Sun Pharmaceutical Industries Limited
SUN HOUSE, Plot No. 201 B/1,
Western Express Highway, Goregaon (E),
Mumbai 400063, India
Tel.: (91-22) 4324 4324 Fax.: (91-22) 4324 4343
Website: www.sunpharma.com
Email: secretarial@sunpharma.com
CIN: L24230GJ1993PLC019050

29 May 2026

National Stock Exchange of India Limited
Scrip Symbol: SUNPHARMA

BSE Limited
Scrip Code: 524715

Q4 FY26 Earnings Call Transcript

Pursuant to Regulation 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, enclosed herewith a copy of the transcript of the Company's Q4FY26 earnings conference call, which we shall be uploading on our website after sending this letter to you.
This is for your information and record.

For **Sun Pharmaceutical Industries Limited**

Anoop Anjanikumar Deshpande
Digitally signed by Anoop Anjanikumar Deshpande
Date: 2026.05.29 19:52:01 +05'30'

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

Corporate Participants

Dilip Shanghvi
Chairman, Sun Pharmaceutical Industries Ltd.

Kirti Ganorkar
Managing Director, Sun Pharmaceutical Industries Ltd.

Aalok Shanghvi
Chief Operating Officer, Sun Pharmaceutical Industries Ltd.

Jayashree Satagopan
Chief Financial Officer, Sun Pharmaceutical Industries Ltd.

Richard Ascroft
CEO (North America), Sun Pharmaceutical Industries Ltd.

Moderator: Ladies and gentlemen, good day, and welcome to the Sun Pharma's Q4 FY '26 Financial Results Conference Call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Dr. Abhishek Sharma, Vice President and Head of Investor Relations and Strategic Projects. Thank you, and over to you, sir.

Abhishek Sharma: Thank you. Good evening, and a warm welcome to our fourth quarter and full year FY '26 Earnings Call. I'm Abhishek from the Sun Pharma Investor Relations team. We hope you received the Q4 financials, the press release, and the earnings presentation that were sent out earlier in the day. These are also available on our website. We have with us today, Mr. Dilip Shanghvi, Chairman; Mr. Kirti Ganorkar, Managing Director; Mr. Aalok Shanghvi, Chief Operating Officer; Ms. Jayashree Satagopan, CFO; and Mr. Richard Ascroft, CEO, North America. Today, the team will provide an update on financial performance and business highlights for the quarter, pipeline update, and respond to any questions that you may have.

We will refer to the consolidated financials for management comments. The call recording and transcript will also be put on our website shortly. As you know, Sun has formally announced the acquisition of Organon & Company. Disclosures regarding the acquisitions, including strategic rationale, timelines and pro forma headline financials have already been shared through our exchange filings and discussed during the recent investor call. Since Organon remains a public listed company, today, we will not be taking any questions regarding Organon's business performance, including recent quarterly results.

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

I will now hand over the call to our CFO, Ms. Jayashree Satagopan.

Jayashree Satagopan: Good evening all, and welcome and thank you for joining us for the earnings call after the announcement of financial results for the fourth quarter and full year FY '26. The financials are already with you. As usual, we will look at the key consolidated financials.

During the fourth quarter of FY '26, sales were at INR1,45,598 million, registering a growth of 13.6% vis-a-vis Q4 FY '25. Gross margin was at 80.8% for the quarter, higher than the same period last year, largely on account

of better product mix. EBITDA for the quarter was INR 39,542 million, an increase of 6.4% over Q4 last year. EBITDA margin came at 27.1%, lower both on year-on-year, which was 28.7% and on a quarter-on-quarter, which was 31.9%.

Forex gain for the quarter was INR 4,268 million. Ex-forex, EBITDA margins were lower quarter-on-quarter due to several factors, including lower milestone income, some seasonality, reduced contribution from lenalidomide in Q4 versus Q3 and higher spend in certain geographies, including US. Some of these spends were elevated for the quarter, and we should see it normalizing in the subsequent quarters.

