Corporate Participants

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Moderator: Ladies and gentlemen, good day, and welcome to Sun Pharma's Q1 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 first quarter FY27 earnings call. I'm Abhishek from the Sun Pharma Investor Relations team. We hope you have received the Q1 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; 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 updates and respond to any queries that you may have. We will refer to the consolidated financials during management comments. The call recording and call transcript will also be put up on our website shortly.

We have recently noted that Organon has received a shareholder approval for acquisition by Sun. The acquisition is subject to the satisfaction of remaining customary closing conditions and is on track to close by early 2027. Since Organon remains a 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 for joining us for the earnings call after the announcement of financial results for the first quarter of FY 2027. The financials are already with you. As usual, we will look at the key consolidated financials now. During the first quarter of FY27, sales were at INR1,51,836 million, registering a growth of 10.1% versus Q1 financial year FY26.

Gross margin was at 80.5% for the quarter, higher than the same period last year, mainly on account of better product mix. EBITDA for the quarter was INR 44,177 million, an increase of 2.7% over Q1 last year. EBITDA margins came in at 28.9% while EBITDA margins were slightly lower, please note that Q1 FY26 had some benefit from Lenalidomide sales. Adjusted for that, EBITDA margins were higher year-on-year.

Forex gain for the quarter was INR1,220 million, lower than Q1 last year. Reported net profit after tax for quarter 1 FY27 was INR28,948 million, while adjusted net profit for the quarter was INR30,894 million.

EPS for the quarter was INR12.10 per share. Exceptional items for Q1 FY27 include a charge of INR1,617 million towards Organon's acquisition-related costs. There would be additional charges on this account in the subsequent quarters. Since some of the costs are not yet fully crystallized, we are not in a position to guide to a full estimate at this point in time. However, these charges are somewhat back-ended with a substantial part being accrued at closing.

Effective tax rate for the quarter was at 27.8% versus 24.3% in Q1 FY26. Sun had a significantly lower tax rate in India, which is now getting exhausted. And with varying tax rates in our different jurisdictions, our ETR has moved up. Going forward, and until Organon closing, we expect the tax rate to be in a similar range as in Q1. Balance sheet of Sun continues to be strong with a net cash of $3.4 billion at the consolidated level.

With this, I hand over the call 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 Medicines. In Q1 FY27, our innovative medicine sales were up 12.8% to reach USD351 million. This business accounted for 21.9% of Sun sales for the quarter. The performance in Innovative Medicine business continues to be driven by growth across U.S. and ex-U.S. markets and across products, notably ILUMYA, ODOMZO and CEQUA.

During the quarter, the company shared the updated results from locally advanced cutaneous squamous cell carcinoma expansion cohort from the pivotal trial of Unloxcyt at 2026 ASCO Annual Meeting. The updated data showed a durable benefit for patients with more than one in four achieving complete tumor response and generally manageable safety profile.

Now coming to India business. Sales of India formulations were INR54,749 million for the quarter, recording a growth of 16%. India sale accounted for 36.1% of our total consolidated sales for the quarter.

During the quarter, the company became number 2 generic semaglutide injectable player. Sun Pharma is the only company in India offering semaglutide auto-injector and the device has received a positive feedback from health care professionals for enabling smooth initiation and significantly reducing needle phobia.

Sun Pharma is ranked number 1 and holds 8.5% market share in the over INR2,527 billion Indian pharmaceutical market as per Pharmarack MAT June 2026. Corresponding market share for the previous period was 8.2%. For the quarter ending June 26, we grew higher than IPM, and we have done well across all major represented therapy areas.

Sun Pharma 30.4% Pharmatrack growth was driven primarily by strong volume expansion and new product launches. Sun's volume growth of 5.4% for the quarter compares favorably to IPM volume growth of 2%.

As per SMSRC March-June 2026 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 Q1 FY27, the company launched five new products in India.

Now I hand over the call to Rick for the update on the U.S. business.

Richard Ascroft: Thank you, Kirti. Let me share the performance highlights for our U.S. business. Overall, the U.S. business reported sales of USD427 million for the quarter, declining by 9.7%. Our Innovative Medicines portfolio continued to grow, and this was offset by lower sales in the generic business, largely due to Lenalidomide erosion, but also due to additional competition in certain products.

