“Glenmark Pharmaceuticals Limited

Q4 FY '25 Earnings Conference Call”

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Moderator: Good morning, ladies and gentlemen. Welcome to the Q4 FY '25 Earnings Conference Call of Glenmark Pharmaceuticals Limited. 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 then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Utkarsh Gandhi, Senior General Manager, Investor Relations for Glenmark Pharmaceuticals. Thank you, and over to you, sir.

Utkarsh Gandhi: Thanks, Lizann. Good morning, everyone. Welcome to the Q4 FY '25 Results Conference Call of Glenmark Pharmaceuticals Limited. Before we start the Q&A, let's review the overall performance of the company for the fourth quarter and for the full year FY '25.

For the fourth quarter of FY '25, Glenmark's consolidated revenue from operations was at INR32,562 million as against INR30,630 million in the corresponding quarter last year, recording an overall Y-o-Y growth of 6.3%. For the 12 months of FY '25, Glenmark's consol revenue was at INR1,33,217 million, recording a Y-o-Y growth of 12.8%.

In terms of some of the key highlights for the fiscal year '25, in the third quarter, Glenmark assumed leadership position in some of its key therapeutic categories in India, ranking second in dermatology and third in the cardiac segment for the fourth quarter specifically.

Glenmark's Europe business continued its strong performance, growing at close to 18% for the full year FY '25. RYALTRIS continues to do well. It was launched in more than 10 markets in FY '25 and is now commercialized in 45-plus markets globally. WINLEVI, our specialty product in Europe was received approval from the U.K. MHRA in the fourth quarter. And IGI, our innovation entity, presented first-time safety and efficacy data in 20 heavily pretreated patients from its Phase I study for ISB 2001 at the ASH conference in December last year.

Going through each of the regions -- regional performance, starting with India, sales for the formulation business in India for the fourth quarter was at INR9,430 million, recording a Y-o-Y growth of about 0.4%. India business contribution to the consol revenue in FY '25 was at 33.7%.

Reported sales in the India region during the fourth quarter were impacted mainly due to 3 factors: continued weak growth in the acute respiratory market, mainly due to a low seasonal pickup. A highly competitive diabetes market, which resulted in a 10% decline for Glenmark in the fourth quarter and discontinuation of select noncore low-margin brands in the hospital and trade generics segment to improve overall business margins.

Despite the reported -- lower reported growth, Glenmark continued to significantly perform the IPM in terms of secondary sales as per IQVIA. Glenmark's India formulation business recorded a growth of 10.3% in the fourth quarter and 12% as per MAT March 2025. This is compared to the overall market growth of 6.9% in Q4 and 7.7% for the MAT March period.

In terms of its key therapeutic areas, Glenmark continued to outperform in dermatology and cardiac. In the respiratory area, growth was mainly driven by our chronic portfolio, which

actually grew by 20-plus percent in the fourth quarter. Glenmark continues to be ranked 13th with a market share of 2.25% as of MAT March.

The company has 10 brands in the IPM top 300 list. And as mentioned before, in terms of key therapeutic areas, Glenmark is ranked second in dermatology, second in respiratory and third in the cardiac segment as per IQVIA Q4 data. In terms of key launches, particularly in the fourth quarter, we launched empagliflozin in March. It's a widely recognized SGLT2 inhibitor.

The product was launched under the brand name Glempa, along with its fixed-dose combinations with linagliptin and metformin. We launched Lirafit last year. The product has seen good traction in the market with the doctors.

We partnered with Pfizer last year to launch JABRYUS, which is abrocitinib, a first of its kind oral treatment for moderate-to-severe atopic dermatitis. Again, this product has been well received. And tislelizumab plus zanubrutinib are 2 oncology partnered products with BeiGene.

These 2 products will be launched in the first quarter of FY '26, and these will be transformational from the oncology point of view in India. In terms of India's Consumer Care business, the sales in the GCC business in the fourth quarter were INR852 million with a Y-o-Y growth of 23.5%. The flagship brand, Candid, Scalpe, La Shield all continued to deliver strong growth in the fourth quarter as well as for the full year.

Moving on to North America. The North America business recorded revenue of INR7,146 million for the fourth quarter of FY '25. This translates into a Y-o-Y decline of 5.4%. For FY '25, the North America business contribution was 22.6%. The U.S. business continued to remain challenging due to lack of meaningful launches.

And most of the launches that we did were back-ended towards the fourth quarter, so the full impact was not visible in the quarter. However, the company expects an uptick in the business from FY '26 onwards, particularly on the back of potential launches in the respiratory and the injectable segment.

Glenmark has already built out a large commercial portfolio in injectables through partnerships. And in respiratory, we have mentioned we are leveraging our capabilities. We have filed the ANDA for generic Flovent 44 MCG. And we have also filed a couple of nasal sprays.

