February 11, 2025

Listing Department **Code: *532321***
BSE LIMITED
P J Towers, Dalal Street,
Mumbai-400001

Listing Department **Code: *ZYDUSLIFE***
NATIONAL STOCK EXCHANGE OF INDIA LIMITED
Exchange Plaza, C/1, Block G,
Bandra Kurla Complex,
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Sub: **Transcript of the post results earnings call held on February 5, 2025, pursuant to regulations 30 and 46(2)(oa) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("the Listing Regulations")**

Dear Sir / Madam,

Pursuant to regulations 30 and 46(2)(oa) of the Listing Regulations, please find attached the transcript of the Company's Q3 FY25 post results earnings call held on February 5, 2025.

Please find the same in order.

Thanking you,

Yours faithfully,
For, **ZYDUS LIFESCIENCES LIMITED**
DHAVAL NARENDRA SONI
Digitally signed by DHAVAL NARENDRA SONI
Date: 2025.02.11 18:15:46 +05'30'
DHAVAL N. SONI
COMPANY SECRETARY AND COMPLIANCE OFFICER
MEMBERSHIP NO. FCS7063

Encl.: As above

“Zydus Lifesciences Limited Q3 FY25 Post Results Earnings Call”

February 5, 2025

MANAGEMENT: **DR. SHARVIL PATEL - MANAGING DIRECTOR, ZYDUS LIFESCIENCES LIMITED**
MR. GANESH NAYAK - EXECUTIVE DIRECTOR, ZYDUS LIFESCIENCES LIMITED
MR. NITIN PAREKH - CHIEF FINANCIAL OFFICER, ZYDUS LIFESCIENCES LIMITED
MR. ARVIND BOTHRA - HEAD, INVESTOR RELATIONS, ZYDUS LIFESCIENCES LIMITED
MR. ALOK GARG - MD OFFICE, ZYDUS LIFESCIENCES LIMITED

Ganesh Nayak: Good afternoon, ladies and gentlemen! Welcome to our post results teleconference for the quarter ended December 31st, 2024. For today's call, we have with us Dr. Sharvil Patel, Managing Director, Mr. Nitin Parekh, Chief Financial Officer, Mr. Arvind Bothra, Head of Investor Relations, and Mr. Alok Garg from the Managing Director's Office. Let me now give you a broad overview of the developments during the quarter.

We are happy with another quarter of strong financial performance and remain on track to sustain the growth momentum going ahead. Our US formulations business continued its upward revenue trajectory with a high year-on-year growth driven by volume expansion in base business as well as new products launched over the last 12 months. Our India formulations business grew faster than the market with a secondary sales growth of 8% year-on-year. The source being IQVIA. The chronic segment outpaced the market growth driving the overall performance of the business. The Consumer Wellness business registered double digit growth for yet another quarter, aided by robust volume growth amidst a muted demand scenario in the industry. The international formulations business comprising of the emerging markets and Europe continue to deliver strong growth on the back of healthy demand across markets during the quarter and is emerging as a strong third growth engine for the company.

With that, let me take you through the financial numbers for the quarter gone by. We registered consolidated revenues of ₹52.7 billion, up 17% on a year-on-year basis. The EBITDA for the quarter was ₹13.9 billion with a growth of 26% on a year-on-year basis. Reported EBITDA margin for the quarter was 26.3% versus 24.5% in quarter three FY24. EBITDA margin improved despite 250 basis points year-on-year increase in the R&D spend. Adjusted for certain non-recurring expenses, the EBITDA margin for the quarter stood at 28.1%. Net profit for the quarter was ₹10.2 billion, up by 30% on a year-on-year basis. Our net cash position improved further to ₹30.9 billion as at 31st December 2024 as against the net cash of ₹8.6 billion as at 31st March 2024.

Now let me take you through the operating highlights for the third quarter of FY25 for our key business segments.

The US business accounted for 47% of our consolidated revenues during the quarter with revenues of ₹24.1 billion, up 31% year-on-year and flat quarter-on-quarter. We filed 10 additional ANDAs and received approval for 3 new products during the quarter. We

launched 5 new products during the quarter. New launches include all three brands of Sitagliptin 505(b)(2) franchise, viz. Zituvio™, Zituvimet™ and Zituvimet™ XR tablets. We entered into an agreement with CVS Caremark to add Zituvio™, Zituvimet™ and Zituvimet™ XR tablets to its formulary. These products were added to the formulary from the 1st of January 2025.

Our India geography, which comprises of formulations and the consumer wellness businesses, accounted for 38% of the total revenues during the quarter and grew 7% year-on-year.

Our India formulations business delivered 5% growth during the quarter on a high base of the previous year. During the first nine months of the fiscal, the business grew by 9%, outpacing the market growth. Portfolio of innovation products sustained the growth momentum and continued to deliver strong volume growth during the quarter. The business gained market share in key therapies of Cardiology, Respiratory, Anti-Infectives, and the super speciality therapy of Oncology. On the super specialty front, we continue to strengthen our leadership position in the Oncology and Nephrology therapies. Contribution of the chronic portfolio has increased consistently over the last several years and stood at 42.4% as per IQVIA MAT, December 2024, an improvement of 370 basis points over the last three years.

Our consumer wellness business recorded revenues of ₹4.5 billion, up 13% year-on-year with 4.8% volume growth. The personal care segment, which comprises of Nycil and EverYuth brands, witnessed strong demand and achieved a robust double-digit growth for the quarter. This segment has continued its upward trajectory over the last several quarters. The EverYuth brand continues to gain market share in the scrub, peel off, and overall facial cleansing category. During the quarter, we completed the acquisition of Natural (India) Pvt. Ltd., a leading healthy snacking company having a portfolio of nutrition bars, protein cookies, protein chips, and health food products, thereby foraying into the consumer snacking space.

Our international markets formulations business delivered robust growth during the quarter with revenues of ₹5.7 billion, up 16% year-on-year.

This concludes the business review. I would now request Dr. Sharvil Patel to take you through the key drivers across businesses as well as initiatives in our innovation program. Thank you.

