



**“Lupin Limited Q3 FY2024 Earnings Conference Call”**

**February 08, 2024**

**MANAGEMENT:**

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- **MR. NILESH GUPTA – MANAGING DIRECTOR, LUPIN LIMITED**
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**Moderator:** Good evening and welcome to Lupin Limited Q3FY24 Earnings Conference Call. Please note that all participants' line will be in listen-only mode, and there will be an opportunity for you to ask questions after the opening remarks. Please note that this conference is being recorded. I now hand the conference over to the management. Thank you. And over to you, ma'am.

**Vinita Gupta:** Good evening, everyone. I'm very pleased to welcome all of you to our Q3 Earnings Call. I have with me our MD, Nilesh; our CFO, Ramesh; and our Head of IR, Ravi. We look forward to sharing our Q3 highlights and outlook for the fiscal year.

We're very pleased to have delivered another quarter of strong performance. Continuing to build on the momentum over the last many quarters, we delivered our highest quarterly sales so far, crossing the INR 5,000 crore mark. What is very heartening is that all our major regions have performed. Not only have we seen revenues grow across our key segments, but we also achieved higher profitability both at the gross and operating level.

Our US business delivered a second consecutive quarter of \$200 plus mn revenues and a sixth straight quarter of EBITDA improvement, which was very heartening. This has been aided by volume-led growth in our base business, augmented by contribution from seasonal products and our Respiratory portfolio including Tiotropium. As mentioned in our earlier interaction, we expect to sustain our US business at the \$200 plus mn levels in the next few quarters as we get into the next year with a continued ramp-up of Tiotropium and launch of new products, including multiple ophthalmic and complex injectable range.

Our India business recorded strong double-digit growth this quarter with 1.6 times IPM growth rate. Most of our therapeutic areas like Respiratory, GI, Gynaecology have outperformed IPM during the quarter. We have launched around 21 products in the year so far and per IQVIA, we are ranked number one in new product launches in India. We have a strong chronic focus as you know, with more than 60% of our sales contribution from chronic therapies. We believe that we are in a very good position now to deliver above-market growth consistently going ahead led by higher productivity from our sales force expansion, new divisions, and enhanced penetration and reach.



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Apart from the US and India, other regions have performed very well too. Ex-US and India, our Formulations business has grown 30% YoY during the quarter and 22% in the nine months during the fiscal led by strong growth recorded in key markets like Canada, Philippines, Australia, and South Africa and also a very strong ramp-up of generic Fostair in our direct markets UK, Germany as well as through partners in the Rest of Europe.

Switching to R&D. On the pipeline front, we have continued to build momentum with both material First-to-Files and complex generics. We received 14 ANDA approvals during this quarter, including key product approvals like generic Tolvaptan and Ganirelix, which is our first peptide injectable product. We also launched Bromfenac Ophthalmic Solution, the generic version of Prolensa, thanks to our Pithampur Unit 2 facility approval. And as you know, we have six-month exclusivity on this product. Out of Somerset, we launched Diazepam Rectal Gel, which has also been an extremely nice launch for us.

In terms of key filings, in the last quarter, we filed Risperdal Consta product out of Nanomi, which is a significant validation of the platform as well as strong complex injectable product filings for us. So as I mentioned before, our R&D is evolving to more complex products, especially on the inhalation and complex injectables front, which augurs well for the sustainable growth of our business going ahead.

Compliance is our number one priority and we are fully committed to ensure that all our sites are fully compliant with FDA and other regulatory agencies around the world that we serve. We have completed remediation efforts at Tarapur and Mandideep Unit 1 and are confident that we will get these sites cleared as we have done with the others in the near future.

We are delighted to have delivered on our promise of sustained and profitable growth during this year. We feel confident that our strategic focus on R&D, patient centricity on the brand front, and continued cost business optimization sets us on a path of sustainable growth going forward.

With this, I will hand it over to Ramesh for a deeper analysis of our performance.



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**Ramesh Swaminathan:** Thank you, Vinita. Friends, I welcome you all to our Q3FY24 Earnings Call. I'm happy to report that this quarter we have delivered the highest top line number in our history, and after many quarters for the first time we have surpassed the 20% plus mark on the EBITDA front as well.

Diving into the numbers. Sales for Q3FY24 came in at INR 5,080 crores as compared to INR 4,245 crores in Q3 last year, a growth of 19.7% YoY. On a QoQ basis, the company reported growth of 2.8% as compared to Q2 of FY24. We have registered robust growth across most of our key geographies. North America has grown at a strong 24% year-on-year. India business has grown at a healthy 13.4% YoY whereas EMEA grew at 36% YoY. Our ROW grew 72% and Growth Markets grew at 13% YoY.

#### US Business

During the quarter, the US business recorded a sales of \$212 mn, staying steady at Q2 levels in constant currency. This has been due to volume share increase in base products. Inhalation products this quarter is around 40% of US sales.

#### India Branded Formulations

Coming to India, the India business has grown 13.4% YoY. The prescription business has grown 12.9% YoY during the quarter and 10% during 9MFY24, handsomely outperforming the IPM growth during the period. Also, if we exclude the impact of the in-licensed products, even our diabetes portfolio has grown at 2x the TA growth during the quarter. The share of in-licensed products today has been reduced to 10.4% of our portfolio from around 15% to 16% last year, and this has a positive impact on our profitability.

