the reason we are not able to give a quarter-wise kind of breakup or a product-wise breakup is because the timing of launch, if it moves 1 or 2 months, that affects the full year number. But run rate-wise, assuming we have these launches, we will be able to cross that run rate by the end of the year. So there are 2, 3 big opportunities and a couple of medium-sized opportunities.

Nikhil Mathur: Got it. And what kind of a tail are we looking at in these plus $100 million opportunities? I mean, can they continue for, let's say, a couple of years, '28 and '29 or in '28 onwards only, we can see some bit of erosion starting to happen?

Achin Gupta: So see, these are not like the 6-month exclusivity kind of opportunities. So even if competition enters, they will taper off slowly, right? So they are more like the way to look at it is what you saw in our Albuterol or what you saw in our Lanreotide prior to supply disruption issues. These are more steady opportunities. So where we have to manage some level of price erosion, but not a cliff kind of scenario, right? So these are steady opportunities.

Ashish Adukia: And if there is a price erosion with new competition coming in, you may see some volume going up. So you'll have to manage it as a dollar value rather than looking at it as volume or a price gain.

Nikhil Mathur: Understood. On the India business, can you quantify the contribution from your peak in 4Q? I imagine it's only 4Q where your peak would have contributed, not in 3Q, right?

Achin Gupta: Yes, it wasn't that large because real sales started happening in Jan, so Jan, Feb, March. We've seen growth internally in secondaries. April also, we saw an improvement over March on secondaries. But yes, I mean, it's not out of the 15% overall One India we've reported, it's not going to be a meaningful percentage.

Nikhil Mathur: Sub 1%? Is that the sub-1% or sub-2%? Is that how we should read it?

Ashish Adukia: I think those figures are broadly available in the market. If you look at IQVIA, I'll give you a direction of how much primary we are doing.

Nikhil Mathur: Okay. And is there any M&A component or in-licensing component that I might have missed, which is also leading to this double-digit growth in 4Q?

Achin Gupta: Yes, we had in-licensing of some Pfizer products. We had a small acquisition of a business called Inzpera. Yes. So base will still be double digit.

Ashish Adukia: I think the presentation also we had mentioned, I think the 4 last time or we've always announced the three, four IDs and acquisitions that we've made.

Moderator: Our next question comes from the line of Saion Mukherjee with Nomura.

Saion Mukherjee: I think over the next, let's say, 2, 3 years, how should we think about your capital deployment, both, let's say, organically or inorganically, if you can give any color the kind of assets and capabilities that you're looking at?

Ashish Adukia: Yes. So look, I think we are preparing for a solid growth over the next 5 years and beyond. And for that, I think the number1 deployment is going to be on R&D side. So we have plans to accelerate R&D pipeline. So Respiratory assets, we have some under approval, more which we are filing.

Complex products, which we outlined was peptides, other differentiated products. But also we're going to step up on biosimilar side, where we would want to do roughly 6 to 8 internally. And if we find a couple of good opportunities, we can supplement through inorganic as well, so that will consume some capital.

Then we have capex, which we have increased steadily over the last 3 years. So this cycle will probably reduce after another year or so because we've built enough capacity for the products that we want to supply. And beyond that, we will be led more by productivity initiatives. On top of that, inorganic, we are interested in looking at assets. We evaluate several assets.

Our bias is more towards differentiated specialty kind of products for developed markets, which is U.S. and Europe, which give us a more sustainable growth and some capabilities as well. So I think those are the areas where we would want to deploy capital in order to sustain the entire trajectory over a longer period of time.

Saion Mukherjee: Yes. Anything in India or emerging markets like more in branded generic space you think Cipla would be looking at or this would be largely organically built?

Ashish Adukia: So India, we've actually put a slide in the investor deck on the partnerships we've done. Acquisition, a large acquisition in India is a little difficult for us because we are a number2, number3 player. We're actually number1 by volume. So whenever we start looking at some of these, there is a significant overlap that we have to account for. So emerging markets Europe remains a very good opportunity for us. We're looking at that. And if we find opportunities where we get business plus capabilities, that would excite us a little bit more because then that gives us the platform for future growth as well.

Saion Mukherjee: Right. Actually just one clarification because the cash on balance sheet is pretty large now. And the kind of expansion organically and inorganic opportunity, it appears that it won't get consumed. So I mean, are we even thinking about high dividend payout? What are your thoughts on the cash that you have on your books now?

Ashish Adukia: So see, there are opportunities to deploy. We need to be selective. We -- when we look at it as in absolute rupee terms, it looks high. But if you were to chase 1 or 2 large transactions, meaningful transactions, this is not a very high amount of cash. So I don't think we are worried about the cash on our books.

