“Cipla Limited

Q2 FY26 Earnings Conference Call”

October 30, 2025

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Moderator: Ladies and gentlemen, good day and welcome to the Q2 FY26 Earnings Conference Call of Cipla Limited. 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 from the management team, Mr. Umang Vohra, Global MD and CEO; Mr. Achin Gupta, Global COO; Mr. Ashish Adukia, Global CFO; Ms. Diksha Maheshwari, Head, Investor Relations. I now hand the conference over to Ms. Diksha Maheshwari. Thank you, and over to you, ma'am.

Diksha Maheshwari: Thank you, Rutuja. Good afternoon, and a very warm welcome to Cipla's Q2 FY '26 Earnings Call. I am 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 conformations, future events or otherwise. I hope you have received the investor presentation that we have posted on our website. I would like to request Umang to take over.

Umang Vohra: Thank you. Good afternoon, and a very warm welcome to Cipla's Q2 FY '26 earnings call. And Diksha, thank you for the introductions. First of all, I would like to introduce Achin to all of you. He's held two key leadership roles at Cipla as CEO of One-India and subsequently as the Chief Operating Officer, demonstrating both strong strategic and operational leadership.

With over 20 years of experience in the pharmaceutical industry, Achin brings a wealth of insight and operational excellence. He will take over as the designated CEO effective the 1st of January and assume full responsibilities from the 1st of April as the CEO and MD of the organization. Please join me in welcoming Achin to this new role.

This quarter, we delivered an all-time high quarterly revenue of INR7,589 crores, supported by a robust EBITDA margin of 25%. What makes this performance truly noteworthy is the breadth and balance of growth powered by contributions across all our priority markets of One-India, U.S. Generics, One Africa and EMEU. This underscores the core advantage of our diversified portfolio, driven by the relentless commitment of our teams across the globe.

Coming to the quarter performance. Our One-India business delivered an improving growth trend with 7% year-on-year increase for the quarter. In our branded prescriptions business, while the overall market growth of Cipla is at 8%, our key therapies grew at strong double-digit growth. anti-diabetes grew by 10%, cardiac by 13%, urology by 17% and dermatology by 18% as per IQVIA MAT September '25. Our overall chronic mix further strengthened to 61.8% year-on-year. Foracort ranked the number one brand in IPM.

We added four new brands to the INR100 crores plus club, taking our total to 29. Our presence in the IPM's top 300 brands also improved with a total of 22 brands now. In terms of volume, Cipla continues to be the largest pharma company and the only player with 2 billion plus unit sales in IPM as per IQVIA MAT September '25. Respiratory remains a cornerstone of our portfolio where we continue to invest with conviction.

Our triple combo products, Voltido Trio Ciphaler and Foracort G are gaining strong traction. And with Q3 traditionally being our best quarter for respiratory, we are optimistic about the season supporting our performance. Alongside respiratory, we have boosted our presence in chronic care through strategic investments in anti-diabetes and the cardiac therapies.

These segments have delivered a robust CAGR of 16.4% from MAT of September '21 to MAT of September '25 with revenues almost doubling. Flagship brands like Dytor, Trulicity, Humalog and Galvus continue to lead this growth, which will accelerate further with the new launches such as Empacip and Afrezza.

Building on this momentum, we are entering the obesity care segment with the launch of Yurpeak, which is tirzepatide. This is a significant milestone in our partnership with Eli Lilly and marks our commitment to addressing one of the most pressing health challenges of our time. Additionally, we are expanding across multiple therapies through strategic introductions.

In the CNS segment, we strengthened our portfolio with Doloneuron and Zolsoma, addressing neuropathic pain and sleep disorders. In urology, we launched XTIKTR, a minimally invasive treatment for urethral strictures. Upcoming launches include Elbicip, in gastroenterology, a first-in-class molecule for constipation management.

Aprela in dermatology, which is going to be India's first topical Apremilast for psoriasis; and Rizontem and Tedispan to reinforce our leadership in anti-infectives. Antimicrobial research is a very strategic cause for Cipla and we are deepening our focus on combating this. Recent launches like Huena, ZEMDRI and Cipenmet underscore our science-led approach and responsible stewardship in anti-infectives.

Cipla welcomes the government's progressive GST reforms and a meaningful step towards making health care more affordable and accessible to all. For over 90 years, Cipla has stood by its purpose of caring for life, and these reforms align closely with that commitment. We are fully dedicated to ensuring the benefits of these changes reaching every patient, reinforcing our belief that quality health care should be within everyone's reach.

The GST rate transition led to a brief disruption in the sales trend, mostly within -- mostly which was resolved within the quarter. Our trade generics business delivered strong double-digit growth during the quarter on the back of rigorous execution in distribution, new product launches and technological advancements. Expanding our portfolio remains the key growth driver with 6 new launches this quarter, addressing specific patient needs.