Reported net profit after tax for Q4 FY '26 was INR 27,140 million, while adjusted net profit for the quarter was INR 27,507 million. Earnings per share for the quarter was INR 11.31 per share. Effective tax rate for the quarter stood at 22.3% vis-à-vis 19.8% in Q4 of FY '25 and 24.3% in Q3 of FY '26. Balance sheet continues to be strong with a net cash of $ 3.2 billion at the consolidated level.

Now we will discuss the full year FY '26 performance. For the full year FY '26, sales were INR 582 Billion, a growth of 11.9%. Gross margin was at 80.2% for the full year FY '26. EBITDA came in at INR1,77,314 million, a growth of 16.1%, with a resulting EBITDA margin of 30.3%. Adjusted net profit for the full year was INR 1,24,015 million.

The Board has approved a final dividend of INR 5 per share for the year FY '26. This is in addition to the interim dividend of INR 11 per share, taking the total dividend for the year to INR 16 per share. This is same as prior year FY '25.

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

Kirti Ganorkar: Thank you, Jayashree. I shall first provide you an update on Global Innovative Medicine. In Q4 FY '26, our Innovative Medicine sales were up 20.1% to reach US$ 354 million. Our Global Innovative Medicine sales for the full year FY '26 were US$ 1,420 million with a growth of 16.8%. This business accounted for 22.2% of the share of Sun sales for the quarter. The performance of this business unit continues to be driven by growth across U.S. and ex U.S. market as well as Ilumya and other products such as Odomzo, Cequa and Winlevi.

Global Ilumya sales for FY '26 were US$ 796 million, having growth of 16.7% for the year. This does not include in-market sales of our alliance partners. During the quarter, U.S. FDA accepted the review of BLA of Ilumya for the treatment of adults with active psoriatic arthritis with regulatory action date set for late October '26.

Now coming to India, the sales of India formulations were INR 48,359 million for the quarter, recording a growth of 14.8%. India formulation sales for the full year were INR1,92,904 million, recording a growth of 14%. India sales accounted for 33.2% of total consolidated sales for the quarter.

During Q4, we launched semaglutide injection under the brand name Noveltreat and Sematrinity in India across all the strengths. Sun Pharma is ranked number 1 and holds 8.4% market share in over INR 2,450 billion Indian pharmaceutical market as per PharmaTrac MAT March '26. Corresponding market share for the previous period was 8.1%. I am pleased to note that this year, we have seen the highest gain in market share for Sun since Ranbaxy acquisition.

For the quarter ending March '26, we grew higher than IPM, and we had done well across all major represented therapy areas. The sales growth continues to be led by higher contribution from volumes, new products introduction as compared to overall market where the price increases is the key growth factor. Our volume growth of 6% for the quarter beat IPM volume growth, which came at 1.6%.

As per SMSRC November-February 26 report, we continue to be the number 1 company based on the prescription volumes. Sun Pharma is also ranked number 1 by prescription with 11 different doctor categories. For Q4 FY '26, the company launched 11 new products in India. Now I will hand over to Rick for the update on the U.S. market.

Richard Ascroft Thank you, Kirti. Let me share the performance highlights for our U.S. business. Overall, the U.S. business reported sales of US$ 459 million for the quarter, declining by 1.1%. U.S. sales for the full year fiscal 2026 were US$ 1.9 billion, recording a marginal decline. For both the quarter and the full year, growth in Innovative Medicines was offset by lower sales in the generic business due to additional competition in certain products. U.S. accounted for 28.8% of consolidated sales for the quarter. As you know, we launched UNLOXCYT in the US during the fourth quarter, and we also launched 2 new generic products in the US.

I'm also pleased to note for the year that Innovative Medicines crossed $1 billion for the first time in the United States. Having had a strong trajectory since the launch of ILUMYA and contributed to by products, including Cequa, Odomzo and Winlevi, Innovative Medicines is now the larger of the businesses in the US when compared to generics. I will now hand over the call to Aalok for updates on our other businesses.