Dr. Sharvil Patel: Thank you, Mr. Nayak and good evening, ladies and gentlemen. It is a pleasure to have you all on the call today. We are happy to inform you that our clearly articulate strategy backed by careful portfolio selection, deep innovation pipeline, execution excellence, and supply chain resilience is yielding the desired results as we ended the calendar year with a strong double-digit growth and robust profitability. We're confident of meeting our growth and profitability aspirations for the fiscal year 2025. We remain committed to address diverse healthcare needs of the patients by expanding our offerings across therapies, by leveraging our innovation engine and in turn, enhance stakeholders' value.

In our US generics space, we have built a comprehensive product portfolio across different dosage forms and therapies and remain focused on streamlined execution of the same. On the specialty front, multiple levers such as the 505 (b) 2 products portfolio, the LiqMeds portfolio, the rare diseases assets are in place and aimed at fulfilling various unmet healthcare needs of patients globally. This, coupled with strong customer relationships, a pool of manufacturing facilities with capabilities to produce diverse dosage forms and an agile supply chain will ensure sustainable growth trajectory for our US business going forward.

On the India formulations front, our business grew faster than the market on a YTD basis. Our endeavour is to strengthen the position across focused therapies through multiple levers. Our sustained thrust on innovation led by our patient centric approach has enabled us to build a healthy pipeline of novel and differentiated products and solutions aimed at fulfilling the various unmet healthcare needs of the patients.

On the international markets front, the focus remains on expanding presence in chosen therapy areas across key geographies by leveraging our global R&D portfolio of differentiated and complex generics as well as the specialty products.

On the innovation front, we continue to make steady progress paving the way for healthier future. Our innovation engine has consistently delivered multiple treatment options in an affordable manner, making them accessible to a large set of patients and in turn, generated strong volumes for us.

With this, let me take you through some of the material developments on our journey on innovation during the quarter.

On the NCE front, we have received FDA approval to conduct a Phase II(b) clinical trial of Usnoflast, a novel, oral NLRP3 inflammasome inhibitor, in patients with amyotrophic lateral sclerosis, ALS. The study will evaluate the efficacy, safety, pharmacokinetics, and pharmacodynamics of the molecule in adult subjects with ALS. Recently, the FDA has granted an orphan drug designation to this molecule, Usnoflast for the ALS indication. The orphan drug designation provides eligibility for certain development incentives, including tax credits for qualified clinical testing, prescription drug user fee exemptions, and a potential seven-year exclusivity upon FDA approval.

Data monitoring and follow-up is going on post the completion of patient recruitment for the Phase II(b)/III clinical trial for Saroglitazar Magnesium for the PBC indication and the Phase II(b) clinical trial for the molecule for MASH indication for the US market. We are looking forward to the Phase II(b)/III trial data readout for PBC indication towards the end of this calendar year.

In the biotech R&D space, we completed a Phase III clinical trial for one of the biosimilars and have submitted an application to the DCGI seeking its permission to initiate Phase III clinical trials for one of the biosimilar antibody drug conjugates (ADC). On the novel biologics front, we received permission from the Review Committee, which is the RCGM, to initiate pre-clinical study for one of our antibody drug conjugates (ADCs).

On the vaccines front, we completed a Phase I clinical trial for a Bivalent TCV vaccine during the quarter.

Now, onto our specialty business. The USFDA has accepted for filing and granted six months priority review to Sentynl Therapeutics Inc's NDA of CUTX-101, a copper histidinate product candidate for the treatment of Menkes disease. The NDA was supported by positive top-line clinical efficacy improvement in overall survival for the Menkes disease subjects who received early treatment with CUTX-101.

I'm also very happy to inform you recently, our Chairman, Mr. Pankaj R Patel was conferred with the Padma Bhushan, one of the highest civilian honors by the Government of India for his contribution in the field of Trade and Industry. We extend our heartfelt gratitude to all our investors and business partners for their unwavering trust and continued support of the Zydus Group over the years. Thank you and now we'll move to the Q&A session. Over to the coordinator.

Moderator: Thank you, Sir. We will open the call for Q&A session. We will wait for few minutes until the queue assembles. We request participants to restrict to two questions and then return to the queue for more questions. Please raise your hand from the participant tab on the screen to ask the questions. The first question is from, Surya Narayan Patra.

Suryanarayan Patra: Yeah. Hello, am I audible?

Moderator: Yeah.

Suryanarayan Patra: Thank you, Sir. Thanks for the opportunity. Couple of questions. First question is that about the US business. Obviously, we have seen a sequential decline. So, how much of that is because of the kind of competition in Asacol HD and how much is that because of, let's say, the base business weakness? That is one part and the second part of the US question is that Mirabegron supply, the export momentum from India, if you see, that looks really robust, while the execution, it seems not at par with the kind of export that we are making or the kind of inventory build-up that we have done. So, how should we think and how longer this Mirabegron opportunity can be considered for us?

Dr. Sharvil Patel: Thank you, Mr. Surya. So, I think first of all, I don't think we have any critical or any sequential decline between the last quarter and this quarter and this quarter, we have not had any sale of Lenalidomide, which would have been there in the earlier quarter. So, actually both the base business as well as our new launches are doing well and that has led to a better momentum for our business despite not having Lenalidomide. With respect to your second question, could you repeat the second question again?

Suryanarayan Patra: Yeah, the second part of the same question was about the Mirabegron. So, the export momentum looks really robust for that from India, but the execution on that front in terms of the revenue that you would be booking look limited compared to the kind of inventory buildup that we are making there in US?

Dr. Sharvil Patel: There is no inventory buildup, which is not normal for an exclusive launch. So, we don't have inventory build-up, and we would keep certain amount of inventory obviously, which we do for every product depending on between 90 days to 120 days, depending on what criticality of the product is there. There is no exceptional inventory buildup and Mirabegron continues to have better optics.

Suryanarayan Patra: So, that means, is it fair to believe Sir, this is the kind of a peak quarterly run rate in the Mirabegron, it has already been achieved and possibly as long as it continues, the opportunity, we will be around this level?

Dr. Sharvil Patel: No, I would not say that.

Suryanarayan Patra: Okay. Second question is on the Sitagliptin franchise what we are building it up. So, we have two opportunities in that. One is the government supply opportunity, what you have already indicated and second is the kind of the arrangement, supply arrangement that we have done with the CVS. So, how big this opportunity could be considering both, because you would be there in this product before as a branded product before the genericization of the product and what would happen post genericization to this franchise and obviously your US government supply will anyway continue. So, how should one think this opportunity? Can it be a kind of the biggest product revenue contributor in the US given both these two opportunities?