We are working on filing the ANDA for the other 2 strengths of generic Flovent as well. And we have some other respiratory products in the pipeline. Glenmark is expecting some of these products to be launched from around H1 or mid of FY '26. And in the meantime, we continue to augment our commercial portfolio through partner product launches.

In FY '25, Glenmark was granted approval for 8 ANDAs, and we launched around 13 products, consisting a mix of oral solids, semisolids and injectables and oral contraceptive as well. Our marketing portfolio through March 31, 2025, consists of 206 generic products, and we have 51 applications pending at various stages of the approval process.

In Feb 2025, Glenmark entered into a settlement with 3 plaintiffs, Humana, Centene and Kaiser for a total of USD7 million. This settlement was with respect to the ongoing litigation related to Glenmark's generic Zetia launch. These plaintiffs had opted out of the original settlement signed by Glenmark in 2023 with the 3 main plaintiff groups. And the recent settlement also makes it clear that Glenmark denies each and every one of the allegations against it and settlement is not based on Glenmark having conceded or admitted any liability or illegality.

Moving on to Europe. Glenmark's Europe business for the fourth quarter was at INR7,335 million, recording a growth of almost 20%. Europe business did well in FY '25, now contributes about 21.4% to the consol revenues as of FY '25. The strong growth in Europe continued on the back of its branded business in all key markets.

The Central and Eastern European region witnessed double-digit growth across all markets. And the branded portfolio -- the branded respiratory portfolio in CE as well as in Western Europe has sustained its momentum.

RYALTRIS continues to gain good share across the countries where the product is launched. Going forward, Glenmark continues to focus on increasing the contribution of branded products and the branded portfolio in Europe, mainly in the respiratory and the dermatology areas.

As we announced, we have received approval from the U.K. MHRA to market WINLEVI in the United Kingdom, and Glenmark is planning to launch WINLEVI in the U.K. in FY '26. Moving on to the ROW region. For the fourth quarter of FY '25, revenue from the ROW region was INR7,898 million, recording a growth of 4.9%. The reported growth in the ROW region during the quarter continued to be impacted due to adverse currency movements in key markets.

In terms of contribution for FY '25, the ROW business contribution to the total revenues was 21.1%. Our Russia business continues to do well. As per IQVIA MAT March data, Russia -- Glenmark's Russia business recorded secondary sales growth of 10.2%. RYALTRIS is one of our key products there, again, continues to gain market share. In dermatology and in the expectorant markets in Russia, Glenmark continues to be amongst the leaders. We are ranked ninth in dermatology and second in the respiratory expectorant markets.

Glenmark LatAm business recorded strong double-digit growth on the back of some key launches in the respiratory portfolio. The first generic for salmeterol, fluticasone MDI was launched by Glenmark in Q1 of FY '25 in Brazil and continues to gain share. And Glenmark continues to be ranked amongst the top 5 companies in the respiratory and dermatology areas in the Mexican market as well.

In MEA, again, the company continued to achieve good secondary sales growth in key markets. RYALTRIS, again, is a strong growth driver, continues to be the leading nasal spray in allergic rhinitis in South Africa and has seen strong pickup post launch in some of the other markets.

And finally, Asia, again, key markets like Malaysia, Philippines recorded double-digit secondary sales growth and continued to grow faster than the covered market as per the IQVIA data. And once again, RYALTRIS continues to be a significant outperformer, particularly in markets like Australia and Korea. Just covering some of our key global brands.

So again, starting with RYALTRIS, as mentioned, I think we -- RYALTRIS as a product continues to do well. We have submitted application in more than 90 markets. And as mentioned before, the product is commercialized in 45-plus markets. We expect to launch in 10, 12 additional markets over the next few quarters. As per the IQVIA available data, RYALTRIS market share has been very strong, particularly in markets like Australia, South Africa, Czech Republic and some of the other European markets.

Menarini, Glenmark's partner in the EU has continued to witness a steady increase in market share. And in terms of Mainland China, Grand Pharmaceutical's, our partner there, expects to receive the product approval sometime in FY '26. Envafolimab, Glenmark has filed Envafolimab in around 15 markets in FY '25. The first market launch is expected in FY '26. The company has already received authorization for supply of Envafolimab to Kenya via some early access programs. And we also plan to initiate a multi -- global multicenter Phase III study in some of the key indications like neoadjuvant, adjuvant and NSCLC in FY '26.

WINLEVI, as mentioned before, Glenmark received approval from the U.K. MHRA in Jan to market WINLEVI in the U.K., and we'll launch the product in the U.K. We are awaiting approval in the other European markets. Moving on to IGI. IGI as mentioned before, we have a robust pipeline in IGI covering -- in oncology, covering multiple myeloma as well as solid tumors.

