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Q2 FY27 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 Q2FY27 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: 2026.11.04 19:10:17 +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.

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 Q2 FY27 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 the conference call, please signal an operator by pressing star and 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 second quarter FY27 earnings call. I'm Abhishek from the Sun Pharma Investor Relations team. We hope you have received the Q2 financials, the press release and the earnings presentation that was sent out earlier in the day. These are also available on our website.

We have with us Mr. Dilip Shanghvi, Chairman; Mr. Kirti Ganorkar, Managing Director; Ms. Jayashree Satagopan, CFO; and Mr. Richard Ascroft, CEO, North America. Today, the team will provide an update on the financial performance and business highlights for the quarter, pipeline updates and respond to any questions that you may have. We will refer to the consolidated financials during management comments. The call recording and call transcript will also be put on our website shortly.

The Organon acquisition is subject to satisfaction of the remaining customary closing conditions and is on track to close by early 2027. Organon has already announced their corresponding quarter results. Since Organon remains a separate public listed company, we will not be taking any questions today regarding Organon's business performance.

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

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

Jayashree Satagopan: Welcome, and thank you all for joining us for the earnings call after the announcement of the financial results for the second quarter FY27. The financials are already with you. Let me take you through the key consolidated financials. During the second quarter of FY27, sales were at INR1,61,000 million, registering a growth of 11.8% vis-a-vis Q2 FY26. Gross margin was at 80.8% for the quarter, higher than the same period last year, largely on account of a better product mix and favorable currency tailwinds.

EBITDA for the quarter was INR47,439 million, an increase of 4.8% over Q2 last year. EBITDA margins came in at 29.3%. EBITDA margins are lower year-on-year. Please note that Q2 FY26 had some benefit from lenalidomide sales. Adjusted for lenalidomide, EBITDA growth has outpaced revenue growth.

Forex gain for the quarter was INR785 million, which is lower than Q2 of last year. Reported net profit after tax for Q2 FY27 was INR19,885 million, while adjusted net profit for the quarter was INR31,620 million. EPS for the quarter was INR8.3 per share. Exceptional items for the second quarter includes provision towards a litigation settlement and on account of Organon-related acquisition costs. Effective tax rate for the quarter was 28.3% versus 24.7% in Q2 FY26. Balance sheet continues to be strong with a net cash of USD3.3 billion at the consolidated level.

Now let me take you through the half yearly performance. For the first half, sales were at INR3,12,836 million, registering a growth of 11% over the first half last year. Gross margin was at 80.6% for the first half. EBITDA for the first half was INR91,616 million, registering a growth of 3.8% over the first half of last year. EBITDA margin percentage was at 29.1%.

Adjusted net profit for H1 was INR62,515 million. The successful subscription of Sun Pharma's debut NCD issue underscores the strength of its credit profile and the broad investor confidence in the company's financial position.

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

Kirti Ganorkar: Thank you, Jayashree. I shall first provide you an update on Global Innovative Medicine. In Q2 FY27, our Innovative Medicines sales were up 6.9% to reach USD356 million. The business accounted for 21.1% of Sun sales for the quarter. The performance in Innovative Medicine continues to be driven by growth across US and ex-US market across products, notably Ilumya, ex-US, Cequa, Odomzo.

We are pleased to note that Ilumya is now approved in the US for the treatment of adults with active psoriatic arthritis. Introducing a health care provider-administered IL-23 inhibitor broadens our treatment portfolio and creates new opportunities to strengthen patient support and health care team engagement. We are planning for a soft launch in November with a full launch in the following months.

Ilumya continues to do well across international markets. As a highlight, recently, Japanese Society for Psoriasis Research announced that Ilumya to be number 2 across all biologics in the new patient across 73 main hospitals in Japan, making a significant improvement over last year. During the quarter, partnership with LIB Therapeutics strengthened our innovative medicine portfolio and expanded our presence in the rapidly growing PCSK9 market

outside US and China. Lerodalcibep adds to a differentiated once-monthly therapy that can help address significant unmet needs in cholesterol management.