Dr. Sharvil Patel So, Sitagliptin combination from the 505(b)(2) speciality place, I think has been a great success for the company and probably one of the rare successes that somebody has seen on an overall 505(b)(2). So, obviously, we have secured a long-term contract with the government which will continue. We have also the CVS deal plus some smaller deals that will continue and this would be a valuable product for us in terms of the revenue that we are going to generate as a new product launch. Also, this has led to the effort and success of Sita is also leading to us being able to now have almost seven 505(b)(2)s commercialized in the US with patent exclusivities and also we continue to believe that in the next few quarters, we will have at least three to four more new licences on 505(b)(2)s for the future. So, as a portfolio, I think the 505(b)(2) franchise with the success of our first seven launches, we are going to see good amount of opportunity as an area of interest for Zydus as to build it out forward.

Suryanarayan Patra: Okay. But could you give some sense about the cumulative size of the opportunity that we can have? Hello. Am I audible, Sir? Is it possible to quantify at least the government opportunity, is it in the range of let's say few 10s or a couple of $100 million opportunity over the period of contract?

Dr. Sharvil Patel: It's a meaningful opportunity, but I think we're not going to do product wise breakup of revenue, which we have always communicated. We can talk about the portfolio and how the portfolios are faring and I said we have now seven 505(b)(2)s and

we continue to believe that in the next few quarters, we'll have four more licensed products on the 505(b)(2) side.

Suryanarayan Patra: Yes Sir. One book-keeping question. See in the presentation what we do see that the employee cost and the R&D cost, it looks like that it has been adjusted among them. So, the reported the BSE format, employee cost number is not the same that is mentioned in the presentation. So, are you doing any adjustment to that and hence your margin as it is reported in the presentation is different than what we do find?

Nitin Parekh: R&D cost in this quarter is higher than the previous quarter, but R&D costs, we every time say that it should not be viewed for a for a particular quarter, it should be viewed on a running basis.

Suryanarayan Patra: No, even employee cost I was talking about, Sir.

Nitin Parekh: Sorry?

Suryanarayan Patra: I was talking about the employee cost.

Arvind Bothra: Surya, I think there is some misunderstanding on the SEBI format. The R&D cost and the employee cost are separated over there. I will take it offline with you, so that, you know, others get a chance. Maybe we can move on to the next participant. You can call me after this call.

Suryanarayan Patra: Sure, sure.

Moderator: Thank you, Surya. Requesting participants to limit their questions to two. The next question is from Neha Manpuria.

Neha Manpuria: Yeah, thanks for taking my question. It seems, I think in the opening remark, you mentioned certain non-recurring costs in the quarter. If you could please quantify the same and where these are allocated, you know, to get to that adjusted margin that you talked about?

Nitin Parekh: So, these are, you know, classified in other expenses. Some of them are marketing related, more in terms of legal and professional fees and also some extra-ordinary expense like GST loss on inventory destruction.

Neha Manpuria: And how much would these be broadly?

Nitin Parekh: We will share separate numbers with you later on. I don't have right now all the numbers with me.

Neha Manpuria: Okay. I'm just wondering as to why you know a marketing spend or a legal or professional fee would be considered non-recurring because you know, I'm assuming there is some amount of lumpiness in that spend quarter-on-quarter, right? So, is there any specific reason why we are calling this as non-recurring?

Nitin Parekh: So, non-recurring because of some specific legal and professional assignment related to some acquisition that we have done and GST loss on inventory destructed was ₹17 crore.

Neha Manpuria: Okay. Got it.

Arvind Bothra: Neha, I will revert with the exact number and align it separately.

Neha Manpuria: Understood. Okay. Thank you so much. And my second question is on the 505(b)(2) portfolio and speciality portfolio. You know, in terms of the size, I don't want product specific number, but in terms of the size, you know, what is the 505(b)(2) like as a percentage of our revenue or whatever you're comfortable with and how big can this get you know for the company as we launch more products, you know, could this be you know, 5%, 10% of the business of the US business or any, you know, qualitative color in terms of how big this can be? I understand you have a lot of launches, but if I were to quantify that in terms of size, as a percentage of US business that will help us understand the stickiness of this revenue?

Dr. Sharvil Patel: So, on a 505(b)(2) front, there are 2-3. One is obviously our Sitagliptin franchise which obviously is a significant value and important launch and product for calendar year 25 and will continue in terms of post genericization with at least the government contracts. The other 505(b)(2)s are our partnered 505(b)(2)s that we have with partners and those revenues are, I mean more than the revenues are more of profit-sharing agreement. So, they're not high on revenue, but they're very high on margins and profits and absolute amount of profits also. So, that's the current portfolio. Going forward, we have few 505(b)(2)s as we believe market making can happen. We can discuss that, but it's not going to happen in the next one year for sure. So, overall, it's still a modest revenue size other than Sitagliptin being a very significant value.

Neha Manpuria: Understood. And my second question is on, you know CUTX-101. Given that we have you know USFDA date on this in six months. How are we thinking about commercialization of this asset, I mean just trying to understand if I have to put some value, how

should I think about, you know what we're going to spend, how we're going to commercialize the asset?

Dr. Sharvil Patel: So, we are already ready for commercialization. The teams have already been created in Sentynl and it's already been prepared for launch. I think from most of that point of is all on track and once we launch, we can give better idea about how we are preparing, but currently in terms of preparedness for launch, we are prepared.

Neha Manpuria: And you know, given this is a rare disease asset, you know, how should we think about pricing? You know, typically you know there are different metrics to use for pricing of a rare disease. So, you know what would be, I'm not asking you for a price, but in terms of methodology, what should be the right way to look at pricing for this asset?

Dr. Sharvil Patel: So, these are extremely rare diseases with very small patient population. So, with looking at the investment and the thing, obviously these are in those, the price brackets are in those products which are in those rare brackets. So, that's how you can look at it, right.

Neha Manpuria: Okay. So, I can benchmark it against the usual rare disease assets?

Dr. Sharvil Patel: Yeah.