Aalok Shanghvi: Thank you, Rick. I will provide an update on the performance highlights of our other businesses. Our formulation revenues in Emerging Markets were US$ 306 million, up by 17.4% over Q4 last year. Emerging markets accounted for 19.2% of total consolidated revenue for Q4. The underlying growth in constant currency terms was 6.5%.

For the full financial year FY26, formulation revenues in emerging markets were US$ 1.265 billion, up by 13.6% with a constant currency growth of 8.2%. While branded generics has continued to grow, Innovative Medicines has been an important new driver for growth in Emerging Markets for the year, with ILUMYA doing well across several markets such as Romania, Brazil and as well as the partner market of China.

Formulation revenues in Rest of the World for the quarter were US$ 220 million, up 10%. For the full year FY26, ROW sales were US$ 969 million, up 14.4%. Innovative Medicines, led by ILUMYA and Odomzo have been the key drivers for growth in ROW, including sales in non-alliance markets. Rest of the world markets accounted for approximately 13.8% of consolidated revenue.

I will now hand over to Mr. Dilip Shanghvi for updates on R&D.

Dilip Shanghvi: Thank you, Aalok. Let me now take you through our R&D initiatives. We continue to invest in building an R&D pipeline for both the global generics and the Innovative Medicines business. Consolidated investments towards R&D for quarter 4 FY26 stands at INR 9,757 million or 6.7% of sales. Innovative R&D accounted for 36.9% of our total R&D spend.

On the guidance, we expect high single-digit consolidated top line growth for FY27 based on our current understanding of the regulatory and macro environment. We expect our FY27 R&D spend to be 6% to 7% of the sales for the next year.

Further to our announcement of Organon acquisition, we've set up an integration management office and have initiated activities for day one preparedness. The regulatory filings in various markets is in progress. We expect the acquisition to be completed in Q4 FY27.

Abhishek Sharma: That's the end of our prepared remarks. Operator, if you can ask for Q&A.

Moderator: Certainly sir. Thank you very much. We will now begin the question-and-answer session. Our first question comes from the line of Kunal Dhamesha with Macquarie. Please go ahead.

Kunal Dhamesha: Hi good evening and thank you for the opportunity. First question for Richard. If you could share some initial print on UNLOXCYT launch, how has been the doctor's experience with the product? And where is the product making its mark on efficacy, safety side? And a related question on that. Within the competitive landscape, do you expect one of the competitors to kind of vacate the Part B channel eventually given their new dosage form? That's the first question.

Richard Ascroft: Good question. Thank you. Yes, the receptivity has been very positive. I think you may recall from the last call, we talked about the unique attributes of UNLOXCYT. And what makes the product unique is that it really provides balance of efficacy and tolerability.

And this patient population tends to be more frail and more prone to adverse events. And if you look at the mechanism of action of UNLOXCYT, it preserves PD-L2 functioning, and that pathway is thought to be the pathway that leads to immune-mediated adverse events. So that's what we're hearing back from physicians.

Not only are they seeing the efficacy that they expected, but they also are not seeing immune-mediated adverse events, which we believe is unique about the product. So physicians have been positive. We've been actively working with integrated health systems where a lot of these patients are to make sure that the product is available on their formularies.

And we have made sure they're providing adequate training so their nurses know how to administer the product and patients have the best possible experience. As to your other question, you would be better off asking our competitors their strategies as it relates to Part B and Part D reimbursement.

Kunal Dhamesha: Sure. Thank you for the update. Second one for Kirti, sir, on the semaglutide launch in India. I think the data agencies, which primarily track the secondary sales data, where our market share at this point in time are not in the top 3 where we are in antidiabetic, we are in top 3, right? But in terms of prescription share, how is that market panning for us? And where do you see we be in that market, let's say, from one year down the line perspective?