#### EMEA

Our EMEA region, which constitutes our EU region and South Africa business, continues its outperformance during this quarter as well with strong growth of 36% YoY. Growth in EU has been driven by partnered business and our inhalation business going strong. Our South African business has also grown a strong 21% in local currency YoY.



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### Other Operating Income

The Other operating income has increased by 51.4% this quarter and this is essentially coming in from enhanced PLI benefits.

### Gross margins

Coming to profitability, Q3FY24 gross margins were 66%, up from 59.8% in Q3 last year and 65.5% in Q2. This improvement was driven by multiple factors which includes product mix, lower share of in-licensed products and increased volumes.

### Employee Benefits Expenses

Employee benefits expense at INR 890 crores, increasing by INR 125 crores as compared to Q3 last year and translating into 17.5% of sales vis-à-vis 18% last year. I would like to mention that this increase is mainly driven by the annual salary hikes and the India field force expansion which we undertook last year in Q4.

### Manufacturing & Other Expenses

Q3FY24 manufacturing and other expenses came in at INR 1,560 crores, which translates to approximately 30.7% of sales as compared to 31.5% in Q3 last year. On an absolute basis, costs have remained flat QoQ. Whilst there has been a marginal reduction in the R&D expenses on account of phasing, the higher volume demand led to higher manufacturing costs during this quarter.

### R&D

R&D is INR 357 crores, which is about 7% of the sales in Q3FY24 as compared to INR 290 crores at 6.8% in Q3FY23. For the full year, however, we expect it to be in the region of INR 1,500 – 1,550 crores

### EBITDA

In the quarter, as you see, we have made improvements across all lines. Our gross margins are higher. There has been increase in the operating income and the higher sales ensured higher operating leverage as well. Subsequently,



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this has resulted in driving the EBITDA margins considerably higher. Excluding forex and other income, EBITDA was INR 1,022 crores, up by 98% YoY. Margins for the quarter were significantly higher at 20.1% versus 18.7% in Q2FY24, and 12.2% in Q3 last year. For the nine months period, the EBITDA margins excluding NCE income are at 17.8%.

#### ETR

And so far as the tax is concerned, our ETR was 15.8% in Q3 and 18.6% for the 9MFY24. For the full year, we expect it to be around 20%.

#### Balance Sheet

Moving on to the balance sheet. Operating working capital was at INR 5,419 crore as on 31st December which translates into 96 days of net working capital. This is reduced from 135 days as of 31st December 2022.

Our net debt stands at INR 1,043 crores, which has been reduced from INR 2,527 crores at the end of March 2023, indicating reduction of INR ~1,500 crores during the 9 months period. We believe that we will be debt free by the year end.

#### ESG

Our DJSI Index scores have been reassessed pretty recently, resulting in an overall score of 69 for Lupin in the S&P ESG Assessment 2023. This increase from our initial communication underlines a continued effort to excel in sustainable performance, positioning us above the global average. Our latest Carbon Disclosure Project scores are in and they speak volumes about the progress we have made in our sustainability journey. Over the last two years, our diligent efforts and collective commitment have elevated our Climate Change disclosure from C to B in the Carbon Disclosure Project. This surpasses both the Asia regional average and the biotech pharma sector average, reflecting steady determination to mitigate climate risks and embrace sustainable practice across all our operations

With this, may I open the floor for discussions?



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**Moderator:** Thank you very much, sir, for the update. We will now begin the question-and-answer session. Please raise your hands from the participant tab on the screen to ask questions. We will wait for 30 seconds for the queue to assemble, Thank you.

Thank you very much for the patience. We'll take the question from Neha Manpuria. Neha, you're in, please.

**Neha Manpuria:** Yeah. Thanks for taking my question. Vinita, on the US business, I know you mentioned there was some amount of seasonal impact in the quarter. Was it meaningful enough to have offset the channel inventory that we had in Spiriva?

**Vinita Gupta:** Actually, there was some impact of the seasonal products, but also the baseline products have been very strong in the quarter. So products like Lisinopril, Sertraline, and the like have also performed pretty well. So the baseline improvement plus a couple of million-dollar impact of seasonal products helped to offset the Tiotropium channel impact. And even Tiotropium, just from a script perspective is ramping up extremely nicely. So that gives us really good confidence of growing units and revenues over the next few months alongside the prescriptions.

**Neha Manpuria:** And Spiriva, if I see generic Spiriva, if I were to look at a market share and IQVIA, we are already close to the 31% number. Correct me if that number is off for you. And we indicated getting to 35%, 40% share sometime next year. Given how well we have done in the last two quarters, do you think that's an achievable number or we can do higher than that?

**Vinita Gupta:** I think we will still target that 40% level, just given the strong ramp rate in the last couple of months, I'd say we'll be more at the 40% plus level as opposed to the 35%. So it's turning out to really do extremely well.

**Neha Manpuria:** Understood. Sorry to cut you, Vinita. Go ahead.

**Vinita Gupta:** No, in terms of substitution, I was saying.

**Neha Manpuria:** And currently, nothing on the AG, right? Any visibility there or anything that we have heard, your sense?



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**Vinita Gupta:** Nothing that we have seen so far.