Neha Manpuria: Okay. Perfect. And my last question on Saro. I see that we have delayed the readout. I think it was expected in the second quarter of this calendar year. Now, if I heard it correctly, you mentioned end CY25, So just wanted to confirm that, is there been a little bit of a delay in the?

Dr. Sharvil Patel: We will probably still see it in third quarter, end of third quarter. So, we just meant to say this calendar year.

Neha Manpuria: Okay, okay, okay. Got it. Thank you so much.

Moderator: Thank you. The next question is from Anubhav Agarwal.

Anubhav Agarwal: Yeah. Hi, good evening to all. One question is on the US market. So, sequentially put, the US sales include one quarter plus sales of Sitagliptin because if you are starting for 1st Jan, you would have already supplied inventory. Have you already booked that revenue in this quarter? Hello, am I audible?

Dr. Sharvil Patel: Sorry?

Anubhav Agarwal: Am I audible?

Dr. Sharvil Patel: Yes.

Anubhav Agarwal: Sorry, was my question heard or should I?

Dr. Sharvil Patel: No, I think we missed the first half of your question. I just heard that Sitagliptin book sale revenue, so.

Anubhav Agarwal: So, the question is that in US sales in the December quarter, have we already booked one quarter normalized sales of Sitagliptin because if you're starting with Jan 25 with CVS, we should have already supplied that or built inventory in the US?

Dr. Sharvil Patel: No, we have not. Though we have government sale that have been continuing, but we have not booked all the sale.

Nitin Parekh: So, Anubhav, on the question of you know our supplying to US, that is not booked as a sales here because it only gets booked as a sales only in standalone accounts. But to the extent it is not sold in US, it is, you know, reversed in terms of consolidated accounts. The sales means only sales to third parties that way.

Anubhav Agarwal: Yeah, yeah, I'm with you on that. My question was that, you know, if contact is starting with CVS on 1st July, you would have already shipped to CVS before that, that's what I'm asking?

Dr. Sharvil Patel: We have shipped, but it is not that we have shipped everything.

Anubhav Agarwal: And in this quarter, the gross margin sequentially were quite lower, while US sales was flattish, India was largely similar. So, what is the reason that the gross margin declined sharply sequentially?

Nitin Parekh: Business and product mix.

Anubhav Agarwal: No, but anything you want to?

Dr. Sharvil Patel: We don't have Revlimid sales this quarter.

Anubhav Agarwal: But you didn't have Revlimid in the September quarter as well?

Dr. Sharvil Patil: We had Revlimid this last quarter.

Anubhav Agarwal: Oh, is it? Okay.

Dr. Sharvil Patel: And also Asacol has come down, right, so cool quarter.

Anubhav Agarwal: So, what has helped you guys maintain the US sales sequentially? What has gone up in this quarter for you guys versus September quarter?

Dr. Sharvil Patel: So, there are 3-4 things. One is obviously, the base business has done much better. We have also secured many long-term contracts because of supply surity that is required. The new product launches, all sort of some scaling up has happened in this quarter and obviously Mirabegron sales have also happened.

Anubhav Agarwal: So, Mirabegron sales also have been higher sequentially. Okay.

Dr. Sharvil Patel: Sequentially, yes.

Anubhav Agarwal: and between the two opportunities on Sitagliptin, government contracts versus CVS, qualitatively which one will be larger of the two pieces?

Dr. Sharvil Patel: We have to see, but short-term will be the CVS. Long-term may be the government, could be the one accumulative.

Anubhav Agarwal: Sure. Sure. My last question is on Usnoflast. In terms of when you see the molecule versus Radicava for example, how is this molecule placed because Radicava is the I think the only option right now for ALS. In the initial science, when you've seen it so, in the trial that will plan, it will be noninferiority versus Radicava or will it be an absolute basis? How are seeing these molecules versus Radicava?

Dr. Sharvil Patel: Today, the trial that has been designed has been designed because there's no currently approved treatment for ALS. So, it has to be a placebo-controlled trial. So, this is not going to be a comparative trial, because according to the FDA, there is no, nothing approved to date.

Anubhav Agarwal: That is fair, but patients are still being given Radicava right in the market, right?

Dr. Sharvil Patel: Yeah, but FDA is not going to give an unapproved treatment to test.

Anubhav Agarwal: Okay. It's a fair point now. I agree with that.

Moderator: The next question is from Bino.

Bino: Hi, good afternoon. A couple of questions from my side. Sharvil bhai, what's the latest update on Mirabegron litigation, how do you expect to pan out, any timelines?

Dr. Sharvil Patel: So, it's still under litigation. So, I think it's very difficult to give any timelines. But as I said, this potentially has the chance to continue for a longer period of time.

Bino: Understood. Second, on your expenses, if I could take all your expenses, employee, R&D, other expenses etc., you know roughly the expenses have gone up by 30% YoY for nine months. Of course, you mentioned about some one offs in the quarter, etc., etc. But still this 30% jump how, do we justify this and how we look at it going forward?

Dr. Sharvil Patel: You are talking about R&D expense, sorry.

Bino: All put together. R&D, other expense, employee expense etc. All the fixed costs, if I may put it that way.

Nitin Parekh: So, as we said, you know there are about 95 crores worth of expenses in this quarter, which are of a non-recurring nature, which includes about 51 crore of provision for incentives, especially given our achievement in US business. Also, we paid about 27 crores of legal and professional fee of one-time nature and 17 core of GST payment, because of inventory destruction. So, about 95 crore is of one off nature. Also, when you look at expenses of this year versus previous year, previous year did not include, you know, the full impact of you know, expenses of acquired units like LiqMeds, now Natural. So, those things are also, you know, playing their role and you know our new sites which you know, where there are additions of people in the current year.

Dr. Sharvil Patel: Manufacturing sites.

Nitin Parekh: Manufacturing sites.

Bino: Understood. And you said there is also some incentives related to the upsides in the US business, is that correct?

Nitin Parekh: Yes. Yes.

Bino: Okay. Got it. And one last question, if I may squeeze in. This quarter, you have a very high forex gain about 182 crore, out of size compared to other quarters. How does that, where does that come from?