Now coming to India business. The sales of India formulations were INR55,523 million for the quarter, recording a growth of 17.3%. India sales accounted for 34.5% of total consolidated sales for the quarter. Sun Pharma is ranked number 1 and holds 8.6% market share in over INR2,618 billion Indian pharmaceutical market as per Pharmarack MAT September '26. Corresponding market share for the previous period was 8.3%.

For the quarter ending September '26, we grew higher than IPM, and we had done well across all major represented therapy areas. Sun Pharma's 15.1% Pharmarack September '26 growth was driven primarily by strong volume expansions. Sun volume growth was 6.7% for the quarter compares favorably to IPM growth of 1.8%. As per SMSRC March-June '26 report, we continue to be number 1 company based on prescription volumes. Sun Pharma is also ranked number 1 by prescription with 12 different doctor categories. For Q2 FY27, the company launched 15 new products in India.

Regarding Organon, integration planning for the Organon acquisition continues to progress across functions and work streams in line with plan. Regulatory approvals have now been secured in majority of the regions with the remaining jurisdiction tracking on schedule. We are now on track to close the transaction as per earlier communicated timelines, that is Q4 of FY27.

I will now hand over the call to Rick for update on the US market.

Richard Ascroft: Thank you, Kirti. Let me share performance highlights for our US business. Overall, the US business reported sales of USD455 million for the quarter, declining by 8.2%. This decline is largely due to lenalidomide erosion. On a quarter-over-quarter basis, the US business has grown by 6.5%. The US accounted for 27% of consolidated sales for the quarter, and we launched 5 generic products, in the US during this quarter.

This quarter, we saw a slowdown in Ilumya business in the US driven by a mix of factors. This is a key reason behind slower growth in global innovative medicines. We put actions in place to improve performance and anticipate further growth from these as well as the new psoriatic arthritis indication that Kirti mentioned earlier. The rest of our Innovative Medicines portfolio in the US continues to show strong growth.

I also want to provide some recent updates on Unloxcyt. Unloxcyt's elevation to a Category 2A preferred recommendation in the NCCN guidelines reinforces its growing clinical relevance in advanced CSCC. Subsequently, we presented long-term follow-up data on Unloxcyt at a leading scientific conference in Europe. Long-term data showed complete responses in 34% of locally advanced and 17% to 21% of metastatic patients

on Unloxcyt. Additionally, the product profile continues to excel on tolerability with a very low level of high-grade immune-related adverse events. These data reinforce the potential of Unloxcyt in advanced cutaneous squamous cell carcinoma.

During the quarter, Sun Pharma also announced agreements with the US government aimed at prioritizing access to affordable medicines for American patients. According to the White House, 25 other pharma companies have signed similar agreements. As part of the agreement, Sun Pharma will extend Most Favored Nation pricing to state Medicaid programs. This agreement delays Section 232 tariffs on innovative products for over 2 years and exempts Sun Pharma from the GLOBE and GUARD Medicare models.

I will now hand over the call to Kirti for updates on the rest of our business.

Kirti Ganorkar: Thank you, Rick. I will provide an update on the performance highlights of our other businesses. Our formulation revenue in Emerging Markets were USD350 million, up by 7.6% over Q2 last year. The underlying growth in a constant currency term was 7.4%. Emerging markets accounted for 20.7% of total consolidated revenue for Q2. While branded generics has continued to grow, Innovative Medicine has been an important driver for growth in emerging markets, with Ilumya doing well across several markets such as Romania and Brazil.

Our partner also launched semaglutide generics in Brazil during the quarter. Formulation revenues in Rest of the World for the quarter were USD241 million, higher than Q2 last year. Rest of the world markets accounted for approximately 14.3% of consolidated revenue.

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

Dilip Shanghvi: Thank you, Kirti. Let me discuss various R&D initiatives and how we are doing. We continue to invest in building an R&D pipeline for both the global generics and Innovative Medicine businesses. Consolidated investments towards R&D for Q2 '27 stands at INR7,784 million or 4.8% of sales. Innovative R&D accounted for 32.4% of our total R&D spend. These numbers are tracking lower than our intended R&D spend, but we expect the second half of the year to catch up some of this R&D spend.