**Neha Manpuria:** Understood. And on the launch pipeline for FY25, now that you have a \$200 mn plus, \$215 mn sort of base, how should I look at the build for the US business? Erosion will be what it is. But you'll have a couple of products which see erosion. So how should we think about the build from this level over the next two years probably?

**Vinita Gupta:** So we have a good number of products next year. So ten plus products, good six injectables with a couple of meaningful products like Glucagon, Fosphenytoin that we intend to launch. And then on the ophthalmic front, we have some really good launches, Prolensa, which is going to ramp up as well as we have Loteprednol and a couple of other ophthalmic products. Around four or five ophthalmic products.

And then potentially a couple of oral solid upsides depending on patent litigation outcome. Mirabegron, Slynd, two material opportunities that we should get good amount of clarity about in the next couple of months. But even without that, I would say that given the Tiotropium ramp-up plus these new product launches, they will more than offset some of the erosion that we're likely to see in the oral solids, including erosion in products like Suprep.

So we very much expect the business to grow in the next year to maybe a single digit growth rate. And if we get some of these patent litigation products out successfully, hopefully, double-digit. And then as we look at the year next, we have significant products there with Tolvaptan as a material product launch early in fiscal year '26. The other injectable products Liraglutide as well as others that come to market. So very confident of double-digit growth into fiscal year '26. Hopefully, we can get from single-digit to double-digit also in fiscal year '25.

**Neha Manpuria:** Got it. Thanks so much, Vinita.

**Vinita Gupta:** Thank you.

**Moderator:** Thanks, Neha. We'll take the next question from Amey Chalke. Amey, are you there? Amey?





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**Amey Chalke:** Hello. Thank you so much for taking my question. The first question I have is on Spiriva. If we can give some clarity on Alvogen filing and possible launch. Is it really a near-term launch as per your expectation, or you think that it would be post FY27? And the second question I have is on Dulera, if you can give us clarity on the CRL which we had received and possible launch for that product as well? Thank you so much.

**Vinita Gupta:** Yeah. So we definitely feel on Spiriva that we're in a very strong position. There are patents which we filed, which we believe will protect the market for us. We feel pretty good about the potential of being alone in the market over the next couple of years. And if you just look at what it took for us to get approval of the product, it was five years at the FDA, and that was because the product is a pretty challenging product. So we feel pretty good about the next couple of years, hopefully building Spiriva to a very good level.

On Dulera, I mean, we've had an extremely good meeting with the agency back in the November, and that gives us confidence that the response that we are putting together is going to meet the agency's requirements. So in the next three months or so, we are planning to get the response together to the agency.

**Amey Chalke:** Sure. Thank you so much, ma'am.

**Vinita Gupta:** Thank you.

**Moderator:** Thanks, Amey. We'll take the next question from Shyam Srinivasan.

**Shyam Srinivasan:** Hi. Good evening, and thank you for taking my question. Just the first one is on the trajectory of the US, right? So I know there's some channel filling last quarter, but we have seen market share gains in Spiriva, for example. So I just want to understand, is it because of channel filling that the Q-o-Q momentum seems to be slow, and as we progress this should kind of start inching up. How should I look at that dynamic?

**Vinita Gupta:** Yeah, we should certainly see an increase in both the unit sales as well as. What I was saying was we certainly expect as the channel inventory is normalizing, our revenues to grow in line with our prescriptions in the months and quarters to come.



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**Shyam Srinivasan:** Yeah. And again, sorry about this, but the opening remarks again, when you gave the guidance for the new base. If you could again repeat that. I'm sorry, but parts of your conversation just went away. Sorry.

**Vinita Gupta:** Okay. Apologies. We didn't know that you couldn't hear us. What I mentioned was that having now delivered two consecutive quarters of \$200 mn plus, we are confident of continuing to deliver at that \$200 mn plus mark in the quarters to come. And I also said that in the next year, we should grow our US business single-digit percentage, hopefully more if we have a couple of the key litigation products pan out. And then that's what we had guided.

**Shyam Srinivasan:** Got it. Thank you. A few clarifications. The presentation talks about if you have maintained share on the base business. So have you seen any levels of price erosion that you can guide on the oral solid side of things.

**Vinita Gupta:** It's been a very low-single-digit price erosion on the oral solids in the quarter for us offset by volume growth.

**Shyam Srinivasan:** And Vinita, this prognosis for the future, like 2024, let's assume calendar year, any dynamics around supply chain or buyer groups? Is it changing? Even shortages?

**Vinita Gupta:** Yeah. So drug shortages have been really strong over the last couple of months and quarters and that continues to be the theme. So that has really helped normalize price erosion to the low-single-digit level. Again, we expect that in the oral solids, we'll probably see a little more in term price erosion versus areas like inhalation and injectables.

**Shyam Srinivasan:** Got it. Helpful. Just my second part of the question is on the India business. We have now done better, right? And I remember our guidance earlier was for like in 2025, but looks like Q3 we have done better. So is this a one-off or do you think some of the declines that have come because of the in-licensed portfolio is behind us? So just some path around even the near-term India growth and maybe a reiteration of the fiscal '25 or beyond what the growth levels could be?