We have ISB 2001, our lead asset, which is in clinical development and 2 additional clinical assets in immunology, which have been partnered out, ISB 880 and ISB 830. In terms of ISB 2001, this is a trispecific antibody that targets BCMA, CD38 on multiple myeloma cells, while engaging CD3 on the T cells.

As mentioned before, 2001 is amongst the first trispecific antibodies developed for use in multiple myeloma. It received orphan drug designation from the FDA in July '23. And in fact, recently in May 2025, the U.S. FDA also granted Fast Track designation to ISB 2001 as a treatment for patients with relapsed refractory multiple myeloma, specifically patients who have received 3 or more prior lines of treatment. IGI also completed the enrollment of the Phase I dose escalation, which is a Part 1 of the study in March and also initiated and dosed the first patient in the dose expansion phase, which is a Part 2 of the Phase I study in April.

In December, we presented -- IGI presented data for ISB 2001 in an oral presentation at the ASH conference in San Diego. This detailed out results from the dose escalation portion of the study in 20 heavily pretreated patients. The presentation is available on the IGI website as well. We have laid out the data and some of our earlier updates. And ISB 2001 will also -- data will also be presented by IGI at the upcoming ASCO conference in an oral presentation. So we'll have some additional data coming through in the next couple of weeks.

A quick update on IGI's manufacturing facility. In March 2025, IGI announced its plan to seize all CMC development and clinical supply manufacturing at its manufacturing facility in La Chaux-de-Fonds, Switzerland. As IGI is progressing its pipeline, it is anticipated that higher quantities of finished product will be required for future clinical programs and IGI CMC development and ongoing future clinical programs -- manufacturing of ongoing clinical

programs will be moved to a network of well-established global contract development and manufacturing organizations.

Some key notes on the P&L and balance sheet. Forex loss during the quarter was around INR11 crores. R&D expenditure during Q4 was around INR236.7 crores, which was 7.3% of sales for the fourth quarter. For the full year, the R&D expenditure was around INR930.5 crores, which was 7% of the FY '25 sales.

Investment in IGI in the fourth quarter was $13.8 million and for the full year was around $61 million. But during the fourth quarter, there was also an exceptional loss associated with the closure of the La Chaux-de-Fonds manufacturing facility as well as associated with the generic Zetia litigation. This was detailed out in the P&L note as well.

Adjusted for this exceptional loss, the PAT was INR346.6 crores with an adjusted PAT margin of 10.6%. Total asset addition in the quarter was INR309 crores, of which tangible asset addition was around INR226 crores and intangible was around INR84 crores.

For the full year, the total asset addition to the block was INR698 crores. Net debt as of March 2025 was around INR489 crores. As of March 2025, net working capital in terms of number of days of sales was 104. Before we start the call, I just want to lay out some key targets for FY '26 in terms of our guidance for FY '26.

Revenue growth guidance is 10% to 12%. EBITDA margin guidance is 19% to 20%. We are guiding to a cash generation of around INR300 crores to INR400 crores in FY '26. And in terms of more granular guidance, including region-wise growth, the management will provide the same during an Investor Day in July, which will detail out some additional points on each of the regions and each of our other businesses.

We have the management of Glenmark Pharmaceuticals on the call today, Mr. Glenn Saldanha, Chairman and Managing Director; Mr. V.S. Mani is on the call. As previously announced, Mr. Mani will be retiring from his role as Executive Director and Global CFO. We extend our gratitude to him for his contributions. And Mr. Anurag Mantri is on the call as well. Anurag has recently assumed the position of Executive Director and Global CFO. He brings with him over 30 years of leadership and management experience. So we warmly welcome him to the organization.

With that, we can open the floor for Q&A. Lizann, over to you.

Moderator: The first question is from the line of Harshit Dhoot from Dymon Asia Capital.

Harshit Dhoot: Just a couple of questions from my side. Given the ANDAs and executive order in the U.S., have you told by the global pharma that valuations for all the originated products might recalibrate. So any update on this, sir?

Glenn Saldanha: Well, I think the -- I mean, given the executive order towards the most favored nation clause, I think there's still -- clarity still needs to evolve on that whole thing. But our view internally is that the major impact will be for brand pharma as compared to generics.

Harshit Dhoot: Okay. Nothing on the products like -- the companies like IGI are working on that, something like ISB 2001 that we are working on?

Glenn Saldanha: IGI is still at a very early stage. They're not commercial. So there's a long way to go for commercialization.

Harshit Dhoot: Okay. So you don't foresee any impact going backward to the chain where basically big pharmas are doing licensing deal and all, keeping in mind the pricing going ahead?

Glenn Saldanha: No, we don't see any impact.