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

Moderator: Thank you very much. We will now begin with the question-and-answer session.

Your first question comes from the line of Dr. Kunal Dhamesha with Macquarie Capital.

Kunal Dhamesha: First one on the slowdown in growth for Ilumya in US Rick, can you highlight what is driving that? And what kind of actions we have taken? And what's the time line in terms of the recovery in the growth?

Richard Ascroft: Yes, I don't want to get into the -- all the details, but we have identified a few key things that have led to the slowdown. We put key interventions in place already. And as I mentioned, those interventions, coupled with the launch in psoriatic arthritis, we believe will return Ilumya to more typical growth patterns.

Kunal Dhamesha: Over any time period you would like to suggest like a couple of quarters, 1 quarter?

Richard Ascroft: Over the next few quarters.

Kunal Dhamesha: Sure. And just on the psoriatic arthritis front, I cue that maybe the prescription would be generated by a different specialty of doctors. So that kind of investment that needs to be done in terms of sales force or access personnel, is it already there in quarter 2?

Richard Ascroft: It is. It's already built into our existing sales force model. Some of the prescriptions will be generated by dermatologists, but using the existing sales force, we will increase our reach and also begin calling on rheumatologists.

Kunal Dhamesha: Sure. And do you foresee any one-off kind of launch expense for the psoriatic arthritis indication?

Richard Ascroft: We have expenses, but they've been built into our overall budget. They're not extra.

Kunal Dhamesha: Sure. And second one on the guidance for FY27. I mean, since the first half, we have been clocking at around double-digit top line growth versus our FY27 guidance of high single digit. So at this point in time, is there an update that you want to share?

And R&D, I assume that you're going to -- there will be a ramp-up in second half. But just looking at the specialty R&D, it seems like as a percentage of specialty revenue, it has declined to like single digits in this quarter. So is this the ongoing run rate or there is a phasing out and then there will be some phasing in of clinical trials? How should we think about it?

Dilip Shanghvi: So I think you're asking two questions. I'll respond to the R&D. So I think the R&D investment is a function of the start and our ability to recruit subjects in the clinical trial. So we expect that to pick up because we are putting in place appropriate infrastructure in place for that. Kirti will respond to the other question.

Kirti Ganorkar: Yes. Regarding the guidance, I think we'll stick to what guidance we have given at the beginning of the year.

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

Neha Manpuria: Rick, on the specialties for the US, I just wanted to understand since it's been over a year since we have launched Leqselvi and close to 9 months since we have launched Unloxcyt, when should we start seeing meaningful contribution from these 2 launches?

And for the psoriatic arthritis indication, is it fair to assume that the contribution from that should be much faster than, let's say, some of these new launches because we already have Ilumya already present in the market for psoriasis, so that should help bring in prescriptions earlier. Would that be a fair assumption?

Richard Ascroft: Maybe let me start with Leqselvi and Unloxcyt, and then I'll move into Ilumya. I think we feel confident about both of the launches. If we start with Unloxcyt, we had some very encouraging news. I think as you heard me share we recently had an update to the NCCN guidelines. And really, what that means now is Unloxcyt is a preferred agent, and that will really help us continue to accelerate access for patients and guide clinician confidence. So that's quite important.

The other thing we shared is that we released long-term data with Unloxcyt. Not only was the efficacy impressive, but the tolerability, which has been one of the key strengths of Unloxcyt has been durable over time. So we saw a deepening and a durability of response and the tolerability as well. I had a chance to meet with a number of key opinion leaders at ESMO, and they were very impressed with this new data. So we believe both of those 2 things will be a catalyst for Unloxcyt and will continue to accelerate growth. Already, we see month-over-month improvements in share.