**Nilesh Gupta:** Sure. I think Q3 has been a bit of a catch-up. But if you really see on a nine-month basis, we're staying within that 20% to 30% ahead of market growth,



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which we would expect to continue. That's what I see for the foreseeable future. And it's driven by our key therapy areas. Obviously, we grow faster in some. So Respiratory, for example, we're growing at anywhere from 2 times to 3 times the market growth rate. But in Diabetes, where we had the in-licensed portfolio, we're still growing at a single-digit kind of number, although we're growing a bit ahead of the market now.

But I think short answer will stay at the 20%, 30% ahead of the market growth rate. We do expect the market to stay at high-single-digits. So hopefully, we'll keep this at double-digit growth rate for the future.

**Shyam Srinivasan:**

And Nilesh, anything in terms of our distribution Field force? If you could just refresh some of the numbers around our distribution and is there any plans to increase it? Thank you.

**Nilesh Gupta:**

Sure. So I think the entire India region team is close to 10,000 people now, about 8,000 plus in the field itself, about 32 divisions at this point of time. We launched six or seven divisions in the last nine months and we will launch a couple more divisions in the next two quarters. But I think we're pretty well set now. I think the part which I'm really excited with is our extra urban division that we've launched last. That's where we'd be adding sales force in the months to come.

I think the idea is to make bigger brands. We're doing that in Respiratory, we're doing that in Cardiovascular and Diabetes as well. But there's also this opportunity to focus on extra-urban. So yeah, we are doubling down on India. The new product pipeline is also shaping up very nicely for India. So we had 21 launches in the last nine months. We were number one in new launches in the last 12 months. But I think the focus on launches for India is going to remain. Some very nice launches in Respiratory, some of them first in the world as well. But that will continue. And I think we've not even got into new modalities or biosimilars and the like, so a lot more to come for India.

**Shyam Srinivasan:**

Got it. Thank you and all the best.

**Moderator:**

Thank you, Shyam. Before we proceed, there's a sincere request to limit your questions to two or three per person. If there are more, you can always get



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back in the queue and we'll surely take it if time permits. So next question is from Damayanti Kerai.

**Damayanti Kerai:** Okay. Thank you. My question is on your EBITDA margin trajectory, a remarkable improvement which we have seen in last few quarters. So how should we look EBITDA moving from here on? And if you can also elaborate bit like where do you see significant headroom for improvement in terms of cost rationalization, et cetera? So that's my first question.

**Ramesh Swaminathan:** From my perspective, the pivoting to complex generics has really helped, and it's fairly sticky, as you would recognize in America and in Europe and the like. And there has been secular growth in other markets as well. But you would also recognize that while there's a lot of room for optimism, there are certain dark clouds on the horizon also in terms of the Red Sea disturbances, air freight going up and the like as well. So several moving parts.

Having said all of that, the fact of the matter is our EBITDA margins are still lower than the competition and we would like to get to the 22.5%, 23% range. But given all of this, the moving parts, we would like to state that it should be between the 19.5% to 20.5%. But clearly, the pathway is to get to the 22%, 23% as early as possible.

**Damayanti Kerai:** Okay. This 23% kind of margin, that should be over what three years to four years from now? What is your target in mind very broadly?

**Ramesh Swaminathan:** Earlier than that. Hopefully, much earlier than that.

**Damayanti Kerai:** Okay. And you mentioned about this Red Sea situation. Are you seeing impact of that geopolitical issue in your freight cost in current month or so?

**Ramesh Swaminathan:** Yes, it is. It's actually gone up by good 30%, 35% already.

**Damayanti Kerai:** Okay. And if it doesn't, say we don't see any improvement there, then the impact should be majorly reflected in March quarter numbers or maybe beyond that.

**Ramesh Swaminathan:** In some ways, it gets inventorized because what we move out here would potentially go into the cost, which will get built. It will be there in the balance



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sheet, but will certainly hit us in the quarters to come at least in the first quarter -in the next fiscal.

**Damayanti Kerai:**

Okay, understood. Okay. My second question is, you talked about you're focusing a lot on complex products, et cetera. Can you talk bit whether you are working on this GLP anti-obesity products and how far these products are from launch from your perspective, if any?

**Vinita Gupta:**

Yeah. So the GLP-1 products, you have the earlier products, the Victoza, Saxenda, Liraglutide products, which we've already filed and should come to market in '25-'26 time frame. And then there's Semaglutide, that I think is in '28-'29 time frame. And the latest products that you see like Mounjaro, they are, of course, out. Can you hear us. The latest products like Mounjaro and Ozempic are out a little bit further. So all of them are part of our pipeline and portfolio being material products and injectables in particular. So over the next few years, we'll start seeing some of these generic versions come to market.

**Damayanti Kerai:**

Sure, ma'am. Thank you. Thank you for your response.

**Moderator:**

Thank you very much. The next question is from Kunal Dhamesha.

**Kunal Dhamesha:**

Yeah. Thank you for the opportunity and congratulations on a good set of numbers. First one is on the India business. While you have given good clarity on the in licensed portfolio, which is currently at around 10% of revenue. Let's say, in the next couple of years, do we see any part of this portfolio having again losing patent expiries or any issues? And if yes, what proportion of this 10% is at risk?

**Nilesh Gupta:**

So by the end of FY25, we see a couple more products going off-patent. We'll still grow. They're in the diabetes space. We'll still grow, but we will see that coming off. But we're down to this 10-, 11%. Our hope is to also create more in-licensing deals, which will likely increase this number. I think this is almost an all-time low for us at this point of time, and that is driven by the exclusivities that went off and the products that went off as well. We've obviously supplemented that with our own portfolio, including generic versions of some of those products as well. But I think there will be a little bit



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more decline in the diabetes space. Hopefully, we'll make that up with some of the other therapy areas.