Our Consumer Health business continued its upward trajectory with Nicotex, Omnigel and Cipladine consolidating their number one positions in the segments. The business is driving

healthy secondary growth and actively exploring opportunities to invest in products and channels to expand our distribution network. Operating profitability continued to improve, reflecting the strength and scalability of our consumer health strategy.

In North America, we delivered a quarterly revenue of $233 million. In the overall U.S. albuterol MDI market, Cipla emerged as the number one player with our market share rising to 22% as per IQVIA data for the week ending September 19, 2025. With over 50 million inhalers supplied since launch, Cipla continues to be a driving force in respiratory care, reaffirming our commitment to improving patient outcomes and making quality health care accessible across the nation.

Our lanreotide market share has now risen to 22% as per MAT August '25. We remain focused on fortifying our position and aspire to further build on this momentum in the coming quarters. This quarter also marked a significant milestone in our growth journey with the launch of filgrastim, our first biosimilar in the U.S. market, signalling a strategic entry into high potential segments.

During this quarter, we received the generic drug approval for glucagon and a tentative approval for liraglutide through our partner, which could enable a launch in -- as and when the exclusivity period expires. In Q3 FY '26, generic Revlimid is expected to have a very small contribution to the U.S. revenue. The base business, excluding generic Revlimid, is expected to continue its growth trajectory in quarter 3 over quarter 2.

Over the next four quarters through our upcoming launches, which are subject, of course, to U.S. FDA approval, we will be able to alleviate the decline in the generic Revlimid revenue, though there may be timing gaps before the full benefit is realized. A quick update on our U.S. pipeline. By calendar year '26, we expect the launch of four major respiratory assets, including generic Advair in quarter 4, '26 and three peptide assets, including liraglutide.

Importantly, three of the four respiratory assets are filed from our U.S. facilities, which derisk these launches. These launches will strengthen our portfolio and support long-term growth. Our one Africa business recorded a growth of 5% year-on-year in U.S. dollar terms with South Africa growing at 6% in ZAR terms.

In the private market, we delivered a robust secondary growth of 6.2%, significantly outperforming the market growth of 4.7% Growth in One Africa was fuelled by significant progress in key therapies, expansion of our tender business and successful new launches demonstrating our ability to unlock opportunities and deliver value across diverse markets.

In the EMEU business, we delivered our strongest quarterly revenue till date at USD 110 million, registering a solid 15% year-on-year growth in U.S. dollar terms. This performance was fuelled by impressive execution across both DTM and B2B segments. Our continued focus on deep market penetration has laid a strong foundation for sustained growth.

Notably, we maintained margin stability while effectively leveraging internal pipeline assets, demonstrating the strength and agility of our operating model. On the regulatory front, the U.S. FDA inspected our manufacturing facility located at Bommasandra, Bengaluru in quarter 1 FY '26. And during this quarter, the inspection was qualified as VAI. We expect the reinspection of

our Indore facility any time in this year and the early next. I would like to invite Ashish to present the financial and operating performance now.

Ashish Adukia: Thank you, Mr. Umang Vohra, and very warm welcome to Mr. Achin Gupta. Now I would like to take the key financial highlights for the quarter. So this quarter, we delivered yet another highest ever quarterly revenue. We reported a quarterly revenue of INR7,589 crores with a growth of 8% Y-o-Y.

The EBITDA margin, excluding other income, stood at 25% for the quarter. The reported gross margin after material cost stood at 67%, largely on account of product mix and some of the R&D materials that we had purchased. Total expenses for the quarter stood at INR3,197 crores, reflecting an 11% increase over the previous year.

This was primarily due to increase in R&D investments, including the litigation costs and some elevated marketing spend, which is in line with the growth in the sales. We remain committed to innovation and future readiness. Our R&D investment for the quarter was INR539 crores, accounting for 7.1% of the revenue. These investments were directed towards product filings and developmental efforts.

The R&D spend is trending higher this year, driven by some additional select opportunities that enhance the vibrancy of our pipeline. We have accelerated certain filings into this financial year to capitalize on these opportunities, resulting in R&D expenditure being higher by about 500 basis points of the revenue over the planned R&D percentage. Profit after tax for the quarter stood at INR1,351 crores, representing 17.8% of sales.

The effective tax rate was 27%. Our free cash flow generation and operating efficiency continues to drive healthy net cash position. As at the quarter end, the debt on our balance sheet, including lease liability, was INR467 crores with net cash balance at INR9,901 crores after adjusting for cash outflow for over INR400 crores and dividend payout as well, which happened this quarter.