Quarter-over-quarter decline in the U.S. is due to a decline in generics and also some seasonality in Levulan. U.S. accounted for 26.6% of consolidated sales for the quarter. We also launched five generic products in the U.S.

Now let me provide some updates on the Leqselvi and Unloxcyt launches. We're seeing good momentum in Leqselvi with prescriptions and the number of prescribers expanding each month. In the month of June, we surpassed 1,000 prescribers, and we also delivered our strongest month since launch, demonstrating increased adoption and growing confidence in the brand.

Unloxcyt was launched earlier this year. The early feedback from health care professionals, including oncologists and dermatologists continues to be positive, really highlighting the balance of durable efficacy and safety resonating exceptionally well, largely due to Unloxcyt's differentiated mechanism of action. Similar to Leqselvi, we continue to see month-over-month growth as more cancer centers and integrated health systems add Unloxcyt to their formularies.

I now hand the call over 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 formulations revenues in emerging markets were USD311 million, up by 4.2% over quarter 1 last year. Emerging markets accounted for 19.4% of the total consolidated revenue for the first quarter.

While branded generics have continued to grow, Innovative Medicines has been an important driver for growth in emerging markets with ILUMYA doing well across several markets such as Romania and Brazil.

Formulation revenues in Rest of the World for the quarter were USD218 million, marginally lower than quarter 1 last year. Rest of the world markets accounted for approximately 13.6% of consolidated revenue.

Recently, we have received approvals to manufacture and market the generic version of semaglutide injection in both Brazil and South Africa for the treatment of adults with Type 2 diabetes. We have already launched the product in South Africa and launch in Brazil through our partner is expected shortly.

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

Dilip Shanghvi: Thank you, Aalok. Let me take you through the our R&D initiatives. We continue to invest in building an R&D pipeline for both global generics and innovative medicine businesses. Consolidated investments towards R&D for Q1 FY27 stands at INR8,264 million or 5.4% of sales. Innovative R&D accounted for 30% of our total R&D spend.

Recently, our partner, Philogen has resubmitted Nidlegy for marketing authorization in Europe. The updated data for resubmission is due to be published soon in a major journal. Coming to Organon transaction, the process of filing for regulatory approvals in various markets have been completed.

We've already received approvals in certain countries. Shareholders of Organon have also approved the transaction recently. We expect the acquisition to be completed in Q4 of financial year '27 and an integration management office has been working on day one preparedness.

Abhishek Sharma: That's the end of our prepared remarks. Operator, you can ask for question-and-answer.

Moderator: Thank you very much. We will now begin with the question-and-answer session. Your first question comes from the line of Amey Chalke with JM.

Amey Chalke: I have first question on the specialty medicines. There's seems to be some deceleration of growth in this segment. Is it possible for the management to give color on reasons for slower growth in 1Q?

Kirti Ganorkar: I think our focus is on innovative business. And here, we would like the innovative business to continue to grow at a healthy rate. So we are expecting healthy growth to continue for innovative business in U.S., driven by new launches, as you know, Unloxcyt and Ilumya is also doing well. But we don't provide any product-wise revenue and growth at this moment.

Amey Chalke: Sure. But any product in this quarter, particularly where you saw some impact, which could have affected the growth this quarter?

Kirti Ganorkar: That's what I said.

Richard Ascroft: Kirti, I can…

Kirti Ganorkar: Yeah, go ahead.

Richard Ascroft: Sure. Kirti, I can comment on the U.S. as I shared in my comments, we do see seasonality with Levulan, our product for actinic keratosis. So as I had shared previously, we did see that seasonality this past quarter. We would expect to see similar next quarter.

Amey Chalke: Sure. That's helpful. Second question I have on semaglutide. It is quite visible that sema could become a meaningful revenue driver for us, both in India and ROW. In light of this, I just wanted to understand our preparedness of the supply chain. How much supply we have been able to secure in terms of sense for the full year of FY27?

Kirti Ganorkar: Sure. Yes, semaglutide now we are selling in India from March '26 onwards, South Africa -- we got approval last week. And as Aalok said, we already commercialized the product. And now we are preparing for the launch in Brazil through our partners.