**Kunal Dhamesha:** Sure. Can you give the percentage of the brands that are going off-patent? What is the percentage revenue right now?

**Nilesh Gupta:** I don't have it off-hand, but it's 10% will go down by 1% or 2% if at all.

**Kunal Dhamesha:** Okay. Sure. And second question is on Tiotropium. With our launch of HandiHaler, have we seen any market share shift or unit shifting back from the newer version to the older version because of the generic availability or that has not been the case?

**Vinita Gupta:** So it's too early to tell because it's just really been few months after the launch in August. But I'd say that the share has kind of stabilized, HandiHaler, with the brand as well as our product at that 40-45% level and Respimat at that 60% level.

**Kunal Dhamesha:** Sure. And what would be our gross debt currently?

**Vinita Gupta:** Gross debt?

**Nilesh Gupta:** Gross debt?

**Ramesh Swaminathan:** Well, the net debt is INR 1,000 odd crores. So essentially gross debt really doesn't matter so much.

**Kunal Dhamesha:** Okay. And when you said the 22- 23% EBITDA margin, if everything goes well, does that bake in some of the litigation products that we talked about?

**Ramesh Swaminathan:** Well, essentially it will come in the MTP period anyway, if not next year itself. Your first question on the gross debt, it's INR 2,600 crores.

**Kunal Dhamesha:** INR 2,600 crores. Okay. Yeah. And then on the EBITDA margin, this 22- 23% assumes some of those litigated products? How should we think about it?

**Vinita Gupta:** Yeah, it includes a pipeline that includes products that are date-certain launch as well as litigation.



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- Nilesh Gupta:** I think in general, like Vinita said, I think from generics to get that single-digit or double-digit growth rate, markets like India growing at either high-single-digit or double-digit numbers so there's going to be this growth momentum and then there's obviously operational efficiency and operating leverage that we would expect. All of these put together contribute to the number that Ramesh talked about.
- Ramesh Swaminathan:** On the cost front, it's never going to be a switch-on switch-off situations. It's essentially, for example, if you're talking about addressing idle time, looking at in fact like footprint and all of that, it takes time, right? So that's the reason why we're giving us this latitude.
- Kunal Dhamesha:** So I think at some point we had this INR 500 crores cost reduction plan, right, if I remember it correctly. So if you can provide, if there is any update, some part we have achieved and what more can be done.
- Ramesh Swaminathan:** We have achieved quite a bit on that, but obviously, it gets camouflaged wherever we invest ahead of the curve, as in the case of sales and promotional expenses across various parts and the like. But to be sure, there are still some inefficiencies that we believe that we can bring down, which could include things like, for example, inventory write-offs, there's some FTS. There is something on the idle time and the like. We're still air freighting some products and so on. It really is based on demand. So from that perspective, we would like to cut all of that. It's always going to be an approaching target in that sense.
- Kunal Dhamesha:** Sure, sure. Thank you and all the best.
- Vinita Gupta:** Okay.
- Moderator:** Thank you. Thanks, Kunal. We'll take the next question from Bino Pathiparampil.
- Bino Pathiparampil:** Hi. Can you hear me?
- Vinita Gupta:** Yes.
- Moderator:** Yeah, Bino.



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- Bino Pathiparampil:** Okay. Good morning and evening. A couple of questions on products. Vinita, do you still expect Pegfilgrastim to come in FY '25?
- Vinita Gupta:** Yeah, Pegfilgrastim, we have a CRL that we have just received that we are planning to respond to in the next three months. So we should get approved in,
- Nilesh Gupta:** Either the end of FY '25 or just after.
- Vinita Gupta:** Right.
- Bino Pathiparampil:** Okay, understood. Second, on your Glucagon product, could you give an idea of the addressable market and what's the competitive scenario like?
- Vinita Gupta:** I know that it is a high-value, low-competition market. I don't have the exact competitive landscape there, but maybe, Bino, we can take that offline. Ramesh can connect with you offline. Sure?
- Bino Pathiparampil:** Sure
- Ramesh Swaminathan:** Yeah, Bino.
- Bino Pathiparampil:** Great. And recently you had this approval of Dronedarone. Is that going to be significant? And what are the timelines like?
- Vinita Gupta:** Dronedarone, we will maybe get back to you. I mean, when we look at the next two years, I mean the major products for us, as I mentioned, are injectables that we've already filed, that we are well on our way for approvals. Ophthalmics products like Glucagon, Fosphenytoin, as well as Prednisolone, Loteprednol, like ophthalmic products. And then in the fiscal year '26, as I'd mentioned, products like Tolvaptan and, like Liraglutide products will be material products that year for us, as well as Risperdal Consta that we have now filed this past quarter. We hope that in fiscal year '26 we're able to get it to market.
- Bino Pathiparampil:** Okay. And one last, if I may push in. Mirabegron, you said you are awaiting a litigation outcome, possibly in the next couple of months. In case the outcome is favourable, when could we see the product? And in case the





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outcome is not favourable to you, then what happens? Does it get pushed out by some time or does the opportunity go away?