Looking ahead, our key priorities for FY '26 will include, for One India, the aim is to focus on execution to regain the growth momentum and outperform the market in both branded generic and trade generics. In North America, we'll focus and concentrate on enhancing the commercial execution and accelerating new product introductions that we're expecting.

In South Africa, the next two quarters are critical for execution towards margin expansion. And in EMEU, the top priority is to drive top line growth by deepening penetration in core market while maintaining a strong margin trajectory. Like I said, that we have accelerated and increased our product introductions in our R&D pipeline and driven by additional programs.

And following a review of our other operations, we are revising our full year EBITDA margin guidance to about 22.75% to 24%. The earlier guidance was 23.5% to 24.5%. And this guidance excludes the -- Yurpeak business plan that I talked about because it is a little early to comment on that.

I would like to now thank you for your attention and would now hand over to Rutuja for the Q&A. Thank you.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Gautam R from Leo Capital. Please go ahead.

Gautam R: I have two questions. For your GLP-1, do you only plan for fill and finish or we also manufacture API and other drug substances? That would be my first question?

Ashish Adukia: Sorry, your question was not quite clear. If you could just repeat on GLP-1, are you asking whether we manufacture ourselves?

Gautam R Yes. For GLP-1, do you plan for only fill and finish or do you also manufacture API substances?

Ashish Adukia: Okay. No. So I think -- so we don't manufacture API ourselves. We procure it and it is easily available in quantity. So it's not an issue. And then we may have some arrangements with CMO, et cetera, to formulate that. So that's the current arrangement, which...

Gautam R: Fill and finish is through CMO, right?

Umang Vohra: Yes, yes. Fill and finish right now is through CMO. Yes, fill and finish is through the CMO. And over a period of time, we are also looking at whether we internalize this fill and finish for certain categories of products. The Lilly partnership is all completely sourced from the Lilly franchise.

Gautam R: Understood. And this CMO fill and finish, what would be our capacity through them? And what are the markets you'd be targeting?

Umang Vohra: Are you saying the capacity?

Gautam R: Yes.

Umang Vohra: No. So capacity, we -- our checks revealed there's enough capacity that we have signed up for, both from the CMO network as well as from partnerships with players such as Lilly. And I think that is adequate for us to supply the market.

Gautam R: And which markets would you be targeting globally?

Umang Vohra: So for the non-Lilly partnership molecules, I think we will pretty much supply to most of our ROW markets, the U.S. market as well as Europe, India, of course.

Moderator: The next question is from the line of Saion Mukherjee from Nomura Securities.

Saion Mukherjee: Firstly, congratulations, Umang, for a great innings at Cipla, which saw a significant transformation for the company. And congratulations, Achin, as well for your appointment and wish you all the best. My question is, if you can talk about the India business, Umang, I mean, we have seen probably some slowdown in the branded business because your other businesses seem to be growing in double digit. Is that a right assessment? And is there is a reason behind it? And

also for your tirzepatide tie-up, how are you thinking about that opportunity? And are you also planning to launch semaglutide on patent expiry now?

Umang Vohra: Yes. I think the second one is perhaps easier to answer, Saion. But thank you first for those kind words. And of course, Achin is on the call as well, and thank you for welcoming him. On the -- let me start by saying, as soon as the Cipla file is approved and we are able to supply the product, which we now think may be a little delayed beyond March, April, depending on when the approval comes for semaglutide. At that time, Cipla will evaluate its launch into the market.

I think on tirzepatide, I think it's safe to say that we are hoping to launch as soon as we can. And our prediction for the market is that this is a fairly material opportunity for the company. And we believe that there is enough potential for this product in Tier 2, Tier 3 towns and based on our assessment and the research that we've been carrying out over the past 6 months.

And maybe on the first topic on the India slowdown, yes, there is -- in the first quarter, we had mentioned it that respiratory was a very large share and the fact that there was not that much of an acute season that we could see, we had the impact of this coming in. I think the business is recovering strongly in quarter 2.

And hopefully, in quarter 3, we should be at or higher than the India market growth rate. So yes, there was a little bit of a slowdown, maybe because of the new teams that were being formed, et cetera, but I think we are ready now from a perspective, and we should begin to see growth coming forward.

Saion Mukherjee: Okay. And if I can ask on the U.S. market, if you can -- if you would like to talk about how should we think about revenues now, if you can give a number for next quarter for the U.S. market? And also any time line you have in mind for launch of generic QVAR now?

Umang Vohra: So generic QVAR, I can't speak about it because it's more -- it's in the court. What was the first question, Saion? Sorry, I missed it.