Nitin Parekh: That's because how you know dollar has behaved. You know, how the dollar is, you know and the rupee has weakened. So, it's not a nothing like you know notional. It's a completely realized real gain and we fortunately don't have any foreign currency debt right now. So, we don't have anything in negative side. We have everything on positive side. So, yes, this has helped. The current rate, it seems like, is likely to stay in, you know, continue

strengthening dollar and therefore, I think this gain is of business gain, it is not one-off gain.

Bino: Understood. So, for example, your receivables are completely unhedged and because of the rupee depreciation, this gain has come.

Nitin Parekh: Yeah, it's a completely open, natural hedge position for us and that's the position for last many years now.

Bino: You don't hedge any receivables at all?

Nitin Parekh: No, no.

Bino: I will join back in the queue. Thank you.

Moderator: Thank you. The next question is from Vishal Manchanda.

Vishal Manchanda: Thanks for the opportunity. Hope I'm audible.

Dr. Sharvil Patel: Can you be a little louder please? Thank you.

Vishal Manchanda: I have a question on CUTX-101. So, basically wanted to understand whether we have been able to qualify for a screening test here? So, kind of, is there screening test approved for neo-natal?

Dr. Sharvil Patel: You said screening test, right? Hello?

Moderator: Vishal, we are not able to hear you clearly. Hi Vishal, are you there?

Dr. Sharvil Patel: May be we can take the next question and wait for Vishal.

Moderator: Okay. The next question is from Bino.

Bino: Hi. Thanks again for giving me a board again. In terms of Asacol HD, is the intensity of competition fully visible in Q3 numbers, assuming there is no further entry of competition?

Arvind Bothra: Which product Bino, we know we could not hear you properly?

Bino: Asacol HD.

Dr. Sharvil Patel: Yeah. No, currently Asacol, we will see further competition in Asacol once the CGT exclusively gets over. So, potentially, at least one more player.

Bino: Oh okay. I understood and second on Revlimid, how do we think going forward? Typically, your revenues come in Q1 and Q4. So, I assume that Q4 will have a good chunk of Lenalidomide. Going into FY26, by Q4, the exclusivity of the generic settlers will be over. So, should we assume that you will have Revlimid only in Q1 next year? And would that mean that for the full year, it will be less than this year?

Dr. Sharvil Patel: So, I think it's still a moving scenario. We can't 100% say exactly how it will happen, but our best estimate to Revlimid sales for this calendar year will be, it will be spread across the year. It will not be just a one month or two-month or one quarter kind of phenomenon because the buying will not happen altogether, is our best estimate right now.

Bino: Understood. But for the financial year, next financial year would Lenalidomide be equal to, below or higher than current financial year?

Dr. Sharvil Patel: So, a lot of scenarios to play out, but with more share, even with lower price, we hope to, at least we can maintain this year's momentum.

Bino: Understood. Thank you.

Moderator: Thank you. The next question is from Nitin Agarwal.

Nitin Agarwal: Can you hear me?

Dr. Sharvil Patel: Yes, I can hear you.

Nitin Agarwal: Just taking off on the previous question. Sir, you know in the last call, you shared a couple of large launches in F27 that'll come through for us. That's more like a second half of F27 opportunity. So, after bulk of the Revlimid is sort of done, are we looking at essentially a situation where there's going to be a period where there are not many big launches or launches will sort of take care of a lot of the delta between Revlimid and the ex-Revlimid business for the time, as some of the bigger launches being kicked?

Dr. Sharvil Patel: So, I think see, one, we have a portfolio of products that we wish to continue to launch beyond this one offs that we have. Looking forward, if you look at FY26 also, we still believe that assuming some of the scenarios which may pan out, we will still see a high single digit kind of growth, at least for the US overall geography for us and that is what our best estimate is. But going forward, we do have 25 to 30 plus new launches that will continue to happen with some of them being important as well. So, I think with that and also base portfolio continuing to remain resilient and strengthening and the new products gaining more share, which we have launched in this year and the earlier year, I still believe that the portfolio wise we are still very comfortable. Obviously, we'll see big jumps in FY27 because of exclusive launches that we will get to see. But we should be able to still have a healthy portfolio in the coming year.

Nitin Agarwal: Oh, that's very encouraging, Sir. Because 25 is a pretty large year for us. We have got a large Revlimid component plus Mirabegron and on that if you're able to grow in single digits next year, that's pretty commendable, you know, if that's the outlook that we're running with.

Dr. Sharvil Patel: Yeah, that is the best estimate right now, yeah.

Nitin Agarwal: That's great and secondly, on the emerging market piece. Sir, what has really changed in this business over the last three or four quarters, we have seen very meaningful pick up and consistent pick up coming through on that part of the business.

Dr. Sharvil Patel: I think, it's, I would say most of the geographies are doing extremely well. We did have a hiccup in Brazil, which is also recovered. So, I think even that was the only market that was underperforming to some extent and that has also recovered. So, I think it's a strong execution across markets. It's been the portfolio of products that we have launched in these markets, which are, some are complex, some are first generics, and other areas of interest and we have added new markets also in the Middle East and Saudi. So, I think expansion, same markets doing also better branded business so, better margin profile and also risk mitigating some of the difficult market. I think all in all, I think the mix of geographies and the portfolio has helped the EM and will continue to I think continue, we see good visibility of strong growth and improvement in profitability further.

Nitin Agarwal: And this business is what? This is above corporate, in line with corporate profitability or this is a you know, how should you if you were to just broadly qualitatively assess, given a sense on the profitability of this business overall?

Dr. Sharvil Patel: No, it is not above company's profitability, but I very strongly believe that it can achieve 23 plus percent EBITDA margin in the next one or two years.

Nitin Agarwal: That was great and the last one. Sir, on the GLP1, specially Semaglutide. Sir, how are we approaching this opportunity? Is this a relevant opportunity for us? I mean, in India, emerging markets, US obviously follows in much later. But how should we think about our play in GLP ones?

Dr. Sharvil Patel: So, the first is US, obviously we have one for, we have filed in the US and that opportunity is much later. In India, we hope to be in the first wave launches with our own Semaglutide franchise with some unique differentiation and similarly, we would like to build this differentiation in the emerging markets also both with the current formats and new format. So, yeah, we will be playing in the Semaglutide market starting with India first.