Harshit Dhoot: Okay. And second question, sir, how do you see the investment going forward? So as we know that you are basically working on the licensing deal in IGI. So the investments going forward will be led by the partner or you will also put in some money? How should we see that?

Utkarsh Gandhi: We didn't get the question...

Glenn Saldanha: Yes, there's a lot of -- the voice is not clear. But I'm guessing your question is towards investment...

Utkarsh Gandhi: In IGI going forward.

Glenn Saldanha: So we've clearly said that post closing a deal, we will -- IGI will be self-sustaining at least for the next 3, 4 years. And we will not need to invest anything in IGI post-closing a deal.

Harshit Dhoot: Utkarsh, I missed the guidance part. I heard that EBITDA margin guidance...

Moderator: Sorry to interrupt, Mr. Harshit. Sir, may we request that you use the handset mode while speaking and not the speaker phone?

Harshit Dhoot: Utkarsh, I missed the guidance part. I heard that 19%, 25% EBITDA margin guidance. Anything else that you have said?

Utkarsh Gandhi: No, sir, I'll just say that again. So in terms of FY '26, we are guiding to a revenue growth of 10% to 12%, EBITDA margin of 19% to 20% and a cash generation of INR300 crores to INR400 crores.

Moderator: We move on to the next question that is from the line of Damayanti Kerai from HSBC.

Damayanti Kerai: My first question is on your diabetes portfolio in India. So Glenn, we understand it's a space where competition is definitely rising up, but the kind of weakness we are seeing in the portfolio, it's a bit difficult to understand. If you can help explaining what is leading to such muted performance there?

Glenn Saldanha: Sure. If you look at the history in diabetes, Glenmark was a nonexistent player in this space. And we launched 2 major molecules. One is remogliflozin and the other one is teneligliptin. Remo was the first time globally that we launched a molecule in the SGLT2 class and teneligliptin in the DPP-4 class. We were able to make significant headway in both -- with both these molecules

till dapagliflozin went generic and sitagliptin went generic. And at that point, we were unable to sustain the growth.

So these 2 molecules were a big part of our diabetes portfolio. What we've done now is we've transitioned from there to launching Lirafit, which is liraglutide. We also have sitagliptin. We also have empagliflozin, the 3 main molecules in diabetes. And the next step will be the launch of semaglutide. So I think that will help us stabilize and grow our diabetes franchise going forward.

Damayanti Kerai: Okay. So apart from these 2 products, remo and teneligliptin, can you say like your base products are broadly stable or we are seeing...

Glenn Saldanha: So the base is stable. At one point, these 2 products contributed almost 60% of the diabetes franchise, just to tell you how big they were, these 2 molecules. So the erosion that we saw was not -- we were struggling to sustain that.

Damayanti Kerai: Okay. So say with a couple of big launches -- good launches coming up in the portfolio, you are hopeful that this should go back to the growth trajectory?

Glenn Saldanha: That's correct.

Damayanti Kerai: Okay. And any indication like how lira is doing because Lirafit has been launched for now a couple of months, right? So any initial number or indication which you can share?

Glenn Saldanha: So I think Lirafit, overall, the growth is good. The molecule is doing well. I mean we've had some challenges in supply. And we still continue to face some challenges. We are hoping that in Q1, some of those will be behind us, and we will get full supply, and then we'll be back in terms of sales. But the molecule is doing well for us.

Damayanti Kerai: Okay. And Lirafit, you are doing in-house manufacturing or you're sourcing it from some partner?

Glenn Saldanha: No, we have a partner.

Damayanti Kerai: Okay. And right now, like the supplies are not yet fully optimized?

Glenn Saldanha: Correct.

Damayanti Kerai: Okay. My second question is on your ISB 2001 asset. So you mentioned you have started dose expansion studies in April. So earlier, I thought you were looking for the deal closure before we start this part of the study. But just like want to understand how many patients you are planning to recruit for this part of the study? And what kind of cost you are looking for this? And can you complete this phase without any deal, if it takes some more time?

Glenn Saldanha: So I'll just give you a color on 2001. So while we are doing the dose expansion, look, the clinical development doesn't stop. This is a -- speed is of the essence. So basis that, we started the dose expansion. We already have some patients already being dosed as part of the dose expansion.

And it's progressing really well. We will present -- we'll have an oral presentation at ASCO, which will give you full color on the scientific side of ISB 2001.

In parallel, we are in advanced discussions with multiple partners, all big pharma partners. And the discussions are progressing really well, and we anticipate a positive outcome very quickly. We think a deal for 2001 will really be transformational for Glenmark. And it will overshadow anything else that we are doing in the near term. So I think you should see some visibility around a licensing deal pretty quickly. That's the only comment I can make as far as 2001 goes.

Damayanti Kerai: Okay. And just in terms of how many patients you are looking for this part of the study and maybe cost?