Saion Mukherjee: About revenues once the Revlimid goes out? And also, if you can comment this quarter, was it Yes

Umang Vohra: No, no, much lower. I think this quarter, it was lower. And I think a safe thing to build in would be virtually nil to very marginal Revlimid in the next quarter. I think from whatever we've seen, we can't guide to it specifically, Saion, but from whatever we see as a consensus view emerging within analysts of what Revlimid could be, ballpark, it's in that range. It's not as if those estimates are way, way off what Revlimid could be as an impact to the business.

Moderator: The next question is from the line of Damayanti Kerai from HSBC.

Damayanti Kerai: My first question is on tirzepatide deal with Eli Lilly. So can you discuss a bit about the sort of arrangement you have, like you will be booking the revenue or how the partners will be sharing the economy?

Umang Vohra: Ashish?

Ashish Adukia: Yes. I am requesting Achin to take the question, please.

Achin Gupta: Yes, thank you for that question. So we will be launching a brand called Yurpeak, which is exclusive to Cipla, and we have nationwide distribution rights and the full rights to promote and distribute the product in India. It's like any of our other partnerships, product will be supplied by Lilly and marketed by Cipla.

Damayanti Kerai: Okay. But the sharing arrangement is at the revenue level or it will be more at the EBITDA or PAT level, if you can clarify that?

Ashish Adukia: No, no. So it's like any other licensing agreement where the product would be supplied to us at a price, okay? So that will be our material cost. And then we'll be selling it and whatever arrangement that we have in terms of margin will reflect in the gross margin. After that, of course, the freefort that we put in place to sell, etcetera, that's our marketing cost.

Damayanti Kerai: Okay. Got it. And Ashish, my second question is...

Ashish Adukia: If that was your...

Damayanti Kerai: Yes, broadly understood.

Ashish Adukia: We have built in -- whatever it is of the material that we get.

Damayanti Kerai: My second question is on your revised EBITDA margin guidance. So it's, I think, a wide margin guidance which you have given. And looking at your 1H performance, do you anticipate much higher R&D spend and some other spend in the second half and that could be contributing for this wider margin guidance?

Ashish Adukia: No, it's not because of what you mentioned, that is one of the reasons why you will have -- so see, in the first half of the year, you had the benefit of Revlimid also sitting out there, which will not be there in the second half. So that is one reason for the first half being at 25-plus-percent and second half being based on the margin guidance that we have given.

The second reason is R&D as well, where some of the programs that we have picked up, the expenses for that will also pick up. But some of the materials, et cetera, that we purchased for it is already sitting in the first half as well. The third reason is, as you know, that quarter 4 is usually -- so quarter 3 will be a season quarter. So hopefully, we'll be able to capitalize maximum on our respi season. So base business will actually..should do well and should grow on a Y-o-Y basis.

But quarter 4 is usually the lowest in terms of both sales as well as in terms of margin for us. So historically, what you've seen in the margins and without Revlimid is something that you should factor in. And based on these factors, we're suggesting a range. And of course, how your peak shapes up, which is a little early for us to comment on, will also play in the entire mix.

Achin Gupta: Sure. My last question is for both Umang and Achin. With change of guard at Cipla, any broader thought on company strategy over longer term? Any area where you are particularly looking to increase your focus, et cetera? If you can share some initial thoughts, that will be helpful.

Umang Vohra: Maybe to not put Achin on the spot, I think it's -- we should allow Achin some time also to make his own strategy for the company. But by and large, I think we are a generic business and the intention on the generic side of the business is obviously to increase scale, increase size, improve our competitiveness, which will continue across our key markets of India, U.S. and some of the ROW markets, as well as South Africa.

I think on the innovation side, the world is so beautiful and there's so much happening in it. I think that probably requires a little bit of thinking, which Achin is already putting his mind to. So once he's ready with it, there will be probably some more thinking on the innovation side as well. So there will be no sudden changes...

Achin Gupta: Just to add there. So look, Cipla is an institution in and off by itself. So there will be continuity in what we are doing in terms of purpose, in terms of providing access in the leadership on respiratory therapy, in various segments that we've been building over the years. I think the final nuances, a lot of things change as the market itself shapes up, and we will look at what emerging opportunities arise in innovation and the light area. So -- as Umang said, this is like 2 hours into the announcement. Allow me some time, we'll come back to you.

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

Neha Manpuria: Ashish, just on the R&D guidance, I think I missed the number. You mentioned something about 500 basis points in your opening comments. I didn't quite catch what you mentioned in terms of spend being higher?

Ashish Adukia: The R&D spend that we had planned for the year, so now that we are estimating the R&D spend for the entire year now as against the plan, what we had planned, the spend will be about 0.5% -- sorry, I may have said 500 basis points, I meant 50 basis points, 0.5% of revenue higher basically.