It gives us flexibility and it gives us opportunities to look at options which can help the future growth of the organization. At the same time, we do remain selective because the kind of

opportunities that we are looking at have to really pass all our filters in terms of diligence and adding strategic value.

Moderator: The next question comes from the line of Neha Manpuria with Bank of America.

Neha Manpuria: A quick question on the India business. I think you mentioned we grew double digit in the trade generic business, and I see we are growing double digit in consumer health care as well in FY '26. So is it fair that the branded generic business has actually been pretty muted for the entire year? Therefore, what gives us confidence that we'll be able to beat India growth in the next year?

Achin Gupta: Yes. So I think we mentioned that all the 3 segments of the business have done really well in -- especially Q3 and Q4. Q1, we had a muted quarter on the branded Rx business. But that is behind us now, right? There were reasons related to seasonality, et cetera, but we've not seen those similar reasons as we started this particular financial year.

So -- with the products we have and the strategies that are there, we are quite confident, and we've seen that trend now over at least 2 quarters, which gives us confidence that this will continue. And also, we should still acknowledge that acute is a fair representation in our mix in comparison to other players and market, okay? So -- and that is season dependent. And last couple of years, we've had a challenging season. So we have to work much harder in other part of our portfolio to achieve that growth, which at least we've been able to do in the second half of the year.

Neha Manpuria: So in that case, given that we've had a fairly low base on seasonality, ideally, even a normal season should give you that tailwind for India growth this year, right? That would be a fair assumption, even if we didn't have like even a normal season should help.

Achin Gupta: Yes. So that's why we're saying we are confident about the double-digit growth because we -- the seasonal patterns don't happen too many years in a row, right? So I think the base was low for last year on some of these acute things, but also the chronic portion, particularly diabetes, cardiology has grown significantly. So we have also diversified beyond that seasonality dependent portfolio. So yes, we will overcome this.

Neha Manpuria: Okay. And my second question is on the margin guidance that we mentioned, 18.5% to 20%. Given that a lot of the U.S. growth will be -- the high-value launches will be second half weighted. Is it fair to assume that in the second half, our margins could be north of the 20% range and therefore, the average that you've given? Would that be a fair assumption?

Ashish Adukia: Yes. So that's exactly what I had mentioned initially that in 18.5% to 20% that we're guiding, it will be more in the favor of H2 where you will have better than average and first 2 quarters where we don't have the benefit of new launches, we will see a lower margin than the average that we're giving. So yes, that's the trend that you will see.

Moderator: We take our last question for today from the line of Vivek Agarwal from Citigroup.

Vivek Agarwal: I'm just again trying to understand your EBITDA margin guidance. Given the outlook you provided for the U.S. business, $1 billion plus run rate and India double-digit growth in FY '27, this 18.5% to 20% appear a bit conservative. So just trying to understand, have you baked in significant impact of, let's say, input cost increase or impact of geopolitical situation, etcetera or anything that is holding you back from giving a better guidance?

Ashish Adukia: See, I think we have made a lot of investment in the last 1 or 2 years, both on people as well as on R&D. And both these costs is going to sustain. People costs will continue to be high because we've made manufacturing facilities and to add the field force etcetera. I think more or less that investment phase is coming to an end.

But of course, that people cost is now sitting with us and revenue of that will start coming in, like Achin had said later with the new launches coming in. R&D also, while it is discretionary and in hand, but still will continue to be at about 6% to 7%, but more biased towards 7% because we are increasing the number of programs, etcetera.

So therefore, I think 18.5% to 20% is a fair margin to assume. We are taking in more moderate kind of war risk and we are hoping that it's temporary and not really going to sustain. If it sustains, then of course, this margin we'll still try to mitigate through other measures. But nevertheless, we're not factored in a very long-term kind of sustained impact of that.

Vivek Agarwal: Understood. And given that you are suggesting 2H margins to be better than 1H, and it will affect new launches in the U.S. So is it fair to understand that '28 margins or F '28 margins can be materially different or better than F '27?

Ashish Adukia: I think that would be our target, right? So we will obviously work towards continue to improve our targeted margin. To be fair, I think it should 20 plus is something that we should anyway sustain going forward.

Vivek Agarwal: Last question on one product Nintedanib. So how material this product can be? So is it a very short-term opportunity for 2, 3 months or it can last throughout this year. You can help us understand.

Achin Gupta: It's not a very large product, but we've got good market share. So it's doing well for us. We've had a few other launches as well already in the year. But these are not -- I would not call them out separately. They're not of that.

Moderator: Ladies and gentlemen, that was the last question for today. I would now like to hand the conference over to Ms. Diksha Maheshwari for closing comments.

Diksha Maheshwari: Thank you, everyone, for joining in. If you have any further questions, please write it to investor.relations@cipla.com. Thank you.

Moderator: Thank you. On behalf of Cipla Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines. Thank you.