Glenn Saldanha: The expansion phase is 80 patients in total, 3 different dosing groups that we've initiated. And it's being run in multi-geographies. So U.S., Europe, Australia are the 3 main geographies where we are running the trials. And you'll get further visibility at ASCO.

Damayanti Kerai: Okay. And my last question is on your Pithampur plant. Anything to share in terms of resolution part or anything you heard from the FDA?

Glenn Saldanha: So we are still in discussions with the agency on what this means and how this will play out. But from a commercial perspective, we have no launches coming out of Pithampur, a minimal amount. So there's no real impact on the business. And most of our launches, as you know, is coming out of Aurangabad, mainly the respiratory launches. So for the near term, there's no real impact on the U.S. business.

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

Saion Mukherjee: Firstly, on -- is there any target action date for the nasal spray or generic Flovent? Or are there any pending CRL that we are addressing? If you can throw some color on the time lines here. And we have also seen some delay in the filing of the remaining 2 strengths for Flovent. Any color there would be helpful.

Glenn Saldanha: So Saion, as you know, Flovent is an extremely difficult product, okay? I mean I think a lot -- most of the industry has struggled to develop this product. So on the 44 strength, we are expecting approval towards the end of Q2. And there has been some slippage, but that's pretty normal in this environment.

On the nasal spray, we expect in the second half, we will launch the product, second half of FY '26. So that's the only visibility we can give. The remaining 2 strengths, 110 is likely to get filed in the first half of this year, towards in Q2 sometime. And 220 maybe following that towards the end of second half of this year.

Saion Mukherjee: Understood. The next question is on the guidance, Glenn, 10% to 12% revenue growth. We are seeing a slowdown in India and also the U.S. probably will start growing towards the second half. And I know you would probably give more color on geographies later. But isn't it like 10 to 12 look stretch given the fact the way the U.S. and India is currently positioned?

Glenn Saldanha: So overall, the business continues to do well. ROW is strong. Europe, we are seeing strong growth. These 2 geographies are strong. I mean ROW corrected for currency grew 10-plus percent in this year -- in FY '25. And we expect it to accelerate even further in this coming year with some big launches.

And particularly RYALTRIS also contributing in markets, the 10, 12 markets where we haven't launched yet. So I think all in all, these 2 geographies will be strong. U.S., some of the in-licensed products, which we launched in Q4 are now beginning to -- we're beginning to get some good shares around it.

For example, mixed amphetamines and some pretty big products, right, which we launched in Q4. So that will -- you will see some of that impact coming in Q1 in some of the launches. Even -- so I think all in all, India continues to be a strong market for us. I think India growth, we pretty much bottomed out on the diabetes space. The other 3 segments are doing very well for us, cardio, derm and respiratory. So all in all, we feel pretty comfortable with the 10% to 12%.

Saion Mukherjee: Okay. And just one last question, if I can. Glenn, you talked about ISB 2001 and potential licensing agreement. Assuming that you're able to do a licensing deal, which sort of gives you significant cash flow, what's the next step? What's the vision you have for the entire innovation piece?

Will you sort of step up investments in IGI to develop more assets? How are you -- or you would sort of reinvest in some other businesses or give out dividend? How should we think about ISB 2001 licensing deal and the nature or the investments that you plan after?

Glenn Saldanha: So the only visibility I can give you right now, Saion, is that we will cover -- I mean, from the licensing deal at least the next 3 years of IGI expenditure will get more than covered. So we are burning about $70 million a year. And we'll keep it around the same level over the next 3 years. That's the way we are thinking about it as far as IGI goes. And that will fully get funded.

And then after that, obviously, IGI, we've always said that they have -- the vision is eventually to IPO that company. So they will have tremendous access to capital, once we close this deal. So that changes the whole trajectory for IGI and for Glenmark. Obviously, by IGI covering its own cost, our margins will go up significantly over the next 3 years. I mean that's the way to think about it. And then beyond that, Saion, once the deal gets done, we'll give more visibility around.

Moderator: The next question is from the line of Tarang Agrawal from Old Bridge Capital.

Tarang Agrawal: Just a couple of questions. On the India business, what would be the contribution of remo and teneli to the Glenmark's current diabetes portfolio in FY '25?

Glenn Saldanha: So as I said, I don't have the precise numbers, but teneli and -- about 60% should have come from these 2 assets, right, along with their extensions.

Tarang Agrawal: It used to be 60%, you said, right? So it must have come down now.

Glenn Saldanha: It's come down. But it's the change -- we just launched Lirafit, last year or year before last, right? Then last year, we launched sitagliptin, and we're launching empagliflozin last quarter, actually. So it will still take time for that transition to happen, okay? And that's why the diabetes business has struggled last year.