Neha Manpuria: And what would be this -- the accelerated filing in which specific areas are we looking at? Is this the same U.S. generic and respiratory or is biosimilars? If you could give us some color on what the accelerated filings are in which area?

Ashish Adukia: In the similar areas as we've been working on, which is basically your complex generics, yes, so mainly in those areas and respi, oligo, peptides, those are the areas that we are working on and what we've added this year.

Neha Manpuria: Understood. Okay. My second question is on the India business. I think you mentioned that one of the strategic priorities is to -- I think even Umang mentioned that the focus is to grow the business, if not in line, higher than the market. Other than the seasonality, which again is a little bit outside of Cipla's control, we have seen a couple of quarters of like last year it was trade generic disruption, this year it's seasonality.

How do we ensure that there is -- that Cipla can go back to growing in line with the market, particularly on the branded business. We're doing all right on consumer health and trade generic. But on the branded piece, is the Eli Lilly bit that gives you confidence on being able to grow higher than the market?

Umang Vohra: Achin?

Achin Gupta: So look, I think our business has a very good diversification now. There is certain elements of it, which -- where we have leadership, which has been more seasonality dependent, particularly on the acute side and a little bit on the respiratory side. But if you see over the years, we're building a very strong franchise on diabetes, cardio, urology, et cetera. So the depth that we have in the franchise is quite solid.

We -- across all of these segments, we are growing faster than market already. Sometimes if the seasonality is highly unfavorable, the mix doesn't work for us. But over a period of 3, 4 years, we have been ahead of the market. So we're quite confident that in the coming quarters, we'll again start delivering the market-beating growth at an overall level.

Neha Manpuria: And this would be even without the Eli Lilly in-licensing, would that be a fair assumption?

Achin Gupta: Yes.

Moderator: The next question is from the line of Surya Narayan Patra from PhillipCapital.

Surya Narayan Patra: So the first question is on the Eli Lilly. So I was just trying to understand, obviously, the kind of first-mover advantage that we will be enjoying since the patent expiry here in India for tirzepatide in India is only in the mid-30s. So considering that it's a kind of a good move, the first-mover advantage, but what is the likely scenario that we would be seeing once the genericization of the semaglutide will happen in India? And post that, what is the kind of opportunity one can mutualize out of this opportunity?

Umang Vohra: Yes. Maybe I'll start and then Achin can add. See, I think we -- our endeavor is to go for products which bring superior science. Even today between doctors, tirzepatide based on our feedback within the market, there are a distinct set of people who will use tirzepatide, right? And there are -- and sema will be used for many others, right? So both molecules will stand on its own. Tirzepatide, we believe, brings very strong and superior science. And it is our endeavor to leverage that science and be able to create a market for the product.

The other dynamic that is important to understand is that semaglutide will be -- will also be a large market, but it will be a market that will be shared by many people. Whereas our version of tirzepatide, it is also a strong market and a product with strong science. And we believe that there will be -- between us and Lilly, there will be enough muscle to take this product into the market and create the opportunity. So when you look at those 2 contrasting aspects, the opportunity begins to look a little bit more attractive. Achin, do you want to add anything further to that?

Achin Gupta: Yes. Thanks, Umang. I think exactly that. So I would just underline this is tirzepatide is the first and only dual agonist of GIP and GLP-1, which makes it a very unique proposition. And while both products have been launched by the respective innovators, you can see from the uptake that the tirzepatide uptake is far ahead. So we see this as a market-shaping opportunity because the entire class of treatment is new.

And there will be a lot of eligible patients across the geographical -- different geographical areas as well as across different patient archetypes. So there's enough opportunity. And with Cipla's strength, with its reach, with our proven abilities on market shaping, we see a sizable opportunity for us irrespective of how the semaglutide market shapes up.

Surya Narayan Patra: Sure. Just an extended point on that. See, Cipla is a kind of established volume leader of domestic formulation business. And going ahead in the name of semaglutide as well as tirzepatide, two big volume opportunities are coming for us and for the industry as a whole. So given that, what is the kind of growth trajectory that one should think about the domestic business?

Umang Vohra: Achin, go ahead.

Achin Gupta: Umang, would you like to take this? Or can I take?

Umang Vohra: No, please go ahead. Please go ahead.

Achin Gupta: Yes. So I think the part of the response I had already shared that we are participating across the breadth of therapies. So respiratory, we continue to beat. And we are participating more and more in the chronic conditions, which are more related to lifestyle and the changing demographics.

So clearly, obesity falls in that category, diabetes falls in that category. And the market opportunity is there. So we would start seeing more volume growth as well. But the nature of treatments and the kind of drug that will be sought will change a little bit over time. So we are preparing ourselves to play in all the different segments of the market.