Kirti Ganorkar: Sure. We launched Noveltreat on 21st March. So I would say what reflection you are seeing both in IMS or AWACS or even the prescription may not be adequate because any new product when we launch, it takes time for a complete reflection. So maybe in the next 5, 6 months, you will see the reflection, which is close to reality.

Being said that, the product has been received very well by the doctor's community. And one of the differentiating point is our auto-injector as well as the pen system, which was appreciated by the doctors and patients equally well. So current reflection, what you are saying is right. We are, what you are saying, we are not number one player in the GLP-1 generics. But as I said, the reflection and the reality takes some time to reflect, and our endeavour is always to remain leader in the market.

Kunal Dhamesha: And sir, any clarity on will we be there in the oral semaglutide market anytime soon?

Kirti Ganorkar: Sure. So for oral, we have completed the clinical study. And once we get approval, we will launch the product at the earliest.

Kunal Dhamesha: Sure sir. Thank you and all the best.

Kirti Ganorkar: Thank you.

Moderator: Thank you. Our next question is from the line of Surya Patra with Phillip Capital. Please go ahead.

Surya Patra: Thank you for this opportunity. My first question is on the sequential drop in the margin. Ma'am, in the opening remarks that you mentioned about a couple of cost elements. Am I audible? Sorry.

Kirti Ganorkar: Yes, yes. Please go ahead.

Surya Patra: So sequential drop in the margin, that was my question. So, and how much of this drop is because of, let's say, Revlimid driven and hence can continue going ahead?

Jayashree Satagopan: So the impact of Revlimid in this is relatively small.

Surya Patra: Okay. And any one-off cost component that is sitting in the other expenses, ma'am? And can you quantify that, which may not be recurring?

Jayashree Satagopan: No, there are multiple small items that have together come up to this level. That is why I was also mentioning you should see some amount of normalization as we go forward.

Surya Patra: Okay. Okay. Second question is about, although we are not discussing Organon acquisition related aspects, and I'm not asking anything about that. But in what way, see, I think both are equal-sized businesses. So if you can give some sense that in what way the base business of Sun Pharma can be complemented. For example, like the cross-selling opportunity, that would be a kind of a common thing. But apart from that, what other factors or what other complementing aspects that we can see for Sun Pharma's base business because of that integration?

Kirti Ganorkar: Sure. So I think we had done a presentation on Organon, where in the detail, Jayashree has discussed about how the business complement each other. But I think there are 4 parts of business where biosimilar is a new addition and the established brand, which is not growing, but which is a 50% of Organon complements with the branded generic business, what we have. And the women's health is an innovative business, which will also add to our innovative business and our Innovative business contribution, both combined together goes to 26% to 27%.

So in my opinion, it's a complementary because we don't have even product overlaps, very negligible product overlap is there. And biosimilar is a new addition. So what gets added is a women's health on the innovative side to our existing innovative products in dermatology, ophthalmology and some part in oncology. So in my opinion, it's quite complementary business, and we are confident that both companies, when we close the transaction together, it will help us to grow further.

Surya Patra: Sure, sir. Just last one question, if I may ask. So we have obviously seen a kind of a good progress in ILUMYA outside of the US, and that is what we have seen the trend also for the global sales business. So can you provide some incremental outlook for the global sales business or global innovative business outside of US? And which other products possibly can see commercial launches outside of the US from the innovative basket?

Kirti Ganorkar: Sure. We have ILUMYA and Odomzo, these are 2 products outside the US. So if you remember a couple of quarters back, I said like ILUMYA, we launched in 35 countries. Now it has gone to 40 countries, and it is helping us to grow.

At the same time, even the other non-ILUMYA portfolio is also continuing to grow, and we see that they are adding to the overall growth of the market ex-US. So overall, I would say the Innovative Medicine part of the business, either you look at US or ex US, it is helping us to grow further.

Surya Patra: Sure sir. Thank you wish you all the best.

Kirti Ganorkar: Thank you.

Moderator: Thank you. Our next question is from the line of Neha from Bank of America. Please go ahead.