Tarang Agrawal: Okay. But essentially, the share of these 2 products remain in the same ballpark that you suggested at the opening?

Glenn Saldanha: They've begun to come down. See, I don't have the accurate numbers. We can come back to you with that, yes.

Tarang Agrawal: Okay. Second, what would be the global sales for RYALTRIS from Glenmark's perspective, primary sales in FY '25 versus '24?

Glenn Saldanha: So we did $80 million last year. And this year, we are expecting to cross $100 million in sales for RYALTRIS.

Tarang Agrawal: And what was it in FY '24?

Utkarsh Gandhi: It was around $40 million.

Tarang Agrawal: Got it. On the Aurangabad plant, what's the status of compliance here? When was the last inspection?

Glenn Saldanha: Less than a year ago, it got inspected.

Utkarsh Gandhi: So Aurangabad was inspected in September 2024, and we got 0 observations essentially. So...

Tarang Agrawal: Okay. And on GHSA, what's the loan to GHSA and the equity contribution to GHSA as on 31st March '25?

V. S. Mani: So the -- on the overall basis, the loans are about INR2,180 crores. The one that we have about long-term loan, about INR500-odd crores is that's the one that is there in GHSA.

Tarang Agrawal: So loan to GHSA by Glenmark?

V. S. Mani: Loan to GHSA from Glenmark, as you can see in the balance sheet, we have about $600 million, that's it. That's the investment that we have.

Tarang Agrawal: And equity contribution?

V. S. Mani: I'll come back to you on that.

Moderator: The next question is from the line of Anil Shah from Insightful Investments.

Anil Shah: Yes, just a clarification, the guidance that you've given on margins and particularly the cash generation, I'm presuming that's not factoring in any IGI deal that one would do, right?

Glenn Saldanha: That's correct. This is only the core business.

Anil Shah: Core business? Okay. And what would be our tax rates going forward?

V. S. Mani: Yes, it will be about 21%, 22%. As you can see, Anil, last year also, we came down to 25%. So we anticipate to go down.

Anil Shah: Okay. And last question from my side. On the working capital side, particularly last 2 years, we've seen the balance sheet, again, not being able to throw any kind of free cash flows. Obviously, working capital last year had gone to pretty low levels, particularly receivables.

But again, when we look at this year, it seems to have got elongated further. So what would be an ideal where you think you'll settle down? And will this year be -- we'll start seeing some shrinkage in working capital?

V. S. Mani: So Anil, thanks for the question. Let me set the context you. Overall, if you look at it, last year, as you rightly said, our working capital days were much lower and especially the receivables. Actually, if you look at it in this year, our overall net working capital comes to about 104 days. This very much is in alignment with all our peers, who are like global companies, okay? So like our inventory is about 83 days and peer is about 75 to 80 days. Working our -- debt receivable is about 92. Peers are about 85 to 95.

So I think all in all, I think these are the levels at which it settles down. So you wouldn't see too much of an uptick from here. But number of days will obviously be the same days in terms of number of days.

Moderator: The next question is from the line of Nitin Agarwal from DAM Capital.

Nitin Agarwal: Glenn, on the guidance of 19% to 20% EBITDA margins, what will be the drivers for the margin improvement that we're looking at without the licensing deal?

Glenn Saldanha: So obviously, RYALTRIS is a big driver. I mean, RYALTRIS will be a big driver. R&D, we can get some efficiencies out of R&D. I think these 2 are the immediate things that of course -- and we have some big products, whether it's Flovent, whether it is the nasal spray that we will launch in the U.S. All these will help drive up the overall margins of the business.

V. S. Mani: Just to add, Nitin, in the current year, it looks a little bit lower, obviously, on the back of not so many great launches in the U.S. So that's primarily one of the key reasons. Otherwise, we probably have been closer to what we thought.

Nitin Agarwal: Okay. And secondly, Glenn, what is -- how do you explain the deviation which is there between the IQVIA numbers and our primary sales for the India business? I mean where does the disconnect come through? I mean we undertook the inventory correction last year. So that shouldn't have played a role this year, I presume.

Glenn Saldanha: I think the -- we've listed out 3, 4 different things including taking out some tail-end brands, which are low margin based. All that is impacting the reported growth in Q4. But I think going forward, the overall India will be a strong -- the growth will be strong.

V. S. Mani: Nitin -- just to add Nitin, see, in the beginning of the year, we guided to about 4,500, okay? 1,100 plus -- I mean, 1,000 plus, a 10% growth. So we more or less achieved the numbers that we said. The first half was pretty much -- pretty strong compared to the -- what we have done. So I think we take it from the Q4 where we have a couple of reasons as to why we probably didn't get to where we wanted to. But I think going forward, some of the improvements will kick in, I think.