And I'm hopeful that we will meet the market demand. So we are well prepared for this launch. We have API manufactured in-house formulation also we do in-house, and we are tied up with all the people who are supplying the components for device. So I think we are well prepared to commercialize this opportunity in South Africa and Brazil. And India, as I said already, we are number 2 players among the all generic players.

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

Damayanti Kerai: My first question is on gross margin. So very strong trend, and this is despite the loss of Lenalidomide sales. So in your opening remarks, you indicated product mix is the main factor to drive gross margin. So if you can elaborate a bit like which regions or which segments are really driving the growth? And are these levels sustainable?

Jayashree Satagopan: Okay. As I was mentioning, we have seen a growth mainly driven by product mix. We've seen good growth in our branded generics business as well as our innovative medicines business. Both of these have resulted in a healthier margin profile for the quarter.

Damayanti Kerai: So on a year-on-year basis, does contribution went up from both branded generics and innovative medicine at the gross profit level?

Jayashree Satagopan: Yes. The share of business to the overall revenues have gone up. And therefore, you would see the reflection also coming in the gross margins.

Damayanti Kerai: My second question is on your R&D spend. So we understand there is variability quarter-on-quarter, but how should we look at the spend on a full year basis? And you have given the pipeline as well and indicated 30% is for innovative medicine. So where is the rest 70% spend happening? Yes, that's my second question.

Dilip Shanghvi: No, I think it's a time gap between what you call stopping some of the trials and starting some of the new indication trials. So I think don't look at the R&D spend this quarter. We have already guided for the annual number. And I think we should be able to meet those numbers.

Damayanti Kerai: Okay. And remaining 70% spend is towards?

Dilip Shanghvi: That would be generics as well as products for India.

Damayanti Kerai: Okay. I have more question. I'll get back in the queue. Thank you.

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

Kunal Dhamesha: First one for Rick on Leqselvi and Unloxcyt. While it has received good response from the prescriber, how is the access aspect of these two molecules moving on? Let's say, where would you want to be versus where you are currently? And how long this journey would take from improving the formulary access?

Richard Ascroft: Yes. Great question. Maybe I'll start with Leqselvi because the access is different given the different kinds of products that we have. So from a payer access, which is what's most important for Leqselvi, we continue to grow. In fact, we added an important plan just this past quarter and improved the overall access.

We do already for Leqselvi now have the majority of the covered lives available to us. Unloxcyt is a bit different because it's primarily administered in the health care setting. So there, we're very focused on formulary access at the cancer centers as well as the large integrated delivery networks within the U.S.

And similarly, we have progressed quite rapidly actually in terms of getting the product added on those formularies. I think really in recognition of the differentiation that the clinicians see. It's a different mechanism of action. And so you have this durable efficacy, but what's quite interesting about Unloxcyt is you don't see the typical immune-mediated adverse events, particularly the Grade 4 and 5, which is why the product is being added to formularies.

Kunal Dhamesha: And Rick, just for the understanding for Unloxcyt, who is the decision-maker, is it doctor who makes the decision? Or is it the cancer center, which will have a few PD-1 or PD-L1s on their formularies and then doctor needs to prescribe from that list? How does it work?

Richard Ascroft: It's a bit of a combination. In most of the centers, there is a formulary, but that formulary is heavily influenced by the clinicians and what products they want to use on the formulary. So we're working directly with the administrators of those institutions as well as oncologists so they can ensure they have access to the product.

Kunal Dhamesha: And again, this would be Medicare Part B heavy, right? Because this is like this is generally seen in aged individuals?

Richard Ascroft: It's a Medicare Part B product.

Kunal Dhamesha: Sure. We have…

Richard Ascroft: I should add, though, we also have good commercial coverage as well. So -- but yes, due to the age of the population, they tend to be Medicare beneficiaries. And because the product is infused, it is a Part B as in boy product.

Kunal Dhamesha: Sure. Second question is for ma'am on other expenses. I think we had suggested that other expenses would come down, and it has come down on a sequential basis. But from here on, how should we look

at for the rest of the year, especially with the lens of Unloxcyt and Leqselvi, probably the launch costs are behind us. So yes, how should the progression happen in the other expenses?