I would say the same for Leqselvi. We also recently announced new data for Leqselvi. Right now that what we hear from physicians is the speed that we've talked about Leqselvi is playing out in their patients. What's nice about the new data is it also shows that in addition to the speed, we see a durability of the efficacy that we saw in our initial published clinical results.

As it relates to psoriatic arthritis, it is a new indication for us. The benefits of the product remain the same. So Ilumya in treating psoriatic arthritis will be the only IL-23 that is physician administered, making it the perfect choice for patients that require extra care and benefit from HCP administration. And it's also the only HCP-administered product for psoriatic arthritis that rheumatologists can use to treat patients quarterly. The other HCP administered products are used on a much more frequent basis, making them more inconvenient for patients.

We are increasing, as I mentioned, to cover rheumatologists and those customers are familiar with products like Ilumya. We call them buy-and-bill products in the United States, and we would expect that they would begin to use the product quickly. As was mentioned earlier, we've already -- we're training actually our sales force today on the updated package insert, and we'll be launching over the coming months.

Neha Manpuria: That's very helpful. And second, Dilip sir, on the R&D, is it fair to assume you're hitting the 6% to 7% guidance for the full year for R&D spend when we mentioned the second half catch up?

Dilip Shanghvi: So what I said is that we expect the R&D spend to significantly ramp up in the subsequent quarter. And our expectation is that as that ramps up, we should be able to meet the overall guidance that we've shared with people.

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

Damayanti Kerai: My question is regarding the new licensed PCSK9 inhibitor, which you will be launching in -- outside US and China market. So just wanted to understand 2 points here. First, you have moved into cardiology now. In the past, obviously, we saw you have been focused on onco-derma and eye care space. So going ahead, whether you will be expanding into more therapies beyond what we have right now in your portfolio?

And for the marketing part, what kind of spend we should assume for this particular product? Do you have to build a separate sales and marketing team for this product?

Kirti Ganorkar: Your question is quite broad. So I would say there are a couple of things like you know our Emerging Market business, which contributes almost 20% to total business. So there are many markets where we have capabilities and field force to promote product to cardiologists. And that is what we will leverage. There are some markets where we don't have capabilities where we need to go and add those. And that is what we'll do in the next couple of months.

So regarding expenses, we cannot give exact detail on how much we'll spend on launching PCSK9, but it will be part of our overall guidance and the budget, what we are tracking right now.

Damayanti Kerai: Sure. So it will be like across the world launch, except these 2 markets, right? You will try to launch in as many markets as possible.

Kirti Ganorkar: Ex US, ex China, and we have approval in Europe, yes.

Damayanti Kerai: Okay. Then my second question is on semaglutide, where you mentioned your partner has launched in Brazil. So can you update us regarding how you are looking to file this product in other markets, like which will be the key markets where you intend to enter in next 1 to 2 years' time frame?

Kirti Ganorkar: I think in last call also, we guided all of you that we don't inform where we have filed and we will get approval for semaglutide. But at the same time, you know we are present in India. We have approval in South Africa and Brazil and all the markets, we have commercialized the product.

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

Bino Pathiparampil: Bit of a repeat, but I'm just getting -- trying to get a little more color on the slowdown in Ilumya. Is it something to do with the market getting saturated? Or is it something related to the sales strategy or some sales execution, for example, salespeople leaving, etcetera? Is it an execution problem? Or is it something to do with the market getting saturated and the strategy of selling?

Richard Ascroft: No, it's really a variety of things. I think there's a bit of market, but frankly, part of it is execution as well, and that's the intervention we put in place. I should just add, though, we continue to see plenty of opportunity for Ilumya. It's quite unique in terms of being able to treat patients with -- that require extra care. And there are a large number of those patients in the United States on Medicare, which is where we do quite well with the product.

Moderator: Your next question comes from the line of Krish Mehta with Enam Holdings.

Krish Mehta: I just had a question on Ilumya psoriatic arthritis indication. If you could provide some color on the size of opportunity in terms of the market potential as well as what it could add to our current Ilumya franchise as well as the specialty franchise, it would be helpful directionally to understand how much this adds to us.