Nitin Agarwal: And Sir, what is the level of integration here? You know, are we making our own API as well as the formulation?

Dr. Sharvil Patel: We are making our own API and formulation and we have a second source also. So, we are back, we have de-risked also including devices.

Nitin Agarwal: There has been a lot of talk about some of the large market China, Canada, Brazil opening up, you know in F27. Would we be there in the 1st wave of launches in these markets or are we going to be following later?

Dr. Sharvil Patel: Currently, we don't have immediate China plans. So, I doubt we'll be in any first wave. But we do have plans for the other EM markets.

Nitin Agarwal: Okay. Thank you so much.

Moderator: Thank you. The next question is from Vishal Manchanda.

Vishal Manchanda: Hello. Yeah. am I audible?

Dr. Sharvil Patel: Yeah.

Vishal Manchanda: So, I have a question on CUTX-101. So, one thing I want to understand is what is the duration of treatment? Is this a chronic treatment that children will have to take life-long or will this be a fixed duration treatment, say 2-3 years?

Dr. Sharvil Patel: Life-long.

Vishal Manchanda: Life-long, okay. And second like, do we have a neo-natal screening test that's approved for Menkes as of now?

Dr. Sharvil Patel: No. That's something that we have been working with the professionals to build a sensitive test for neonatal screening. But because this product has been under clinical trial for a very long period of time with a strong patient registry, there is already a set of significant amount of patients who will be on treatment and new patients are getting identified.

Vishal Manchanda: Say like, as you had discovered in the clinical trial, early treatment can significantly prolong survival. So, would this not mean you need to kind of identify the patient immediately at birth?

Dr. Sharvil Patel: Yeah. Well, not at birth, but very soon.

Vishal Manchanda: Okay. So, any chance you would have the test approved this year prior to approval or will that take longer?

Dr. Sharvil Patel: No, I think the test is not question of only doing the test. The test has to be approved. The test needs to go through every state approval. It needs to go through, make sure that the dry bloodspot test they can detect this and with the current equipments that the centers use. So, it's still, it's not a short-term opportunity. We've been working on this for two years. So, we believe that it's an important area to succeed in, but we currently, I don't think at launch we will have that yet.

Vishal Manchanda: Okay, okay. And second one is on the LiqMeds portfolio. Do you expect any large launch this year or next year?

Dr. Sharvil Patel: Yeah, this year. Yeah, there are two products.

Vishal Manchanda: Okay. So, this year, they're scheduled for launch this year?

Dr. Sharvil Patel: Yeah, one is just launched, and one is about to be launched.

Vishal Manchanda: The one is the one that you're talking about is Imatinib Oral Solution.

Dr. Sharvil Patel: That is to be launched now, yeah.

Vishal Manchanda: Okay and would this be large opportunities since you paid a large premium for the acquisition?

Dr. Sharvil Patel: So, because you just said the second statement of large premium, I do not believe we have paid any large premium to this acquisition. But I think it's a very, I would say it's a good acquisition that we have done and it's doing better than what we expected. So, we haven't paid any significant premium.

Vishal Manchanda: Okay. And just one final one.

Dr. Sharvil Patel: The sizable profitable business right now.

Vishal Manchanda: Right. Sir, just one final one. So, when you in license a product or partner a product, you would pay an upfront payment. Is that upfront payment capitalized on the balance sheet or you expense it on the P&L?

Dr. Sharvil Patel: I mean current, all, whatever we have done licensing the most of them are, all of them are, expensed out right now. But if we have very, very large long-term programs which will take years, yeah.

Nitin Parekh: When it's a product acquisition, then product is capitalized in the books, but anything which is under development and we are acquiring and thereafter there is a spend, everything is revenue expenditure.

Vishal Manchanda: Got it Sir. Thank you. That's all from my side. Thank you.

Moderator: Thank you. The next question is from Suryanarayan Patra.

Suryanarayan Patra: Yeah. Thanks for the opportunity again, Sir. One clarification that or update rather. Sir, what is the update about the pact with CMS what we have done for Desidustat and when this could be a kind of a revenue generating opportunity for us?

Dr. Sharvil Patel: So, the milestone in terms of filing with the Chinese regulator has already happened and obviously there the new product approvals do take time. So, if best case scenario is this year or the coming year in this or next year, we should see approval.

Suryanarayan Patra: Okay and regards the domestic business, in the opening remarks that you had mentioned that, okay, the secondary sales growth looks better than the kind of a market trend. But what are the

trends that you're facing in the primary side, it is looking relatively modest growth it looks like?

Dr. Sharvil Patel: On a YTD basis, we have grown at 9% with this quarter growth of 5% and which is better than market. As I said, last year we had a high base of growth of almost 17% on the corresponding quarter to that, so that's the base effect, but we are on track to deliver better than market growth.

Suryanarayan Patra: Okay. Got it. Yeah. Thank you.

Moderator: Thank you. The next question is from Saion Mukherjee.

Saion Mukherjee: Yeah. Hi, good afternoon, Dr. Sharvin, you know, one question on the specialty business. I just want to understand, you know, what's the P&L impact currently, specifically, if we can highlight the front end expense that you're currently incurring at Sentynl in this financial year and also on the research and development, how much you know you are spending and going forward, you know, how should we think about these spend and in that context we have done some inorganic moves with respect to specialty, any thought, any color you want to because now you have a good cash on books as well. So, if you can just take us through, you know, your thoughts on spending on specialty both in acquisition and through the P&L, what is currently and how you're thinking going forward?

Dr. Sharvil Patel: So, I'll add and if maybe then Nitin bhai, if he wants to add anything more. So, we have two front end businesses, the Sentynl Therapeutics and Zydus Therapeutics. Sentynl is already commercial stage company, but with currently 2 products which is scaling up. I think post CUTX launch, we believe that FY26, we can see break-even for this business. So, currently there is still, I mean, commercialization cost going on, but with the three products, the business will break even and turn profitable. With respect to Zydus therapeutic, currently majority of our investment are in clinical nature. In FY26 and FY27, we would see commercial expenditure coming up for a launch of Saro. I think the better time for us to give update would be after we do a readout of Saro and then talk about how fast we're going to build the commercial footprint, but currently most of the cost has been clinical cost in nature with the small commercial cost in terms of critical talent being hired, but the large amount of expansion will only happen after a readout, and maybe we can give that guidance after that.