Jayashree Satagopan: So the other expenses have two, three components in it. One obviously is the launch cost that we had indicated early on last year for these two products, which is Leqselvi and Unloxcyt. But during the year, as we mentioned, the products in the initial years as they go through the commercialization, there would still be certain costs, and we need to continue to incur that.

The second one, we should also be aware is that there is the forex element that is also contributing to the expenses last year to this year when we translate, I think that's something that we need to bear in mind.

And in the current quarter, just as you would have heard us a little while ago, the R&D expenses have tracked a bit lower that will get normalized in the coming quarters. I think one need to look into all these three aspects as we analyze other expenditure.

Kunal Dhamesha: Sure, ma'am. And...

Richard Ascroft: Just to add a bit from the U.S. perspective since we're in the middle of launches. I think it's a bit of a misnomer to think there's a onetime expense on launch and then that expense goes away. It's a sustained investment to ensure you have a successful launch.

Kunal Dhamesha: Sure. I think the understanding was like some part of the launch expense would continue, which is what you are referring to, right?

Jayashree Satagopan: Correct.

Richard Ascroft: That’s correct.

Kunal Dhamesha: Okay. Okay. Perfect. And lastly, on the overall top line growth guidance, we had suggested for high single-digit growth versus this quarter, we have done almost 11% kind of a growth. So do you see an upside here from the full year perspective or we will stick to the high single-digit growth guidance as of now?

Jayashree Satagopan: Think we should stick on to the high single-digit growth for the full year. Also, we should be a little mindful of the exchange-related impact that will come across all the line items in the P&L.

Kunal Dhamesha: That should be overall positive, right? The translation effect would be positive on the revenue growth?

Jayashree Satagopan: Yes. It would be positive.

Kunal Dhamesha: So then is it conservative…

Jayashree Satagopan: The current quarter, obviously it is positive, but we have to see how it translates for the rest of the year. Therefore, I would suggest that we should look at holding on to the overall guideline that we have shared with you earlier on.

Moderator: Your next question comes from the line of Neha Manpuria with Bank of America Securities. Neha, ma'am, we are not able to hear you. Neha, ma'am, we are not getting any audio from your line.

Neha Manpuria: Am I audible now?

Moderator: Ma'am, we could hear you now, but the line was breaking a lot.

Neha Manpuria: Okay, let me dial back.

Moderator: Ma'am, we can hear you now.

Richard Ascroft: We hear you now.

Neha Manpuria: Okay. Rick, on the U.S. generic business, there seem to be a very sharp step down in revenues, just roughly if I look at the numbers. I know you did mention some additional competition in certain products. Is that the only reason for the sharp decline in the U.S.? Is this the new base for the U.S. business -- U.S. generic business?

Richard Ascroft: Yes. The largest part of the decline is Lenalidomide.

Neha Manpuria: No, I mean quarter-on-quarter?

Richard Ascroft: Slight decline based on the base business due to competition on a few products. But I mean, year-over-year, it's definitely Lenalidomide.

Neha Manpuria: All right. And the U.S. from here. I mean, I know we've been launching products, but we really haven't seen too much traction there. So when do you think we start seeing the U.S. business turn the corner and actually contribute more meaningfully to growth?

Richard Ascroft: Well, I think we do continue to see both Leqselvi and Unloxcyt contributing to our results. As you know, we don't give product-wise specific targets. But as I said before, I think if you look at the inputs of number of prescribers, if you look at the market research and what we're hearing back from clinicians, all of this gives us very strong confidence in both of those two products.

Neha Manpuria: No, sorry, I was talking about the U.S. generic business here, sorry?

Richard Ascroft: I'm sorry. Yes, we did -- we just launched five new products, which, of course, will contribute to growth this past quarter towards the end of the quarter, and we have new launches this quarter as well.

Abhishek Sharma: But Neha, we are not guiding to the growth for specifically.

Neha Manpuria: Understood. Understood. That's clear, Abhishek. And my second question is on the emerging market business. I think in the last 2 quarters, if I were to look at the USD growth, they were pretty strong, like high teens, 20%. This quarter seems to be 4%. Is there any timing issue in supplies or anything that I need to be cognizant of in the quarter?