Richard Ascroft: Yes. We don't provide product-specific guidance. What I can share is about one-third of patients with plaque psoriasis also have comorbid psoriatic arthritis.

Moderator: Your next question comes from the line of Shashank Krishnakumar with Emkay Global.

Shashank Krishnakumar: My first one is again on Ilumya. Just trying to understand if we look beyond Stelara and probably at other biologics, which we might also include in the competition set for Ilumya, those might also see a loss of exclusivity probably sometime over the next 4, 5 years.

Now 2 factors. One is our channel dominance in Part B and then the second is the fact that probably the treatment regimen itself has moved towards IL-23. Now do you see these 2 factors sort of helping us defend our Ilumya franchise in the medium term? Or what is it that you think could change in terms of the market dynamics when you sort of take a 4-, 5-year view here?

Richard Ascroft: There certainly are changes in the marketplace that we've seen and we'll continue to see. I think you mentioned the most important 2 points, though. The IL-23 class remains the dominant class and the preferred class amongst clinicians in treating psoriasis patients. And Ilumya is quite unique in that it's HCP administered and that it really supports patients that require that extra care. And that is very much a unique attribute to Ilumya that no other product has.

Shashank Krishnakumar: Got it. Just a related question here. So what is the loss of exclusivity for Ilumya itself that we should be factoring in? Should it be 2030? Or would secondary protection sort of extend beyond that?

Abhishek Sharma: It's not in the foreseeable future, Shashank.

Shashank Krishnakumar: Perfect. Got it. And just one last one, if I could squeeze in. So it seems like this quarter, the US generic business probably on a quarter-on-quarter basis has gone up. Was there any short-term opportunity that we benefited from? Or was it business as usual, if you will?

Richard Ascroft: Yes, you may have missed it, but I did share in my opening that we launched 5 new products this quarter, which led to the growth.

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

Tushar Manudhane: Firstly, on the ROW, Emerging Market and 3, 2 quarters on a constant currency basis, the growth has been middle digit. When do we see the pickup? And what would drive this pickup in the business? Maybe if you could share each aspect separately.

Abhishek Sharma: I think your voice was breaking, Tushar, you were asking for EM and ROW growth?

Tushar Manudhane: Sir, am I audible?

Abhishek Sharma: Yes.

Tushar Manudhane: I was referring to the mid-single-digit growth in constant currency basis in Emerging Markets and ROW markets. If you could share what's happening there and what would drive growth going forward?

Abhishek Sharma: So as far as EM is concerned, I think there has been a pickup on a quarter-on-quarter basis. This quarter, we did a constant currency growth of 7.6%. And this was again driven by product launches across several markets. So I think your question would be more directed towards ROW where the growth is lower.

Tushar Manudhane: Even in EM, this is the kind of sustainable growth to think about?

Abhishek Sharma: No, we don't guide to any particular growth number. But I think if you look at our historical trend in terms of constant currency, which we report every quarter, broadly, this is the range, plus or minus.

Tushar Manudhane: Got it. And on ROW side?

Abhishek Sharma: We are not guiding to any specific guidance. I think you can refer to...

Dilip Shanghvi: It's covered in the overall...

Abhishek Sharma: Overall revenue growth guidance. Yes.

Tushar Manudhane: Got it. And just secondly, on R&D, while the medicine pipeline, which is given in the press release, this is one program which we will have start of Phase III. The rest of it are in the stage where either regulatory filing is to happen or let's say, the top line data has to come out. So just trying to understand on the monetary side, where the R&D step-up would happen.

Dilip Shanghvi: You're asking for a level of detailing, which generally is not something that we share because we guide for an overall R&D budget. We don't guide for where we are going to on which product, which market.

Moderator: The next follow-up question comes from the line of Dr. Kunal Dhamesha with Macquarie Capital.

Kunal Dhamesha: Just one on the India business. This 17% growth, I mean, the past couple of quarters also, we've seen strong growth. Is it broad-based in terms of therapy areas? And if you could also share some details on volume growth versus the new product introduction versus pricing?