Nitin Agarwal: Secondly, Glenn, just pushing on the India part. Going forward, apart from strengthening the diabetes portfolio, what other strategic areas you have in mind to grow this business?

Glenn Saldanha: See, obviously, the BeiGene launches, which are happening in Q1, maybe June or early July. Those will be huge launches. Both tislelizumab and zanubrutinib both should launch, early July. And that will be a big driver to the growth near term. In addition to that, we continue to file some good respiratory products, which we are hoping to drive our overall growth.

And then, of course, Telma and some of the big brands continue to do exceedingly well. Dermatology also, OTC continues to do exceedingly well. It's almost a INR500 crore business now for us and continues to grow at 20% to 30%. So I think these are some of the main growth drivers for the India business.

Nitin Agarwal: Okay. And secondly, on the IGI deal with the ISB 2001 deal, based upon whatever conversations you've had -- you've been having, I mean, do you have a broad time line in terms of by when we can conclude this?

Glenn Saldanha: So all I can say, Nitin, is it should happen pretty quickly.

Nitin Agarwal: Okay. And last bit on -- I missed your comment on Flovent. What are we looking at for finalized Flovent for approval?

Glenn Saldanha: End of Q2 is when we anticipate we could get approval.

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

Tushar Manudhane: Sir, just with respect to the plant which is shut, so what is the sort of operational cost saving that will also sort of help in margin improvement in FY '26?

V. S. Mani: So just to set the context, Tushar, obviously, we have given this exceptional item in terms of what we have incurred in terms of the severance, et cetera. And obviously, at the end of the day, we also have transferred some of the CMC activities to a contract development and manufacturing organization. So end of the day, there could be some benefits out of that.

But as we guided already, we would be at about $70 million close to where we are. There will be some benefit, but I can't really quantify a very big benefit out of this because it's doing well, and we actually want to -- there will be costs. So by saying that I saved something, but I have some other CDMO cost, may not be the right way to explain that.

Tushar Manudhane: Got it, sir. And if you could on the India side, share number of MRs and where do we intend to take that in FY '26?

Glenn Saldanha: So the number of -- the sales force, we are not expanding. It's about 5,000 -- somewhere around 5,000, 5,500 reps.

Tushar Manudhane: Okay. So like the existing team as far as even for the semaglutide or the other products within the diabetes, obesity space, we should be good enough to sort of drive the productivity?

Glenn Saldanha: That's correct.

Tushar Manudhane: And just a clarification on RYALTRIS, we said we would be able to cross the $100 million, right, for FY '26?

Glenn Saldanha: That's correct.

Moderator: The next question is from the line of Damayanti Kerai from HSBC.

Damayanti Kerai: My question is on your plants, like where -- except Aurangabad, you have pending issues from the FDA in terms of GMP compliance, et cetera. So although, say, you mentioned Pithampur, not many critical launches are due, so should be okay. But what are you thinking on the resolution part? For example, Monroe, I guess, we haven't heard any update of late.

Glenn Saldanha: So I think Monroe, we should get inspected pretty soon, okay, anytime. So that's one update. On the Goa side, we did a meeting with the FDA, and we're waiting for them to come and inspect us, okay? So that covers all the 4 plants, right?

Damayanti Kerai: So Monroe, you have heard anything from the FDA? That's why like you're mentioning it should happen very shortly.

Glenn Saldanha: We did a meeting with the FDA, basis which we believe they should come any time.

Damayanti Kerai: Okay. And just on the Monroe, last year, you impaired part of the plant. I think you're just focusing on the injectable. So right now, what is the value which is remaining for the plant? I think you invested around $250 million, right, in the plant?

V. S. Mani: So today, we would have an investment of about $150 million. So we did -- if you remember, we did impair about $100 million plus. So that's where we are in.

Damayanti Kerai: Yes. My second question was on your ISB trial cost. So I just want to understand when -- like you are in this dose expansion trial, which are the major cost components? Actually, we don't understand like in clinical trials, which are the major cost also, if you can explain that as well or update?

Glenn Saldanha: So I mean -- look, I mean, the trial cost is a trial cost, right? I don't think I can break it up for you, Damayanti. We are dosing 80 patients, and it will cost what it will cost. We've given a total number of $70 million, right, for IGI. Obviously, that includes the trial cost, okay?

Damayanti Kerai: Okay. My last question is on your interest expense during the quarter. I think after like last quarter's number, we have again seen some pickup there. So like what is happening there?

V. S. Mani: Yes. So Damayanti, like it's about INR66 crores or so, about INR5, INR6 crores is basically due to the -- whatever interest you get on the leases. So balance, it's gone up a little bit because of the increase in the debt. But I think coming year, what we have guided already. So based on that, we could see close -- it coming a little lower, yes.