Saion Mukherjee: If you can share the numbers Nitin bhai in terms of like R&D spend and also the Sentynl losses if you can highlight for this year?

Dr. Sharvil Patel: Could you repeat sorry the question?

Saion Mukherjee: Yeah, I mean I'm looking for the R&D spend on specialty overall which probably is largely in Zydus Therapeutics and also the Sentynl loss, EBITDA loss this year?

Nitin Parekh: So, once we have our calendar year accounts of 2024 ready, we will share that number because we'll have subsidiary accounts of Sentynl available, we'll be able to share the number. Otherwise, you know, R&D of Zydus Therapeutic is a part of overall R&D spend.

Saion Mukherjee: Yeah. Can you share approximately like what percentage of R&D was spending on specialty?

Dr. Sharvil Patel: So, I think it changes right? Because all our, most of our cost on Saro are over in terms of recruitment and follow up now and then the next cost will be on continuing the trial post data. So, I think it's not that it sometimes can be, then sometimes it's not there at all. So, my point is, it's in the overall R&D spend that we do as part of that cost and Sentynl doesn't have any major R&D spend.

Saion Mukherjee: Yeah, I mean, I was wondering, you know, R&D spend has gone up this year versus last year. So, I'm wondering.

Dr. Sharvil Patel: No, I mean, as a portfolio of specialty complex products is about 35% of our spend. NCEs, biologic, some vaccines and specialty products.

Saion Mukherjee: Okay. And just one another question, if I can ask on GLP1. So, Dr. Sharvil, how are you sensing this opportunity in India and other emerging markets because most of the companies are indicating they would be in the first wave. So, is the dynamics going to be any different? Any color you can provide where the challenges are and how you think Zydus is sort of placed in all the complexities that this product presents?

Dr. Sharvil Patel: So, I think, I would say first is the complexity. I mean I can talk a little bit about India first. First is the complexity of the API, which is sort of now readily available for most companies. I would say that challenge is gone for us, we are backwards so, only good part

is we would see less disruption, but we also have an alternate source, so, we have both options.

The second is the formulation and we have two formulations for the franchise, and we look forward to, you know, creating some differentiation for us. The third is obviously the device and we believe the device will also play an important role and I think we are sort of good on the device, not that we are exclusive, but we are good on that device. So, I would say that's the first part. The second is to finish the clinical trial in India and be ready for launch on time. So, well, many companies will do it. All companies will not be able to do it, so we'll see how that plays out. But I still believe it will be a very competitive, disruptive time for the launch in India, so we have to wait and see. But I think we are fully geared at least have the product ready and launched. How the market plans out will depend on obviously individual company strategy and any differentiation that they can bring for more compliance or how more compatible and friendly the dosing can be and I think in some of those things if what we are thinking is successful then we'll have some differentiation.

With respect to the international markets, we are also going with the dual strategy of that of doing what is current and doing something different and we'll have to wait and see how that pans out for us in the global markets, what works better for us.

Saion Mukherjee: Okay. So, different, Sharvil means you know, sort of device. The differentiation is primarily on the device front?

Dr. Sharvil Patel: No.

Saion Mukherjee: Okay. I mean is it possible to share anything on that?

Dr. Sharvil Patel: No, it would be a very competitive differentiation which is difficult to share.

Saion Mukherjee: Understood. Okay. Thank you.

Moderator: The next question is from Kunal Dhamesha.

Kunal Dhamesha: Hi, can you hear me?

Dr. Sharvil Patel: Yes.

Kunal Dhamesha: Yeah. Thank you for the opportunity. Sharvil bhai, first question on capital allocation. Now, we have almost around 4000 crore

cash. So, how are we looking at it? Would we be deploying more towards the specialty efforts for the US market or is it more a doubling down on 505(b)(2)?, How should we think about it and relative to that, you know, how are the, let's say the overall environment in terms of valuations of the specialty deals or 505(b)(2) deals have kind of evolved in the last one year?

Dr. Sharvil Patel: So, I think I also missed to answer some part of the earlier speaker's question also. So, I think, on the capital allocation side, there are 2-3 things that are important for us over the next two to three years. On the 505(b)(2). first, I think we are completely, I don't think there is, in the sense that in terms of meaningful significant capital allocation any change in strategy, so we should be able to license or file one or two new 505(b)(2)s in the next one to two to three years. So, we have a pipeline that we believe is quite robust on the conservative side. With respect to the specialty, sorry, then there is a second angle of we do believe that with our scaling up happening in different markets both in India, international, and US, we do believe we need higher capacities with different complex dosage forms. So, there is going to be a higher cycle of capex at least for this coming year and maybe one more. So, we would be using a little bit of additional capex over the next two years and beyond that, I think our efforts are going to be on acquiring a commercially capable ready asset in the US or a product to sort of synergize with our launches on the orphan and rare disease side. So, that is something that we continue to look for and if anything appropriate is there, we would use our, we'll allocate some capital to that.

Beyond that, I think international markets also offers an opportunity for us to expand and that we tactically do look at and we have some ideas and the final is our foray into Med devices and we do want to build a different another leg of business of Med devices for Zydus and that is where we would also be allocating both on the capex side as well as also looking for other opportunities to partner or co-build or buy.

Kunal Dhamesha: Sure. So, this higher capex would be up to the tune of what maybe 20%-30% higher than the last five-year or how should we think about it?

Dr. Sharvil Patel: Yeah.

Kunal Dhamesha: Okay. Sure. And my second question is you know we have kind of launched many NCEs you know in India market and these

products are doing well. Saro has multiple indications and doing well. Desidustat is also there. But from a new product launches, let's say, in India, from a super specialty or specialty perspective, how is our pipeline looking on that front?

Dr. Sharvil Patel: So, we have, I mean for us India, we continue to have a very robust launch pipeline. It comprises of three things. One is the day one launches of patent molecules and we are happy that we have most, almost most of the time succeeded in launching day one generics to branded generics to off patent molecules. The second is launching complex generics, including biologics, which are biosimilars. I think again in that we have been most of the time day one in launching these molecules in the respective therapies, largely Oncology right now. The third is, we still have a pipeline of, coming up in the next two years and ALS study which will complete Phase 2, which is not a long Phase 2. We have a follow, we have few ADCs, which are entering clinical trial, including a novel biologic for some of the specialty indications. So, we have a pipeline in the next three to four years that we will hope to build at least, you know, two to three more NCEs as commercial launches for India and beyond that we are obviously doing life cycle management and better patient adherence through packaging and other methods to innovate on our sort of large brands and those will be the areas which will continue to sort of put efforts behind.