Kirti Ganorkar: What you said is right, the India business growth is across therapy areas. So all the therapy areas we are present, like there are 12 major therapeutic areas where we are present. We are doing well both in terms of performance on prescription as well as value.

And in terms of growth, if you have seen AWACS number, the IPM is growing by 1.6% in terms of volume, and we are growing by 6%. So what I'm trying to say, our growth is quite robust in terms of volume and we are growing by volume and new products. So almost like 50% to 60% of our growth comes from volume plus new product and the rest is coming from pricing. So it's quite a healthy growth in my opinion.

Kunal Dhamesha: Sure. And the other one for Rick. In terms of the drivers of specialty or innovative medicine, we generally highlight the top 3 molecules, which is basically driving the growth, right, in our commentary. Do you think that Unloxcyt and Leqselvi are close to that top 3 set now?

Richard Ascroft: I don't think we typically provide rankings of our top products. I think we can say that we mentioned the slowdown in Ilumya. The rest of our portfolio is growing and our many products are contributing to that growth, including our new launches.

Abhishek Sharma: But at the same time, Kunal, they're still smaller. And yes, in terms of absolute contribution, products like Odomzo and Cequa, Winlevi would have a far bigger contribution.

Kunal Dhamesha: Okay. So it's basically probably the absolute addition versus the percentage growth, right?

Abhishek Sharma: It's a mix of both, yes.

Moderator: Your next question comes from the line of Vishal Manchanda with Systematix.

Vishal Manchanda: With respect to the Organon deal, can you share what should be our effective cost of borrowing? And what percentage of the acquisition cost would be attributable to goodwill?

Jayashree Satagopan: So we've been working with our bankers and institutions in terms of finalizing the -- and I think the rate of borrowing should be more or less in line with the current borrowing cost of Organon.

As far as your question on goodwill is concerned, I think this will go through the accounting standards and the resultant goodwill on the date of acquisition. So I think it's too early for me to comment on it.

Vishal Manchanda: And just one more. There's a media article citing that the Indian drug regulator has asked Sun Pharma to discontinue production of ophthalmic products from its Assam plant. Can you comment whether this is true and whether this would have any material adverse impact on our numbers?

Kirti Ganorkar: No, Vishal, I can't comment on what media has reported. But what I can say is that there are 11 ophthalmology products, which we have voluntarily recalled. And we voluntarily initiated a temporary cessation of our manufacturing activities, and we have kept the Indian regulator informed about it. I think what is most important for us is the product quality and patient safety. And we have taken a remedial action so that we can put everything in place shortly.

Moderator: The next question comes from the line of Niharika Agarwal with Nirmal Bang.

Niharika Agarwal: My question was on the antitrust settlement. So how much of the historical generic pricing litigation exposure has now been addressed with this settlement?

Jayashree Satagopan: See, you could possibly refer to our annual report where we have disclosed most of the particulars regarding the settlement. I think that will give a fair idea.

Niharika Agarwal: Okay. And in terms of R&D, so we have 5 novel entities in clinical development, right? So how do we evaluate the commercial potential of these? And how do we look at these going forward -- if you could give any color on it?

Dilip Shanghvi: So I think that is the uncertainty related to R&D because there is, let's say, theoretically, one potential of a product. Now how much of market share we can get is linked with what kind of final clinical outcome we will get. So while we do the business development plan and investment plan, we presume a certain targeted therapeutic outcome. Sometimes the outcome is better than what we've planned. Sometimes we don't achieve what we were looking for.

So we have a process by which we decide to invest on a product only if we feel that there will be a decent return on investment after adjusting for risk-adjusted probability of approval. And that's the process that we follow. So it's difficult to give you -- but if you look at many of the products, you see the size of the market. So that can also help you develop a better understanding.

Niharika Agarwal: And beyond Ilumya, Leqselvi and Unloxcyt, which products in the pipeline have the potential to materially alter the specialty growth trajectory over the next 2 years to 3 years?