Aalok Shanghvi: So, I think emerging markets, I would characterize the impact as a combination of both the geopolitical issues and difficult macroeconomic conditions in certain countries.

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

Shashank Krishnakumar: My first question is again on the U.S. generic piece, more from a strategy standpoint. Most of our global generic peers as well when they have made this transition from to, some part of their specialty R&D has also been funded by the U.S. generic piece. I think in our case, it's the strong domestic franchise, which is doing a bit of that heavy lifting.

But given that we are still continuing to invest in generic R&D, we have 100-plus ANDAs, can this business again go back to a stage where we can start generating cash flows and potentially this business could also contribute to some of our future growth drivers. Just trying to understand how you are looking at it. I understand we're in the middle of an adverse regulatory cycle, but how are you looking at a sustainable turnaround in this business? When can we sort of expect that?

Dilip Shanghvi: No, I think what you're seeing because we split the businesses into different geographies, but many of the products that we also register for the U.S. are also sold in other geographies, say like approval of semaglutide in all the geographies is because that's being developed for the U.S.

So I don't think that when I look at our overall investment in R&D, we are not able to leverage this currently in the U.S. for many products. But otherwise, I think we are creating a basket of products, which will help us continue to grow globally.

Shashank Krishnakumar: Got it sir. And secondly, on Leqselvi. I think we have mentioned in the past that we could potentially look at other indications which other JAK inhibitors are also targeting. I think incrementally, we're also seeing data. I think one of our competitors has seen positive data in vitiligo as well.

So when are we planning to sort of also try and target some of these other indications? And is the addressable market size also within these indications as meaningful as alopecia is, for instance? How are you looking at attacking some of those indications with Leqselvi?

Dilip Shanghvi: I think Leqselvi is a very, what I would call good product in terms of its ability to significantly down regulate some of the important cytokines, which are involved in multiple autoimmune conditions. So we have to prioritize and identify areas where we can differentiate and register the product where when we come to the market, it's not very competitive.

So if we -- whenever we initiate any study, I think we will keep that updated, and we will keep people updated about the progress of the disease. So both Leqselvi as well as Unloxcyt are potentially important opportunities for us to expand the current indications.

Richard Ascroft: I might just add, we do -- we are conducting in the United States, investigator-initiated trials. And those, of course, can inform what Mr. Shanghvi just said.

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

Bino Pathiparampil: Just on the specialty business, the revenues, we launched two big products in the last 6 to 9 months. But if I look at the global specialty revenue over the last 3 quarters, it has been flat or even slightly coming down. And these two are pretty big product launches. So what am I missing here or is that the kind of ramp-up?

Dilip Shanghvi: So Rick, you are responding or...

Richard Ascroft: Yes, I'm happy to respond. So both of these products are still pretty early in their growth curve, including an oncology product that just launched a few months ago. So I think give it time to be able to see the larger contribution. But we do continue to see good growth across the rest of our portfolio.

I think for this quarter, as we mentioned, at least with one of our products, we do have seasonality, which is having a bit of an impact on the growth rates. But other than that, I think we have seen generally pretty strong growth out of the rest of the portfolio.

Bino Pathiparampil: Understood. And just a repetition question on the generic part of the business. To one participant, I believe you mentioned that there is some cyclicality in the business, which led to a down quarter compared to the March quarter. At the same time, you also mentioned to somebody else that there were competitors, extra competition in some products. So do -- are both these reasons or is one more important reason?

Abhishek Sharma: Let me take that, Rick. I think, Bino, there are two different things we're talking about. The seasonality was on Q-o-Q basis for Levulan, not to do with generics. And the Y-o-Y comparison of was basically the additional competition factor that we gave.

Bino Pathiparampil: Understood. So there is no cyclicality in the generic side of the business?

Abhishek Sharma: No.

Bino Pathiparampil: Okay. Sorry, if I can add one bookkeeping question. Like the other expenses have come down Q-o-Q, the depreciation and amortization cost has also come down…

Moderator: The last portion of your question was not clear, Bino, sir, if you can repeat it once again?

Bino Pathiparampil: Yes. Is my voice clear now?