Neha: Thanks for taking my question. Rick, a quick question on the US specialty business. Would it be fair to assume that the growth that you are seeing in specialty in the US so far or, let's say, in FY26 is largely driven by ILUMYA? And my second part of the question is, as we think about '27, '28, do you think that the ILUMYA growth given the base sort of slowed and you see a much larger growth from newer launches, particularly LEQSELVI and UNLOXCYT?

Richard Ascroft: Yes. Thank you for the question. So for '26, we did see good growth for ILUMYA, but we really saw good growth across our Innovative Medicines portfolio. So it really wasn't singled out just to one brand. And certainly, if we look at this current fiscal year and the one we're coming into, we expect to see continued growth from ILUMYA.

We still see good growth of the IL-23 market. As Kirti mentioned earlier, we also have submitted for a new extension in psoriatic arthritis. But yes, we also expect to see growth from the new brands, LEQSELVI and UNLOXCYT as well as the existing Innovative Medicines portfolio.

Neha: So out of the existing portfolio, excluding LEQSELVI, let's say, Winlevi particularly, we changed our strategy there. The prescription data seems to be showing a very good traction. How much more room do you think that has with this change in strategy? Or this is just the beginning and we think there could be a much steeper improvement in Winlevi as we go through the next 2 years?

Richard Ascroft: We continue to see growth based on the model that we've adopted. And we also continue to see good growth of Cequa, a product that you didn't mention, where we think that will continue for the next years as well.

Neha: Okay. And last on LEQSELVI, how are you thinking about, I mean, based on your conversation with formulary partners, is market formation becoming a little more easier? How do you think we should think about this product, ramp-up of this product given what we are seeing on the competitive landscape with one of our competitors sort of slowing down on promotion, a likely new competitor coming in?

Richard Ascroft: Yes. I think there are a couple of things in that question. First of all, we have continued to improve our access position. So as of April 1, we have a majority of access now in the US market. We've continued to expand our testing regimens. So that is another plus. And then I think you're probably referring to a new competitor that may launch.

I think, look, any time there's competition, it's a good thing for patients to have choices. We know that there's still, even with the best products, there's still patients that don't respond. By having another competitor, we do believe that will help grow the market and that, that will not only create opportunities for patients, but it will create opportunities for us as well.

Neha: Understood. That's very helpful. One other question, if I may. If I look at the emerging market business, obviously, there's currency tailwind there. But do you think sema could be a big driver for emerging market growth for Sun Pharma in '27, '28? We haven't talked about too much information there, but just qualitatively, do you think that could be a big driver either this year or next year?

Aalok Shanghvi: Yes. So I think we will certainly look at maximizing the potential, but we will not be able to provide any guidance.

Neha: Understood thank you so much.

Moderator: Thank you. Our next question comes from the line of Girish Bakhru with OrbiMed. Please go ahead.

Girish Bakhru: Hi thanks for taking my question. Just some commentary on biosimilar STELARA impact, I know it sits in a different channel, but discounts are very heavy, almost going to 90% and there have been significant formulary exclusion of branded STELARA. Has that changed anything for you for ILUMYA in terms of formulary positioning and general commentary on the market share that biosimilar might be taking?

Richard Ascroft: We are seeing some impact of biosimilars changing formulary access, but we've not seen an impact on our business. Keep in mind that Medicare is one of the primary channels through which, through Part B that ILUMYA is reimbursed by, and that has no effect on the Part B reimbursement program.

Girish Bakhru: But there is no cross referencing of pricing, let's say, does it not change gross to net for you in case a cheaper option is available in the other channel, would Part B not negotiate on that front?

Richard Ascroft: It does not. Part B drugs are not negotiated under that regimen.

Girish Bakhru: Understood. And second one on UNLOXCYT. I know it's still early, but can you share how many accounts have you got on-boarded given this is an IV product? I'm understanding its positioning will be very different from how LEQSELVI will be marketed.