Abhishek Sharma: Kirti spoke about lerodalcibep, PCSK9 inhibitor, I think.

Kirti Ganorkar: Yes. Yes. But that's, ex US and ex China, that can be the next product, yes.

Moderator: Your next question comes from the line of Juhi Kumari with Narnolia Financial Services Limited.

Juhi Kumari: I just had one question left, like rest of all my questions have been answered. It's related to Organon acquisition expense, like we have been recording it in the P&L exceptional expense this time. So like do we see any other exceptional expense coming from this acquisition in the coming quarter or not?

Jayashree Satagopan: So the acquisition-relating cost will continue until day 1, and some of these could be back-ended, right? So as we close the transaction in Q4 of FY27, we will have a full estimate in terms of the acquisition-related costs.

Juhi Kumari: Okay. So we will be seeing some other expenses also incurring in exceptional in the coming quarter as well?

Jayashree Satagopan: Yes. And that is normal as we go through the transactions.

Dilip Shanghvi: I mean if you want guidance, then you should look at other companies doing large transactions because any transaction of this size will always involve one-time costs.

Moderator: Your next question comes from the line of Tara Ganatra with UTI India.

Tara Ganatra: So my question was more on the India business growth. So we have seen in the last 2 years, the volume growth with hardly anything, and we are now seeing a 6% kind of a volume growth. So what is driving this volume growth? And what would this number look like excluding semaglutide? What would be this volume growth be? And going forward into H2 and FY28, do you think this kind of volume growth is sustainable for India business?

Kirti Ganorkar: So the second part of your question, I can answer. See, in any business, there are risks, so we cannot say in next quarter or following in the next 2 quarters, the same growth will continue or not. So it's very difficult to predict. But in terms of our volume growth and new product growth, I can say we cannot pinpoint only one thing why this growth is coming. We are continuously making an effort to build brands, do scientific promotion, continuously expand the field force, improve the number of prescribers and the prescription from the doctors.

So finally, it is outcome of all of this effort, including launches of new product ahead of competition and gaining market share. So if I put all of these things together, that is what is helping us to grow both in volume and new product and which is our major growth in last 2 years.

Moderator: The next follow-up question comes from Vishal Manchanda with Systematix.

Vishal Manchanda: I have a question on Nidlegy. I wanted to know the time lines for approval. And second, also wanted to understand whether this is effective enough to -- so there's another drug called nivolumab, which has also shown data in neoadjuvant melanoma, and that is probably showing better outcomes, but that hasn't been filed so far. So I just wanted to understand your views on how this would compete with nivolumab or whether this would also be positioned as an add-on to nivolumab in the same setting, neoadjuvant setting?

Dilip Shanghvi: So what I understand is that the product is filed and we are awaiting approval. I do not have familiarity with the what you call nivolumab data. However, both of these drugs work through very different approach. And I expect -- my understanding is that there are some subsequent studies where Nidlegy has been administered or given to patients after checkpoint inhibitor treatment, and it has produced improved clinical outcome.

So I don't know whether it complements or it competes with checkpoint inhibitor. And ultimately, everything will depend on the label that both the products will get. My understanding based on my interaction with the company is that they think that the product has a useful place in the treatment options available to doctors for treating this difficult to treat patients.

Vishal Manchanda: Got it, sir. And can we say like this can also be a large opportunity like Unloxcyt, while Unloxcyt has not shaped up yet, but can this be a large opportunity in your pipeline?

Dilip Shanghvi: It will not be a comparable opportunity because of 2 reasons. One is that Unloxcyt for us is a global product. We don't sell it today in other markets, but gradually, as we start getting approval, we will start launching in other markets, whereas Nidlegy, we've licensed only for Europe and a few other markets.

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

Surya Patra: My first question about the PCSK9 inhibitor. In the Europe market, since it is already approved, that looks kind of a near-term opportunity for us. But considering the country-to-country price agreement reviews and all that, how quickly this could be a kind of a commercial benefiting kind of opportunity? How long that it will take in Europe to really penetrate and get the commercial benefit out of...