Moderator: Yes, sir. This is much better.

Bino Pathiparampil: Okay. Like the other expenses have come down Q-o-Q compared to March quarter. The depreciation and amortization costs have also come down compared to March quarter. Is there any particular reason? And what can we expect going forward?

Jayashree Satagopan: There is no specific reason for this.

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

Saion Mukherjee: Sir, on the domestic market, we have seen good growth in the recent past. If you can explain what's driving that? And also on semaglutide, various reasons being forwarded for some sort of slowdown after the initial spurt that we have seen. How are you seeing that market and opportunity?

And the dynamics in India versus some of the other emerging markets that you are launching, how do you read that? Is that very different? And if you can give any comments based on the experience so far?

Kirti Ganorkar: Sure. I think I will answer the first question. You're talking about the growth of India business. So I cannot pinpoint only to one thing which is driving the growth. It's like all the business units are doing good.

And we are also focusing on generating a new prescription and brand building. So the entire part of the business and all the therapy areas are doing well. We also -- you also know we did a field force expansion in the past, and that is also helping us to grow the business in tier 2, tier 3 tiers.

So all put together, I think all of these things are helping us to grow better than the market currently. Coming to your second question on semaglutide. And as we said in our readout also, we have become number 2 among the generic companies. And here also, our idea is to continuously grow above the market and gain market share. I don't know what you are referring to slowdown.

I think there were some article about semaglutide generics inventory being increased in the market. But as far as Sun is concerned, I think we are doing well both on the prescription side and also on the value side and the unit growth also. So we see this is a very exciting and important opportunity.

And also, we have a noveltreat, which is available in a format, which is auto-injector and which is also a very unique format in terms of use by the patients. And there are a lot of doctors and patients they are finding it quite user-friendly.

Saion Mukherjee: Right, sir. And any comment on the emerging market opportunity, any dynamics there? Yes. The question was on the semaglutide because you got approval in Brazil, South Africa. So how are you seeing the opportunity in emerging markets?

Aalok Shanghvi: I think to be honest, I think a little premature to be able to comment because I mean in this scenario, there are -- there's other companies -- other generic companies don't get approval. The opportunity is certainly much more attractive, but I highly doubt that to be the case. So our focus will be in ensuring and getting the product to the market and doing the best launch possible.

Saion Mukherjee: Okay. Just one other question on Unloxcyt and Leqselvi launches. It appears from your comment that initial traction is good. You're getting formulary access as per expectations. But in terms of revenue contribution, it might not be very significant.

So for both these products, what's the time line for really seeing traction in revenues? What's the -- these are two different products. If you can guide us in terms of how long you think it takes for really the traction on revenues to come through?

Richard Ascroft: Yes. We don't provide product-wise guidance that way. I would just say we expect to continue to see growth based on all of the indicators that we have today, whether that's increasing access, whether that's increasing the prescriber base, whether that's increasing repeat prescriptions. So we do anticipate we'll continue to grow. But in terms of giving you a specific time line, we're not in a position to do that at this time.

Saion Mukherjee: And is it like, Rick, one product like Leqselvi or Unloxcyt the dynamics different in terms of how quickly the traction can evolve or both of them is kind of more or less takes -- would take equal amount of time to get the traction?

Richard Ascroft: I think they're quite different products, and they are for quite specific patients as well, right? So there is a training component. There is a patient identification component, and then there's adding to new treatment protocols component. But I would say they're similar in terms of the level of differentiation and what we've seen from the market research.

So for instance, on Leqselvi, when we do market research physicians, they clearly see the benefit of the speed and the overall efficacy versus our competitors from a market research perspective and similar with Unloxcyt, particularly in terms of both the durable efficacy. We mentioned that we had shared new data just at ASCO this past June as well as the safety profile. So all of those give us good reason to believe that the growth will continue.

Moderator: Your next question comes from the line of Shyam Srinivasan with Goldman Sachs.

Shyam Srinivasan: Just the first one on the domestic piece again, 16% growth. If you could kind of disaggregate that into just the split of the growth in volume and new price -- new product and price as well, please?