Richard Ascroft: Thank you for the question. And you're right. The key focus for UNLOXCYT is continuing to work with the, not just infusion centres, but the academic centres as well as the integrated health delivery systems. We're not providing guidance on specifically what number of accounts have or haven't signed contracts, but we are seeing good uptake, particularly with cancer centres, and they are, we are seeing repeat purchases from those centres as well.

Girish Bakhru: Just a ballpark, would you be able to tell how many key priority accounts are there? I mean, and how many would you target? Because you last call, you mentioned you will only look for new patients. So, is it something that you would go only with a limited distribution? Or would you actually compare it with other peers how they are done?

Richard Ascroft: No, it's not -- we don't have a limited distribution model because this practice is largely used in institutions, some in the community. So, we have wide access available to any academic or any institution for that matter that wants to use the product. No restrictions.

Moderator Our next question comes from the line of Abdulkader Puranwala with ICICI Securities.

Abdulkader Puranwala: So, my first question is with regards to your specialty products under development and specifically to MM2, so where we are now planning for a partnership. So exactly, if you could highlight which markets are we looking for this partnership?

And in terms of the front end, what is the kind of field force which would be required for this particular drug with the partner or in select markets like US and Europe?

Kirti Ganorkar: No, I think we have stated this for US market, we are looking for a partner for developing MM2 further.

Abdulkader Puranwala: Okay. And sir, would it be fair to assume that the same would happen for the Type 2 diabetes drug as well once you complete the Phase II?

Dilip Shanghvi: Yes. I think the idea is that in larger market where we will require a large field force to promote, we would look for a partner. In some of the emerging markets and in other geographies, we would look at marketing the product ourselves.

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

Tushar Manudhane: Dilip sir, I would like to ask you on this generics business, while there is a great franchisee that has built on the Innovative Medicine portfolio and the R&D scope has been pretty strong. But somewhere the generics business has sort of struggled to grow. Just would like to understand what has been the major reason for this?

Is it the compliance because the R&D has been pretty strong and that could have also led to a generic pipeline while allocating whatever money for the Innovative Medicine. So if you could just highlight what's happening with the generics business?

Dilip Shanghvi: No, I think part of the question you answered yourself is that because of the compliance issue, we haven't been getting approval. And as all of you are aware, generic business is a business where pricing pressure will mean existing product will lose top line every year.

So, I think as we start getting new approval, hopefully, we will start seeing some improvement. But I think the sales that you see as a growth in emerging markets also in India as well as Rest of the World also are developed by the same R&D team. So, we are seeing decent return on investment in terms of the R&D spend.

Tushar Manudhane: So is there any thinking in terms of -- while maybe the existing sites compliance issue may be probably taking some more time or longer time. So, we sort of build new facility with the, let's say, the latest equipment so that the compliance issues are behind and hence, we have a renewed look at the generics business?

Aalok Shanghvi: So, I think -- like we've shared in the past, I think we continue to work on training and upgrading the existing manpower and ensuring that we're at a minimum meeting or exceeding the requirements from a cGMP perspective. And I think the Greenfield facility is to address what we foresee as the future requirement to continue to be able to support the business across the world.

Tushar Manudhane: So, are we in the process of setting up Greenfield for US generics specifically is what I was trying to ask?

Aalok Shanghvi: US generics would be a part of the volume that would be manufactured, but it would not be the stand-alone trigger for the Greenfield facility.

Abhishek Sharma: Tushar, we are referring to the Madhya Pradesh plant that is coming up.

Tushar Manudhane: Yes, yes. I mean just conceptually, so I'm just trying to think through that while the compliance issue has sort of impacted our business for a pretty long period of time. But I just wanted to understand that is the generics outlook promising enough that we can look for a newer facility so that we have a compliance in place and hence, the growth prospects remain strong? Or are we sort of questioning the generics industry prospects?

Dilip Shanghvi: No, we are not challenging -- I mean, changing our view on attractiveness of generic business. And the new facility is not only for compliance, I think it's also to ensure that we have new supply capacity as our volume continues to expand year after year. And as like what Aalok indicated, I think it's a facility being set up for supplying to major global geographies.