Surya Narayan Patra: Okay. So strong double-digit kind of visibility that you are indicating, sir?

Ashish Adukia: No, we're not giving any directional guidance on that. So I think if you look at it, the market grows at about 8% to 9% in the domestic formulation business. So I think we expect that to continue. And there can be some top-up growth that may come from GLP-1. But usually, it should be -- you should pencil in for industry about 8% to 9% kind of growth.

Surya Narayan Patra: Sure, sir. Just one clarification on the gross margin front. Sequentially, we have seen there is a kind of 160, 170 basis point kind of decline. despite strong U.S. sales. So is it because of the price cuts that you would have witnessed in the Revlimid or something else that...

Ashish Adukia: No. So one of the reasons is, lena, there is some price decline that we witnessed in quarter 2. The other smaller reasons is also that the tender business in Africa had picked up. And generally, it tends to be not evenly spread out. So it had picked up this quarter. And the third, which I had mentioned earlier in my speech as well is that, of course, the R&D material that you buy also sits at material costs in your -- so when you buy that cost a lot that impacts your company's gross margin. So these are the reasons why. So there's no -- I think core is intact in terms of gross margin.

Moderator: The next question is from the line of Shashank Krishnakumar from Emkay Global.

Shashank Krishnakumar: My first one was on the pre-approval inspection that the Kemwell facility underwent recently. Just wanted to check which is the product that underwent a tech transfer to this site?

Umang Vohra: It's a fill-finish product. We are not giving the specifics. It's a fill-finish product. So it's not a biologic, if that's your question. It's a fill-finish part of the Kemwell facility.

Shashank Krishnakumar: Got it. My second question was on the capacity expansion that we are doing at our Fall River facility, particularly for respiratory. I think one of our peers has also announced capex plans in the U.S. for inhalers. While inhalers, probably the level of automation is relatively higher, just wanted to get some sense of how would the economics look like manufacturing in the U.S. versus in India?

Umang Vohra: No, I think the U.S. -- it's safe to say that the U.S. is going to be more expensive, right, compared to India. The flip side is there's no freight. But even then, if you look at total costs, the U.S. is expensive compared to India. Magnitude-wise, I can give you a range to say it's not 100% more expensive, neither is it the same cost. So it's depending on the type of product. that's the type of range that one takes for the cost of goods in the U.S. versus India.

Ashish Adukia: I think if you look at it, your -- just to give you a perspective, your capex is the same. So there is no difference, a real difference in the capex. In opex side, if you look at it, material costs are again same. You're procuring from the same. Even the running cost of power, et cetera, is pretty much similar because it's a not elevated power cost in the U.S. I think the key difference is the labor cost. So that's where the needle moves. Otherwise -- so labor is, of course, including your operations, your quality, everything that is involved in the plant.

Umang Vohra: Also these are fairly automated plants. I think that's just the other thing. The respi side is pretty automated also.

Shashank Krishnakumar: Right. If I could just squeeze in one more. So obviously, time lines are confidential. But just wanted to check if you still look to pursue both the Redihaler and the QVAR or would it just be one of these two whenever you come to the market?

Umang Vohra: No, I think both are independent files -- both are independent files and both are for us opportunities that we can onset.

Moderator: The next question is from the line of Tushar Manudhane from Motilal Oswal Financial Services.

Tushar Manudhane: Sir, given the quarter 2 having, as you indicated, much lower contribution from generic Revlimid, and we are at 25% EBITDA margin. Subsequently, acute seasonality was also negative per se in 2Q, which is expected to improve in the coming quarters. And plus probably in fourth quarter, we're going to have respiratory asset launches. So still, you think that we'll be lower in terms of EBITDA margin compared to second quarter, even after considering the higher R&D spend that is like just 0.5% of sales? That's my first question?

Umang Vohra: Yes. I think just as an aside, the one way to understand the guidance range is to keep in mind that, that assumed a certain percentage of R&D and R&D is ramping up in the second half of the year even further compared to quarter 1. So we're, therefore, feeling that R&D -- we have always been range bound with our R&D, and we've identified a few opportunities that we think are very compelling to go after from a timing perspective.

So therefore, these opportunities, and they will start becoming public as and when we file and litigate and whatever. But it is that 0.5% impact is what is coming in. So if I was to take away the R&D that we are spending, the margin is essentially the same range. So we have already, for the full year basis, factored in what Revlimid could do, and we are pretty close to that aspect. So our assumptions are playing out pretty similar to what we had thought Revlimid -- how the curve of Revlimid will play out.

Tushar Manudhane: Got it, sir. And to extend this question for FY '27, given the respiratory asset launches in fourth quarter onwards of this year. So directionally and given that some amount of R&D getting sort of preponed in FY '26. So directionally, the EBITDA margin for FY '27 would be higher or lower than the current guidance for FY '26.