**Vinita Gupta:** No, it doesn't go away for sure based on the patent scenario. I mean, if the outcome looks promising for us to launch, I'd say that Q1 fiscal year '25 could be a really good timeline to launch the product. And if not, we'll have to really, based on the litigation outcome, we'd have to determine what is the potential launch date.

**Bino Pathiparampil:** Got it. Thank you. Thank you very much. Thank you.

**Moderator:** Thanks, Bino. We'll take the next question from Krishnendu Saha.

**Krishnendu Saha:** I was saying last time in the last quarter we spoke about Respiratory being 45% of the US revenue. Now we speak about being 40%. So I was just wondering what the difference could be. Is it because of Brovana has fallen off the cliff or still we have a large share of Brovana? That's the first question.

My second question is we have a large tentative approval for Xarelto, the blood thinner I suppose. It's a tentative approval. So is there anything much to it? According to the press release, its \$8.5-\$8.3 billion market. So is there anything to read into that?

**Vinita Gupta:** So on the Respiratory side, there's nothing that has fallen off. The major difference, the 45%, to the 40% plus level, is primarily the Tiotropium load-in into the channel in Q2 versus Q3. And some seasonality impact in Albuterol because some of our customers bought ahead of the season to be prepared, but otherwise very stable in terms of share Albuterol as well. So really pretty strong foundation there on the respiratory side of the business.

And Xarelto, I don't see it as a product launch in the next two years, but certainly, it's the fact that we have a TA. Perhaps we can get back to you in terms of the potential launch date.

**Krishnendu Saha:** Sure. I'm a little bit sketchy about all the data. I mean, I'm not a pharma hardcore. So, Spiriva, just if you can directly tell me, do you expect competition in the next two years or what is your thought process? And just on the margin front, the steadiness in the margin is partly, is it because of



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product mix or a combination of product mix and the cost initiative which has kicked in?

And also sorry, the last question again. We had an increase in MR last year from 7,000 to 9,000. Has that been optimized in your manner or do you think the PCPM could improve from here onwards? Sorry, too many questions I know too, but we can't help it. Thank you.

**Vinita Gupta:** Yeah, your first question was on Spiriva, right?

**Krishnendu Saha:** Yeah. Best guess. Yeah, best guess. What do you think?

**Vinita Gupta:** In terms of competition, we believe that till '27, the key patent that one has to get around in '27. There are good number of hurdles for competitors to get in. There's also our patents, Lupin patents that one will have to get around. So that gives us the confidence of no additional generic competition over the next couple of years. What was your second question?

**Krishnendu Saha:** Second, field force. Field force and Indian field force increase, has the efficiency been factored in? And the improvement in margin, is it a combination of product mix and a little bit of cost improvement or there's a lot of cost improvement still to be done?

**Nilesh Gupta:** So I think obviously these reps have been added only in the last year, so we are seeing them improve where almost all the divisions have been performing as per expectation. But you would expect the per capita to keep improving. So we would definitely see more leverage coming out in that we've added. We're going to add in a few more people, but obviously had a bit of a big bang catch-up kind of increase which happened. With that, obviously, the mix will continue improving as well and I think that's what you're seeing reflected in the overall gross margin.

**Krishnendu Saha:** And any target PCPM?

**Nilesh Gupta:** So it varies per division, right? So, for example, we've launched the extra-urban we would never expect it to get to a cardiac kind of level, right? I think we're usually in the top two or three in PCPM across therapies.



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- Moderator:** Thanks, Krishnendu. The next question is from Harith.
- Harith Ahmed:** Hi. Hope I'm audible. Thanks for the opportunity. So I'm trying to understand our inhaler pipeline beyond Spiriva and Dulera. So are there any inhaler products that are in Phase 3 trials currently which can get into a stage of filing in the next 12 or 18 months?
- Vinita Gupta:** So, we have a few products that are pretty far long in development. I mean we have Dulera one that is already filed, where we have CRL response that we will be filing. Based on the feedback we got from the agency so that of course is one. And we have the Respimat products actively in development as well as the Ellipta products that are pretty far long. We are in the next 12 months atleast one if not two of the products, in two of the platforms, we should be taking exhibit batches and potentially filing.
- Harith Ahmed:** This product Xopenex HFA which we had acquired from Sunovion over 12 months back, how's the ramp up been, that product when we acquired the Rx was not material, how does it look now.
- Vinita Gupta:** It's actually grown. It was a very stable product and it has grown without any promotional effort over the last 12 months. So at this point in time, we are actually looking at potential avenues to put some effort behind it to grow it even more. So it's been very nice addition to our portfolio.
- Harith Ahmed:** And in terms of generic competition there, what is our expectation?
- Vinita Gupta:** We don't think that it's not a large product to really justify clinical development. And so we think that the product should remain exclusive. And also we have plans with the product in terms of lifecycle management to really do 505(b)(2)'s on the inhalation front that we are working on. So hopefully we are able to, in the next 12-18 months, make progress on that front as well.
- Harith Ahmed:** Okay. Last one with your permission, on generic Suprep. We saw a couple of generic approvals towards the end of Q3. So trying to understand if the contribution for us from generic Suprep in Q3 was as significant as it was in the second quarter or was there a sharp decline.