Tushar Manudhane: Sure, sir. That's helpful. Just one more, if I may. So, this facility -- sorry for my ignorance. So, this will have what kind of doses in terms of oral solid injectables?

Aalok Shanghvi: Yes. This is a sterile-only facility.

Moderator The next question is from the line of Kunal Dhamesha with Macquarie.

Kunal Dhamesha: One for Dilip bhai. On the R&D front, we have guided for 6% to 7% as a percentage of revenue. So, in terms of the broader split between the innovation and the generic spending, should we assume it in line with the historical track record of 40%, 60%?

Dilip Shanghvi: So, I think you must have seen that both the last quarter overall R&D spend has grown over the rest of the year, and also the overall percentage of money spent on innovative R&D has also gone up. So, my expectation is that this will continue to be this.

I can't specifically give you a response as to whether it will be 40%, 60%, 45%, what you call 55% or maybe different. But as more and more products get into our development pipeline, the innovative R&D spend will go up.

Kunal Dhamesha: So, let me put it this way, like the percentage spent on or the money spent on innovation divided by innovation revenue that proportion for the last couple of years has gone down, right?

So, is there a strategic emphasis that we want to reinvest certain broad range of percentage of revenue from the innovation business into innovation, especially in our existing molecule? Or is it more of a function of whatever trial comes in or there is a broader strategic emphasis that at least x percentage we want to invest?

Dilip Shanghvi: No, I think, we have an active life cycle management approach for all our innovative products. And sometimes the investment versus return looking at the residual IP rights on the product make it difficult for us to commit large sums because we would have relatively low residual IP period. So, I think the idea for us is to accelerate our capability to identify and initiate the life cycle management programs faster.

Kunal Dhamesha: Sure. And one for Jayashree, ma'am. On the intangible asset increase, I think is it related to the commercialization of the two molecules and hence, has it increased? So how to think about that? Or is there some milestone payment which we have capitalized?

Jayashree Satagopan: You're right. This is relating to the commercialization of these two molecules.

Kunal Dhamesha: So, let's say, work in progress intangible has been classified as the intangible asset? Is it the correct way to understand?

Abhishek Sharma: For LEQSELVI, yes, and for Checkpoint, yes, it was never under CWIP.

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

Vishal Manchanda: In FY27, I think we don't have a large specialty launch. So, is it fair to expect that the operating cost growth will moderate in the current year, and we should see operating leverage kicking in?

Richard Ascroft: I think the -- it's important to sustain launches as well. So, you should expect that we will continue to be investing in LEQSELVI and UNLOXCYT going forward. It will become part of our base spend. And that's already been factored into our guidance.

Vishal Manchanda: Any timelines with respect to how should we see these launches happening in Europe and other markets, UNLOXCYT and LEQSELVI?

Dilip Shanghvi: I think we are not factoring any sales out of this product in any geographies other than the US this year. If there is, we will guide both for filing as well as approval.

Vishal Manchanda: So, is it these markets are not large enough? Or will we need to do additional trials here and we are probably thinking about it?

Dilip Shanghvi: No, I think sometimes you have to -- the filing itself requires a certain time because you have to recognize that these are products that we license from somebody. So, if the -- and they only wanted to file the product in the US.

So it requires adopting the existing data to recalibrate for different geographies. So, it takes a certain amount of time. We are not taking a view that it's -- the other geographies are not attractive. Because if you see competing products, they do quite well in other geographies also.

Vishal Manchanda: Understood. And just on the generic business, do we expect any re-inspections maybe at Baska or Halol this year?

Aalok Shanghvi: So, I think the sites operate from a 24/7 audit readiness. I think we would not be able to predict as to when the FDA would audit our sites.

Vishal Manchanda: Okay. And I have one more question on Winlevi, the innovator company has done a trial on androgenic alopecia, and they have got positive data. Does -- would Sun have any right of first refusal here?