Umang Vohra: Can we come back to you in the next quarter on this? Because I think there will be a budgeting exercise that will be done and maybe at the next quarter, maybe more guidance could be given.

Ashish Adukia: There's a correction I would like to highlight on the statement that you made, Tushar. One thing is that it's not that there's a preponement of R&D from -- so we've selected certain new programs into the portfolio, which has led to increase in R&D. And there is some acceleration, but more importantly, there is also new programs that are there, which has led to R&D expense being higher. And the other thing that you had made a statement that in quarter 2, Revlimid is much lower than previous year or whichever sequentially. It is lower than that, but it's not much lower.

So that also needs to be kept in mind. So there is a contribution of Revlimid sitting in your quarter 2 as planned. Only the tail is left now is for quarter 3, it will be significantly lower is what we had said.

Tushar Manudhane: Understood, sir. This is helpful. And secondly, great deal with Eli Lilly for India market. Just sort of like we also have significant and for a long period of time, established in South Africa as well or Africa market as well. So was there any scope to extend this deal for that market as...

Ashish Adukia: That deal has already struck out there in South Africa in the last year itself, where Lilly has partnered with another player for Mounjaro and Novo Nordisk has launched on its own out there, the ozempic franchise, yes.

Tushar Manudhane: Got it, sir. And lastly, it could be a repetition, but we have been evaluating semaglutide opportunity probably post approval. So is it to do with the kind of traction we have on Eli Lilly product. Subsequently, number of players coming to the market? Is that what the factor will be determining whether we go ahead or not for semaglutide?

Umang Vohra: It will be linked firstly to our approval, right? And then secondly, we will be -- we will evaluate various factors, including the focus that we could put on tirzepatide, etcetera, right? So we will be doing that evaluation at that point in time.

Moderator: The next question is from the line of Bino Pathiparampil from Elara Capital.

Bino Pathiparampil: A couple of questions. One on Abraxane launch. How is the product picking up? Is it in line with your expectation in terms of market share, et cetera?

Umang Vohra: Not quite. We are slightly behind where we wanted to be on the product. And I guess part of the reason was that we found the market had extra stock in it when we launched. Since then, I think since the last 2, 3 months, the situation has changed, we are beginning to pick up share now. But initially, when we launched, the market was oversupplied. It's now a lot better now.

Bino Pathiparampil: Understood. Second, on tirzepatide, would you -- or do you plan to add some specific sales force for that or your existing diabetes sales force is good enough?

Umang Vohra: We've added field force already. So is that the question, Bino? Did we add extra people? Yes, we did.

Bino Pathiparampil: Specifically for tirzepatide or rather specifically because of the tirzepatide deal, would you be adding more sales force?

Umang Vohra: No, we've already added. Actually, the field force has already added, recruited and has been trained. So we have been doing that over the past 3 to 4 months.

Bino Pathiparampil: Got it. And sir, in case you also launch semaglutide, wouldn't the sales force be a bit confused about selling the products when they go to the doctor's cabin?

Umang Vohra: Not really. This will be a difference. If we -- when we do semaglutide, the field force will be a different field force. It's not going to carry both products in the same field force. We are clear that the tirzepatide field force is a field force exclusively for tirzepatide and other products. And sema will be sold by a different division.

Bino Pathiparampil: Got it. And last -- sorry, I couldn't clearly hear the EBITDA margin guidance. Could you please repeat it?

Umang Vohra: Ashish?

Ashish Adukia: Sorry, EBITDA guidance.

Umang Vohra: EBITDA margin guidance.

Ashish Adukia: For the quarter?

Bino Pathiparampil: FY '26.

Umang Vohra: Yes, for the full year is 22.75% to 24%.

Bino Pathiparampil: Sorry, 22.75% to 24%?

Ashish Adukia: Yes. And earlier, if you recall, it was 23.5% to 24.5%. And that's the bridge which Umang was also trying to explain earlier...

Moderator: The next question is from the line of Vishal Manchanda from Systematix.

Vishal Manchanda: So I have a question on Revlimid. Since you are expecting kind of immaterial volumes in Q3, so is it fair to say like for FY '26, our overall Revlimid sales would be less than 50% of what it was in FY '25?

Ashish Adukia: No. We have not seen. I think it was an annual share that you had every year over the last years that we -- since we have launched. So you could do the volume at any given time during the year. So that's what the trend has been.

Vishal Manchanda: So any color on the value decline that we'll see this year, maybe 25%? Is that -- would that be a fair...