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**Vinita Gupta:** I mean, there was a decline between Q2 and Q3 on Suprep. And we expect although it wasn't very sharp because the competition did not really come in, in the last quarter. It's really going to be this quarter where we start seeing competition on Suprep.

**Harith Ahmed:** All right. Got it. That's all from my side. Thanks for taking my questions.

**Moderator:** Thanks, Harith. The next question is from Saion Mukherjee.

**Saion Mukherjee:** Hi. Thanks for taking my question. Ramesh, if you can like we have got to 20% EBITDA margin. So if you can sketch in terms of markets, which are the ones where you see the margins much higher than 20% and which are the ones which are sort of lagging behind, and how the dynamics on margins for each of the markets, for the key markets, if you can highlight?

**Ramesh Swaminathan:** I guess, the only market where things are lagging and this is before taking the corporate expenses, if you take corporate expenses, obviously things could be a little different. But I think Latin America is one where it has been lower, at least in recent times. Mexico more, because of certain issues on the factory front. And whilst Brazil, of course, has got some issues on the business front itself and we are working on that.

And there, more importantly, I think one also has to recognize that we have, in fact, a host of adjacencies that we created in the recent past. If I were to knock that out today, my margin should be a good 2.7% higher. So whilst I say it's 20.1% and so on, you need to actually add about 2.5 percentage points for, in fact, the adjacencies to be created, which includes your digital, your diagnostics in some way, the OTC business and the like as well. And all of them actually have a pathway for, kind of not monetizing it I would say, but actually allowing them to kind of raise their own resources and spinning on their own axis.

And once that happens, you would expect like those margins and the overall core margins to go up by at least 2.5%-3 % points. So that's where we are today. I think it's basically a combination of, in fact, the newer businesses that we started and the conventional business still. Mexico is just a year in here and now story whilst of course Brazil is a little more medium-term.



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**Vinita Gupta:** I have just to add to that, I'd say that the India region, which has grown very nicely, is still in the investment mode. So it's not at that 20% plus level as of yet, but it's getting there with operating leverage and our portfolio. Tremendous potential there as we look at the next couple of years.

**Saion Mukherjee:** Okay. And any comment on the API business? Because it's small, but it has been a big drag, at least in the recent past I understand.

**Nilesh Gupta:** We were almost flat in the quarter, right? It was a slight decline. So I think there's products which have scaled up nicely and others which are still continuing to be challenging. I think the Pen-G situation continues to have some challenges and therefore products like Cephalexin, Cefadroxil remain impacted. Products like Ethambutol remain impacted as well.

We do see growth in the next year. So you will see a bump up in the API business. But I think it has to be driven more from our perspective with some of the stuff that we do in Lupin Manufacturing Solutions in terms of new products and building that book of business and bringing more new launches because we're still primarily working off our old portfolio at this point of time in the API business.

**Saion Mukherjee:** Understood. And Vinita, I just missed, you mentioned in your comment on the inhalation filing. You mentioned like Respimat or Ellipta or one or two of these products will get filed over the next 12 months. Is that what you mentioned?

**Vinita Gupta:** Yeah, we should be in exhibit batch, eventually filing right.

**Saion Mukherjee:** Okay. Yeah. Thank you.

**Moderator:** Thanks, Saion. We'll take the next question from Nikhil Mathur.

**Nikhil Mathur:** So I have two questions. The first question is on the margin trajectory over the next two years-three years. So while you are guiding to a glide path of 22% - 23% EBITDA margin at some point in time, what kind of generic cycle are you building in when you're trying to achieve these margins? I would imagine that there is some support from below-trend generics pricing erosion currently, but we have seen in the past this tends to be pretty cyclical. We don't know. I mean, maybe in FY26 there's a big down cycle again. So when



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you are expecting margins to improve going forward over the next two years-three years, what kind of generic cycle are you building into your base case assumptions?

**Vinita Gupta:** So I'd say on the generic price erosion, that's what you're asking about, right?

**Nikhil Mathur:** Yeah. I mean, if there's a big down cycle, again, let's say 12 months down the line or 15 months down the line, then would a 22%-23% EBITDA margin be a far-fetched thing to kind of achieve?

**Vinita Gupta:** I would say that given our mix has evolved to more complex generics, 40% - 45% inhalation, next year adding injectables, where one does not see this kind of price erosion, gives us the confidence, one, that we have a growth segment pipeline that helps us grow the margins. Second, I'd say that the oral solids, which have gone through a lot of price pressures over the last couple of years and stabilized over the last 12 months, one has to realize that companies got out of the market, therefore you saw drug shortages. The oral solids also, there's a lot more awareness now that putting pressures on manufacturers will cause exits, more product exits, like we did in the past couple of years. So we do think that things are somewhat better for the oral solids, although not as good as the complex portfolio. The combination of that gives us the confidence that we should continue to improve the margins.

Like our US business, I six consistent quarters of improving margins, and that was a combination of both product portfolio mix towards complex generics, plus efficiency measures on the logistics costs, returns, freight, as well as write-offs and things. And we continue to really have that focus on driving the subparts of the generic business.

**Nikhil Mathur:** Right. And can you comment a bit on your strategy on the oral solid side over the course of next two - three years? So obviously the pricing environment is slightly better than what it has been. But do you feel that you as a company will again be looking to gain volumes or kind of chase volumes and in turn kind of fill your capacity? Or do you think that it's not the right strategy to be going back to where this industry was two - three years back, and hence it's a bit your strategy should be a bit more cautious in terms of how you target the oral solids business.