Kirti Ganorkar: Yes, as you are aware, once you have approval from EMA on European basis, then you have to go country by country and submit the dossier for pricing and reimbursement. And usually, this process goes from anywhere from 6 months to 12 months, depending on the market and depending on the dossier kind of queries we can get. So right now, what we said, we are in a prelaunch phase, and we'll keep you updated as we move from one market to another market. And once we have commercial launch, we'll also announce it.

Surya Patra: Okay. And how long it would generally take, sir, for taking it to key emerging markets? A couple of years' time?

Dilip Shanghvi: It all depends on when we get approval. Our plan is to file in all the markets as soon as we can. But different countries have different approval time lines. Some of the countries also require local strategies.

Kirti Ganorkar: Some of the countries, we can also leverage the approvals in the US and Europe. This is all a combination of too many things.

Surya Patra: Okay. Okay. My second question is about the GLP-1 or the semaglutide ?

Kirti Ganorkar: Yes. Yes.

Surya Patra: So about the semaglutide, See, in fact, this year, since it is the first year of commercialization for a key market like India, that would have supported growth and all that. But considering the adherence, the patient adherence about it and all that, so is it fair to believe that the product or the segment will see a growth in the subsequent year, second year?

Kirti Ganorkar: I think this is first year only. And if you see the GLP-1 drugs, how they perform worldwide, they are doing phenomenally well. So in India also, we need to give some time because you will build a new product over a period of time. And usually, our experience is it takes 3, 4 years for you to build any new product. So GLP-1 will also go through that phase, yes.

Surya Patra: Okay. Okay. Generally, the penetration levels even in the advanced market looks really low. So that is why this question also.

Kirti Ganorkar: I can't comment specifically on the penetration.

Dilip Shanghvi: No. But I think you should look at -- even if you get a few percentage of the total patients, it's still going to be a very, very large product.

Surya Patra: Sure. And if I just ask an extended question on this, sir. See, the market like Brazil and South Africa, whether the price erosion scenario in semaglutide is similar like India?

Kirti Ganorkar: See, like in Brazil, we are working with a partner on this product. So all the commercial decisions on this are taken by partner. And generally, we would not like to talk about pricing because it's also a proprietary information, and we cannot disclose about this in our investor call.

Moderator: Your next question comes from the line of Ashutosh Kumar Jha with Balyasny Asset Management.

Ashutosh Kumar Jha: I had a question for the comment made by Jayashree ma'am, earlier on the call. Is it fair to understand that the current borrowing cost, I think I'm looking at the SEC filing of Organon, the latest debt that they raised was at 7.875%. And then I think you guys also filed a disclosure to the exchange saying that the latest NCDs were raised at 8.2%. So just wanted to understand what is the exact structuring of the debt piece of the transaction that we are thinking of on Organon?

Jayashree Satagopan: So first of all, when I spoke about the cost of debt, it is the weighted average cost of debt of Organon. You would see that some of the bonds were at a much lower rate, which was raised earlier. So one should look at it in totality.

Secondly, the NCDs that we issued now is not part of transaction financing. This is part of our normal financing to repay some of our current borrowings. And this is a rupee financing and what we are talking of Organon is mostly dollar and euro. So these are not apples-to-apples to compare. I hope that...

Ashutosh Kumar Jha: Understood. Yes. So when you say current borrowing cost, that is basically on the average cost of debt that we see on Organon, right?

Jayashree Satagopan: Yes, you should take the average cost of debt, weighted average cost of debt.

Moderator: Ladies and gentlemen, as there are no further questions, I now hand the conference back to Dr. Abhishek Sharma for closing comments. Over to you, sir.

Abhishek Sharma: Thank you, everyone, for joining us at this late hour. If you have any questions which we have remained unanswered today or you have any follow-up questions, you can reach out to the Investor Relations team. We are here to address your queries. Thank you, and a very good evening.

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

Dilip Shanghvi: Thank you.