Kirti Ganorkar: Since this is a pipeline question, we won't be able to answer it.

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

S. Krishnakumar: Just wanted to check on LEQSELVI. I think one of our competitors likely to get an approval in Europe for adolescents. I just wanted to check where we are in terms of targeting that patient group. If I'm not wrong, I think they're still in Phase III for adolescents. Just wanted to check?

And a related question is on Levulan. I think there, again, I think one of our competitors have filed for the sBCC indication. Are there any plans to sort of also try and target that indication with Levulan?

Richard Ascroft: Yes. We do have an active Phase III trial underway for LEQSELVI in adolescents, you're correct. And yes, along with the rest of the portfolio, we -- Levulan, we're actively looking at a number of different potential LCM opportunities.

S. Krishnakumar: Got it. That's helpful. And just one clarification. I think in our opening remarks, we mentioned that this quarter, there was higher spending in the US, which should sort of normalize. So, was this largely launch-related spend in the US?

Jayashree Satagopan: Let me clarify the higher spend is on account of several factors in various geographies, including the US So, it is not only in the US.

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

Saion Mukherjee: I think last year, you guided for around 100 million spend on new product launches, initial promotional spend. So, have we spent that amount? Was it more or less? Can you just -- how much was the spend last year? And how should we think about that going forward?

Richard Ascroft: I think it was around that amount. We're not providing exactly what it is, but it was within that range. And you should anticipate that, that just becomes part of our base spend in support of these brands versus a one-off spend.

In order to stay competitive, we need to continue to invest in sales force and marketing, medical affairs activities, patient support activities. In fact, some of those grow as you have more patients.

Saion Mukherjee: Right. My second question is related to tariffs. I think in April, after Section 232 investigation, there was an announcement of tariffs on branded innovation drugs. So, have you made an assessment of whether it impacts Sun in any way, if you would like to quantify or give some color around it?

Richard Ascroft: Yes. The President did announce in April the resolution of the 232 investigations, laid out a time line for when those tariffs would apply. I think there are two days, one in July and one in September. As you would expect, we're looking at all of the available alternatives, and we'll look to mitigate accordingly.

Saion Mukherjee: Do you expect any negative impact because of that?

Richard Ascroft: Not on...

Saion Mukherjee: In fiscal '27?

Richard Ascroft: Marginal impact.

Moderator Our next question is from the line of Damayanti Kerai with HSBC.

Damayanti Kerai: My question is regarding your EBITDA margin trajectory. So, you mentioned you will continue to invest in the new launches of LEQSELVI and UNLOXCYT in the US, etcetera, and you have given R&D guidance. So, moving from, say, fourth quarter base, how should we assume EBITDA margins to move ahead directionally?

Jayashree Satagopan: So, as you know, we do not guide on the margins. However, the expenses relating to UNLOXCYT and LEQSELVI has been factored in the plan for the year.

Damayanti Kerai: So that will be ongoing expense for you?

Jayashree Satagopan: Yes.

Abhishek Sharma: Just to clarify, Damayanti, we are not guiding whether they will be lower, same or higher versus last year. So that's what we are trying to say that last year, we provided an explicit guidance. This year, we are not providing an explicit guidance.

Damayanti Kerai: Sure. And can you indicate your effective tax rate for next year and beyond?

Jayashree Satagopan: Yes. We expect the effective tax rate to be in the range of 25%.

Moderator Ladies and gentlemen, we have no further questions. I would now like to hand the conference over to the management for closing comments.

Abhishek Sharma: Thank you, ladies and gentlemen. If you have any questions that have remained unanswered today, you can reach out to the Investor Relations team. A very good evening and a happy weekend to all of you. Thank you.

Kirti Ganorkar: Thank you.

Jayashree Satagopan: Thank you.

Moderator Thank you. On behalf of Sun Pharma, that concludes this conference. Thank you all for joining us. You may now disconnect your lines.