Kunal Dhamesha: Sure. Thank you for that and the last one, if I may, on the US, did I hear it correctly that we expect FY27 also to grow on FY26 base by mid-single digit, if things, some of the key molecules come in, is that correct way to understand?

Dr. Sharvil Patel: Yeah, I know. I only spoke FY26. FY27 is a little out there to right now predict. But as I said, in that year, late part of that year, we have important large product launches, which are exclusive.

Kunal Dhamesha: Sure. So, FY26, earlier we had said that it would be at least in-line with FY25, right and then now we're saying that there could be growth as well?

Dr. Sharvil Patel: FY26 sorry?

Kunal Dhamesha: Earlier we had said that FY26 would be at least in line.

Dr. Sharvil Patel: Yeah, we do expect some growth in FY26.

Kunal Dhamesha: Perfect. Thank you and all the best Sir.

Dr. Sharvil Patel: Thank you.

Moderator: Thank you. The next question is from Anubhav Agarwal.

Anubhav Agarwal: Yeah. Thank you for taking my follow-up question. I want to understand the CVS arrangement here. Not the terms between two of you, but how would it happen in reality? So, let's say patient, a doctor has prescribed Januvia or Janumet, a patient goes to CVS pharmacy, would the pharmacy have to call up the doctor that I'm substituting because it's not allowed by the FDA or default substitution can happen or what percentage default substitution can happen?

Dr. Sharvil Patel: The important question, which I don't have immediate answer, but the way to look at it is, it's a formulary that the CVS plans and decides. So, there would be certain training and decision made in the formulary as to how they will make the choice between one brand versus the other. So, it's a brand-to-brand switch, so that's what, how it will happen. It is not a generic switch.

Anubhav Agarwal: Yes, but would the prescriber needs to be involved here or it's just a decision of the pharmacy?

Dr. Sharvil Patel: I'm sure the prescriber is involved.

Anubhav Agarwal: Okay and then what's the incentive for Merck, if they are out of formulary for CVS? I mean to promote the brand, would it not lead to prescriptions falling significantly? They are already impacted by GLP, would Sitagliptin prescription not fall dramatically?

Dr. Sharvil Patel: I think we can, currently for us, obviously it's a win. I don't know what will happen for Merck, but for us it's a good win because we would see significant amount of prescriptions switch.

Anubhav Agarwal: Okay. Thank you, guys.

Moderator: Thank you. The last question is from Nitin Agarwal.

Nitin Agarwal: I just had one quick question on, Sir, do we have an animal health business in the US?

Dr. Sharvil Patel: Yes.

Nitin Agarwal: Any thoughts around it? You know, because that's one interesting space not too many Indian companies actually explored. What is the size of our business roughly you can give us some sense on that?

Dr. Sharvil Patel: As part of our overall business, it's just almost 15 months of launch only. So, it's not very old, but the good thing is it's in the first short period, it has broken even also, which is very positive. So, we hope to build it, but it will be, it's not in the lines of what a human formulation business is. So, it's going to be a niche business. The good part is that the portfolio we are growing very well and it should be profitable. But I don't think it will be very large.

Nitin Agarwal: And Sir, on the LiqMeds business, this is what largely going to be a US opportunity, or this is an opportunity that you'll leverage across various markets?

Dr. Sharvil Patel: It's right now, only a US opportunity and focus towards US.

Nitin Agarwal: And how big can this piece really get for us over a period of time? You know, if there is any, I mean, is it like a business can get triple digits or it's a double-digit growth business in size where it can get to over a period of time?

Dr. Sharvil Patel: So, I think, as I said, we have just really commercialized and the growth has been very good. So, we have to wait for the next few years to give you a better feedback. But as I said, as a portfolio, it will be a very interesting and good fit for us. In terms of individually it becoming a large business right now, it's very difficult to sort of say that because we have still a lot of products to develop and then file and launch.

Nitin Agarwal: And so last one on the biosimilar. So far, we've been largely focused on India and emerging markets. Any thoughts on sort of taking on the developed markets with the portfolio and how?

Dr. Sharvil Patel: Not yet. We are currently mostly focused on India and developing markets. Once we have a thought process on how to build it for other markets, once the regulatory change process changes or the clinical development program changes, we will probably take the development, but currently it's we don't.

Nitin Agarwal: And what would be a size of this global business, biologic business right now for us on approximately across India and emerging markets where you're doing right now?

Dr. Sharvil Patel: So, currently large part of it is India and we are building the emerging marketplace and it's a good profitable business with brands that are large and as I said in some markets like even Mexico, we are amongst the only generic biosimilar. So, it should be a good business both from the tender and private market.

Nitin Agarwal: Sure, sure.

Dr. Sharvil Patel: And Russia also.

Nitin Agarwal: Okay. Sir, any color on the size of the business right now?

Dr. Sharvil Patel: No, we're not giving individual breakup because I think while biosimilar is a technology we don't sell biosimilars as that, we sell biosimilars as a therapeutic area. So, it's Oncology is all of that. So, I think to say how much is a type of product sale does not makes sense. But in a therapy, it is going to dominate as it's doing in India. Hopefully, we'll build that kind of capability in international markets. I think the way to look at it is, we look at the large market tenders that happen in this market and we hope to participate in them as one of the few or only generics.

Nitin Agarwal: Okay, Sir. Thank you so much. Best of luck.

Moderator: Thank you. I would request management for the closing remarks.

Ganesh Nayak: Yeah. So, thank you very much and look forward to interacting with you again for the first quarter in the month of May 2025. Thank you and good day.

Moderator: Thank you very much to the Zydus Management Team. Ladies and gentlemen, on behalf of Zydus Lifesciences Limited, that concludes today's conference. Thank you for joining us. And you may now disconnect your lines and exit the webinar.

END OF TRANSCRIPT