Kirti Ganorkar: Sure. I think as I already told in the readout and also here, we are growing higher than the market in terms of volume and new products. So if you dissect the growth into price growth, volume-led growth and new product growth. So 50% of our growth is coming from volume and new products. So which is quite

healthy, which also indicates that we are generating new prescription in the marketplace and which is way ahead of the IPM growth in terms of volume.

Shyam Srinivasan: Perfect, sir. So I just want to also get your view on what is happening to the industry or your theory on -- we have seen a step-up in growth for the industry as well, right? And it's not only on new product right, but we're also seeing the base business kind of volume growth also improve. Any theory that you have? I know it's probably just maybe 1 or 2 quarters now, but your sense of what is driving higher industry growth as well?

Kirti Ganorkar: I saw the particularly in the month of June, the industry growth was much higher than what it used to be usually, but very difficult to point out where this growth is coming from and whether it's sustainable going forward.

Shyam Srinivasan: Got it. Helpful, sir. Just a second question on the comment about the tax rate, the ETR being higher. Ma'am, is it now like stand-alone Sun 28%, 29% is what we are assuming? Sorry, I missed the absolute percentage?

Jayashree Satagopan: So we don't give stand-alone numbers. What I discussed about was primarily the consol number for Sun. And given that we have presence in various geographies and the tax rates in each of these geographies could be different. The overall ETR for this quarter was about 27.8%.

And we expect this range to sort of continue for some time until we have the Organon transaction completed. Our endeavor, obviously, would be to look for areas to optimize the ETR, but we should look at this as a range.

Moderator: Your next question comes from the line of Surya Narayan Patra with PhillipCapital India Private Limited.

Surya Narayan Patra: My first question is on the global innovative business. Sir, if you can talk about the progress that you are witnessing on the global innovative business outside of the U.S. What is the current share in the overall mix currently? And what is likely to be given your aggressive activity that is visible by launching the specialty products outside of the U.S.?

Abhishek Sharma: Yes, we don't provide the breakup, Surya, for the innovative business by geography, yes.

Surya Narayan Patra: Okay. But the point that I was trying to drive is we have seen some moderation in the growth, so I was thinking that with the newer contribution or new revenue stream contributing from the non-U.S. market, the growth should have been better. So that is why?

Abhishek Sharma: Both U.S. as well as international markets continue to grow for us. We are not seeing a challenge in terms of overall innovative medicine growth. So yes, I think...

Surya Narayan Patra: Sure. Okay. My second point is about, let's say, our pipeline, the innovative medicine pipeline. So the MM-II where we are talking about looking for partners. So any thought process here? Just curious about it that, okay, if we are having a late arthritis portfolio successful in the various markets, any reason that we are thinking it for the MM-II for partnership?

Kirti Ganorkar: As you know, MM-II is a potential product, which can be used for orthopedic pain, knee joints basically. These are the products which will be prescribed by orthopedicians and maybe rheumatologists. That's the kind of segment of doctors who can prescribe the product.

Today, if you see our U.S. business, we don't have any commercial presence to cover these doctors. And that's why we thought that it is a good for us to out-license to a partner who has a good presence in this therapeutic area.

Surya Narayan Patra: Okay. Sure. Just one observation from my side, sir, in the last few quarters, what we have observed that the people cost is rising ahead of the revenue growth what we have been reporting and in recent past also, we had mentioned that we have no major plan of sales force expansion or something like that. So what is leading to this kind of enhanced growth in for employee cost versus our revenue growth?

Jayashree Satagopan: So let me put it in a slightly different way. There are two or three elements that actually impact the people cost or the salaries and comp and ben, right? One is the year-on-year increment that you get to see in the first quarter of every financial year. So if you do a year-on-year, there is an annual increment that normally comes in and impacts.

The second one is relating to additional field force that we had to employ, especially for our two new launches, which was not there last year, but it is there in current year. Similarly, we've also seen some field force increase that has happened in some of the other markets other than U.S. as well, where we are promoting our innovative medicine products.

The third one is also a bit of the forex impact that would also show as a higher cost this year. So if one were to look at it, the reality is there is going to be a merit increase that happens, the additional field force, especially for

innovative medicines, which is necessity for growing the new products and forex is not in our hands, depends on how the market moves.

Moderator: Your next question comes from the line of Foram Parekh with BOB Capital Markets.