Ashish Adukia: We've not given any such guidance in the past as we are also under confidentiality. So directionally, what we are saying is that quarter 3 -- anyways, it gives -- goes off patent in January, it's very close to that. So quarter 3, we'll not have any meaningful contribution from Revlimid into our revenue.

Vishal Manchanda: Okay. So does that mean like on a quarterly basis, we are doing more than what we were doing last year? Does that imply sir?

Ashish Adukia: No, no, no. It doesn't. So more or less, the trend has been similar on quarter basis.

Vishal Manchanda: Understood. And second one on nanopaclitaxel, could you guide as to what share we expect by end of this year? And what would be the size of the market currently?

Ashish Adukia: So we can comment on -- please go ahead.

Umang Vohra: No, I'll try and comment on that. I think, see, the market size, depending on the pricing that is there for vials, I think IMS has a pretty accurate number of vials in the market. The -- I can give you a rough projection of a share, but we are -- right now, our share pretty much was negligible. Only this month we are beginning to take more share. And hopefully, we would like to get to a position where our share is a lot more respectable than that. So we are not giving a percentage target, but I think we are working towards making this a high share and sizable product for us.

Vishal Manchanda: So it can still be a meaningful opportunity for us?

Umang Vohra: Yes, we think so. We think so. It is -- it has a good monthly track rate, and I think it can be a meaningful opportunity.

Vishal Manchanda: Okay. And one more on lanreotide, whether we expect to be around 35% again or we'll be like at the current levels?

Umang Vohra: No, I think lanreotide will continue to go up. As more and more capacity now we are seeing the effect of the capacity unlock and it will continue to go up in scale.

Vishal Manchanda: Are we expecting any competition to come in here in the near term?

Umang Vohra: Well, publicly, there is information of other players who have filed. Depending on their timing, of course, the calibration will be done. But right now, even if Cipla reaches 30% or like your question was 35%. So even if we are 30% and the innovator is 70%, there's a sizable share that can be taken from -- in the market.

Vishal Manchanda: Got it. And like we would expect to be at $1 billion in U.S. sales next year, like what we guided in the previous quarter?

Umang Vohra: We are directionally there, depending on the timing of the launches, et cetera, we are directionally there, right? Now of course, the sale ends up being $50 million here or there, et cetera, then that is dependent on timing of the product. But directionally, that is what we are building.

Ashish Adukia: And when we've given $1 billion guidance, it was also assuming that all our approvals will come through. And on the basis of that, it was a scenario built out. So if the some of those approvals get delayed or anything for any reason, then of course, it will impact your revenue. But on a run rate basis, we'll be able to get there during the next year.

Moderator: The next question is from the line of Kunal Randeria from Axis Capital.

Kunal Randeria: Sir, after this FDA's draft guidance on biosimilars, which have potentially lower entry barriers, do you intend to add more products to your portfolio or at least spend some of the R&D dollars on that front?

Umang Vohra: The answer is yes, both for our own portfolio as well as for partnerships with people who have their portfolios as well. Yes. The answer is yes.

Kunal Randeria: Sure, sir. Sure. And any -- I mean it's a bit early, but any kind of time lines that you are looking at add maybe 2 or 3 products? How should we look at it, maybe for the next 2 to 3 years?

Umang Vohra: I think our current pipeline, if I'm not mistaken, for the U.S. is right now about 2 to 3 products of our own development, and we've got a few partnerships, right, with parties outside. I think you could see that this -- the internal pipeline will continue to expand as will partnerships as well. I can't give an exact number other than saying that it will expand. We want to expand the number of own development as well as partnership and bio.

Kunal Randeria: Right. Right. Sure. And just one clarification to tirzepatide. Is it an exclusive agreement? Or can Lilly out-license a few more brands to other players?

Achin Gupta: Yes, at this point, we are the only partner, a different brand name. And I think the whole market is available for us to shape as we explained earlier. We have other partnerships with Lilly as well. So I think we would expect to make a significant difference to the availability and reach of the product and help create this market for them.

Kunal Randeria: So I understand that. What I meant to ask was, is there -- I mean, does your agreement stop Lilly from giving tirzepatide to someone else also or they are free to you?

Achin Gupta: So we cannot comment on the specifics of the agreement.

Kunal Randeria: All right. Because if I remember correctly, a few years back, you had in-licensed Sacubitril Valsartan also from an innovator, and I think they have given that brand to some other person. So I'm just kind of thinking out loud whether this is possible for tirzepatide or not.

Ashish Adukia: No, sure. So I think a lot of terms in the agreement are confidential. So something that we won't be able to share. But as you are aware that we are the only player which is going to shape the market along with them as we speak, and we have the length and breadth of distribution to take care of the entire national requirement.

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

Diksha Maheshwari: Thank you, Rutuja. 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.