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**Vinita Gupta:** Our focus on oral solids is the baseline. We want to manage it as efficiently as possible. It's a very, very strong focus on cost improvement there through KSMs and other related spend, making sure that we don't have idle costs. So in doing that, you can't really afford to really hold on to capacities with the hope that you build share, right? I mean, not to say that we will not be opportunistic. I mean, when there are opportunities, especially on our products where we have a strong position, we will certainly want to be able to gain volume as well as serve the market. But we have optimized and we'll continue to optimize the oral solids to minimize any idle cost and other measures to ensure that we run that business as efficiently as possible while driving the portfolio shift to complex generics.

**Nikhil Mathur:** Right. And sorry to just harp on a bit more on this. So a couple of years back you had taken a call on discontinuing a portfolio of products, I mean, which wasn't making sense on the margin front. Do you still stick to that strategy? Do you have a threshold margins below which you are not willing to work? It would be great if you can communicate what margins below you're not willing to work, but I mean, it might be difficult for you to comment. But does that strategy still hold irrespective of how the pricing environment behaves?

**Vinita Gupta:** Absolutely. We're not going to sustain products that don't contribute to our P&L. So we have to as much as we are very proud of our position as a company that serves a major cause on the generic front, we also have to be a viable manufacturer. And it's not any particular margin because every product can contribute to overheads and improve the margin for a site. So there's no one number that is a cut-off. But we have a very, very disciplined framework now on month-on-month basis to look at margins, look at products that are getting to low margin and determine what our position is going to be.

**Nikhil Mathur:** Got it. Thank you so much.

**Moderator:** We'll take the next question from Ritesh Rathod. Ritesh, are you there?

**Ritesh Rathod:** Thank you. Given the strong free cash flow generation, and we are on a quarterly EBITDA run rate of INR 1,000 crores, we would be net cash in couple of quarters, where do we plan to deploy our free cash which would be generating next two years to three years? Would it be any particular area or



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would you like to give it back to shareholders? And do we have any formal payout policy?

**Ramesh Swaminathan:** So we do have our dividend policy. It is not going to be very different from the past because we believe that there are a lot of opportunities in our space to actually invest. We believe that over time we would be able to get to returns which would be far higher than what the individual shareholder would be able to get for himself. And we have always been an acquisitive company. So as and when this proposition is compelling enough, we would look at various acquisitions.

And we are also nurturing our specialty aspirations as well. So it is a question of time if we actually get to that. We've been studying the space for quite some time now. Our first foray was obviously not very successful, but doesn't necessarily mean that you're going to stay away from it for too long a time. It's just a question of time before we get back.

**Ritesh Rathod:** And what would be the areas that you would like to invest, if you want to put in a priority or in a descending way?

**Vinita Gupta:** So also that while we'll be opportunistic in terms of the areas that we can play in, where we can make a difference, but Respiratory is one that we really like based on the position that we have built. I mean, today, Respiratory is over 25% of the company's global revenues. When you look at both the India business as well as the US, Europe, Canada, all of the different markets that we have, and we have significant capabilities there. So certainly, Respiratory is one where we believe that we have the right to play and look at opportunities to both organically as well as inorganically to build our portfolio. If you have other opportunities like Xopenex, we will certainly look at them seriously.

The other area that we like, based on our foray in Europe: Neurology with NaMuscla, the orphan product that we have. In Europe, we have successfully launched it in multiple countries there. And we've started the study for a broader indication for the product, even though it'll still be an orphan indication and looking to really expand that portfolio with other CNS neurology assets. So those two are certainly areas that we are looking at programmatically and then others opportunistically.





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Likewise, we're looking at our therapy areas in India and the TAs where we want to build a stronger position for the future. We are strategically looking at opportunities to buy brands and portfolios.

**Ritesh Rathod:** And in speciality, can you elaborate more? What areas you will try to do attempt this time either organically or inorganically?

**Vinita Gupta:** Like I mentioned, the two that that we have been looking at exploring our Respiratory and Neurology.

**Ritesh Rathod:** Okay. In US also, we meant that.

**Vinita Gupta:** Yes.

**Ramesh Swaminathan:** Apart from, of course, interesting opportunities, if they arise in India as well.

**Ritesh Rathod:** Okay. Thank you. That's from my side.

**Moderator:** Thanks, Ritesh. So that concludes the Q&A sessions. Thanks for the active participation. I now hand the conference over to the management for the closing comments. Thank you.

**Vinita Gupta:** Thank you, everyone. Apologies for the poor audio this time and we'll be happy to answer any questions that remain unanswered. But we are very energized by the performance our team has delivered over the last three quarters. Our team is very energized, as you can imagine. And we expect to close this fiscal year pretty strong, continuing on the momentum that we have built over the last three quarters and starting the next fiscal year very strong as well to improve both revenues as well as profitability going forward to get to our goal in the next three years, like Ramesh said to that 22- 23% EBITDA. So look forward to connecting with you again over the next couple of months as well as the next quarter. And thank you again for all of your questions on the call today.

**Moderator:** Thanks, ma'am. So thank you very much to all the panellists and the participants. On behalf of Lupin Limited, that concludes this conference. Thank you for joining us and you may now exit the webinar. Thank you.