Foram Parekh: My first question is on ROW market. In USD terms, we see it constant around $218 million for the second quarter in a row. So I assume this could be because of the Middle East war. So until the sustenance of this war, can we expect this kind of run rate to continue for the upcoming quarters?

Abhishek Sharma: Yes, Foram, ROW is flat in dollar terms, but we do not give forward guidance for any particular, you should look at our overall revenue growth guidance that we have given for the year for the company.

Foram Parekh: Okay. My second question is on the emerging market. So in the opening remarks, it was said that innovative products are doing good globally. However, our growth rate has come down to 4%. So can we assume pricing pressure in the generic business? If you can give some color on the generic business of the emerging market?

Aalok Shanghvi: Yes. So I think I would say a large majority of the emerging markets business is branded generics. And while there is a bit some element of pricing pressure, but I would not say that would be the driving force.

Foram Parekh: Sure. And last question, if I may add. So the last one is on the domestic side. I see that the diabetes therapy growth rate in the IPM has increased to about 15% post the GLP launches. So any color here would be helpful that how should we see the diabetes therapy growth once the GLP sales is in the base for the next year, how should we see the diabetes therapy growing in the IPM?

Kirti Ganorkar: I think how it will grow in IPM is difficult to comment. But what I can say, there are a lot of new products being launched in last 2, 3 years other than GLP-1, I'm saying like SGLT2 inhibitors. So the diabetes as an area, there are a good number of new products being launched and as an individual product and also in the combination.

And as you know, the incidence of diabetes also in India is increasing. So all of these factors are helping the market to grow. But how much it will continue to grow in IPM in coming quarters, very difficult to comment.

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

Abdulkader Puranwala: Just one question from my end. In terms of the outlay, what we had previously talked about on the two innovative medicines for the U.S. market in terms of the marketing costs. So when we are planning that kind of an outlay, typically, what is the kind of payback or the break even when we are kind of budgeting when we kind of outlay that kind of a spending in our numbers?

Jayashree Satagopan: So we specifically don't comment on this. However, as we look into any asset when we want to do in-licensing, all these costs are factored in part of the overall business case.

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

Vishal Manchanda: One, I have a question on Unloxcyt. So can you provide what share Unloxcyt would have in terms of the various PD-L1 inhibitors among the new patients that get into the therapy?

Richard Ascroft: I'm not in a position to do that right now, partially because from a claims data perspective, the claims data is lagged. So it's always going to be a few months behind what is reality.

Vishal Manchanda: Okay. And second, on Odomzo, do we -- are we seeing any supply issues? Because what we see is a decline in the prescription on a Q-o-Q and Y-o-Y basis. So any supply issues there?

Richard Ascroft: No. And I don't believe that's accurate in terms of year-over-year as well as Q-over-Q performance for Odomzo.

Moderator: The next follow-up question comes from Kunal Dhamesha with Macquarie.

Kunal Dhamesha: One for Kirti on domestic market, would you internally be tracking prescription data for some of the key therapies?

Kirti Ganorkar: We'll have prescription data. That's what we said in SMSRC, we are number 1 in 12 therapy areas. So we track both IQVIA, AWACS and the prescription data from various agencies, yes.

Kunal Dhamesha: And based on that prescription data and the value growth you would have in some of the key therapies, are those kind of aligning very closely in recent months?

Kirti Ganorkar: No, I can talk on Sun Pharma. That's what I would say, like I just alluded to the volume growth. So the way you should look at is if there's a volume growth, there is a prescription growth, which is coming. So our volume growth and the new prescription coming from new product, is 60% of our total growth. So 40% from volume, 20% from new products. So that clearly indicates that we are growing in a prescription.

Abhishek Sharma: And Kunal, we look at this variance, what you're suggesting. And for the last few months, it's been within the normal bounds.

Moderator: Ladies and gentlemen, that was the last question for today. I now hand the conference over to Dr. Abhishek Sharma for closing comments.

Abhishek Sharma: Thank you, everyone, for joining us at this late hour. If you have any questions which remain unanswered, you can reach out to the Investor Relations team. We'll be happy to take your questions. Thank you once again, and good night to all of you.

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