Damayanti Kerai: Okay. So it should be lower than like what we saw in fourth quarter, right, in...

V. S. Mani: Yes, a little bit lower, yes. Yes, in and around that.

Moderator: The next question is from the line of Harsh Bhatia from Bandhan Mutual Fund.

Harsh Bhatia: Just one clarification on the guidance part. And this is related to the cash generation. I think you mentioned INR300 crores to INR400 crores of cash generation. So if you could help us bridge the gap between the EBITDA margin and the cash generation. And I also missed the comment on the net working capital. You mentioned 100, 110 days.

Glenn Saldanha: So I think the bridge between EBITDA to cash, you could take offline, Harsh, because that will be a pretty detailed bridge. Net working capital will be -- I mean, it will be around the same level.

V. S. Mani: The number of days will be the same, just to put it in perspective. Obviously, we guided to about a 19% EBITDA. We could get into detail, but just to say that, that is one, then you'll have your cash tax, you'll have your working capital, you'll have some asset additions. So all put together, that's how we arrive at the numbers. Maybe...

Utkarsh Gandhi: You can take it offline. Harsh, we can get into details.

Harsh Bhatia: Just one clarification, the cash generation is the free cash generation that you're talking about.

V. S. Mani: Yes. Yes, yes. That's what we're talking about.

Moderator: The next question is from the line of Rahul Jeewani from IIFL Securities Limited.

Rahul Jeewani: Sir, on this EBITDA margin guidance of 19% to 20%, I'm not pretty clear in terms of the drivers for this margin improvement. You talked about RYALTRIS. Now RYALTRIS is going to incrementally add USD 20 million of sales. And then if we look at IGI's investment as well, you are talking about $70 million of investment going forward and some of these critical launches for U.S. will contribute only from the second half of FY '26. So what exactly would help us to drive this margin improvement? And can you please lay it out again?

Glenn Saldanha: I think we've already discussed. See, RYALTRIS will give you some benefit. We discussed about the 2 launches in the U.S., which are the big drivers. Keep in mind, U.S. margins have been suppressed, right, because of the lack of any launches. Even the launches that we are making in Q4, the margin profile will start improving from Q1. So that is one thing.

Then after that, we discussed about R&D spends. Overall R&D spends, some leverage coming out of that towards the overall margins. So I think beyond that, I don't think I can give any more

visibility. And we have an analyst meet coming up. At that point, we can discuss -- give you much more granularity on how we're getting to those levels.

Rahul Jeewani: Sure, sir. On the R&D side, can you quantify in terms of what kind of an R&D spend you expect for FY '26?

Glenn Saldanha: Not at this point. We've given an overall number of 7% -- roughly around 6% to 7%.

Rahul Jeewani: Okay, sure. And just a clarification on this free cash flow guidance of INR300 crores to INR400 crores. This you are indicating before interest and dividend payments or post interest and dividend payments?

V. S. Mani: No, no, post interest and dividend, yes -- post interest and dividend.

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

Saion Mukherjee: On Zetia antitrust, are there any pending litigation or any other contingent liabilities that we should consider?

V. S. Mani: So -- Saion, as I've given in the note, there were 4 opt-out cases, 3 have settled. There is just one more left, okay? That's it. One party is still left.

Saion Mukherjee: Okay. Understood. And then on the BeiGene assets that will be launched in India, what's the market size? How should we sort of map the market and sales potential?

Glenn Saldanha: So the current -- the PD-1, PD-L1 market is over $200 million in India right now. So it's a very large opportunity. And we think we can actually get a good share of that in the near term with tislelizumab. And in addition, the BTK product that BeiGene, that we've in-licensed, is actually best-in-class, has got some great clinical data. So that can actually be pretty significant, much smaller than tisle, but could be significant. So these 2 products can make a reasonable impact to the overall performance.

Moderator: The next question is from the line of Nitin Agarwal from DAM Capital.

Nitin Agarwal: On the U.S., I think barring the Flovent 2 new filings that you're looking to do, I mean, how are you thinking about investments in the U.S. on a going-forward basis? Any specific areas or what kind of opportunities do you see?

Glenn Saldanha: So we are basically going -- investing in 2 areas. One is respiratory, and the other is injectables, right, out of Monroe. These are areas where the bulk of our research efforts are going.

Nitin Agarwal: And in the respiratory barring Flovent, when do you see the next set of filings coming through?

Glenn Saldanha: We have a host of filings. We have one more MDI getting filed in Q2 of this year outside of the 110 and 220 this year. So we'll have 3 MDI filings this year. We will have at least 2 or 3 nasal sprays getting filed this year.

Nitin Agarwal: Okay. Okay. And secondly, on the Monroe asset, Mr. Mani mentioned that we've got $150 million of investment still there. So that is right now largely on the injectable and what nebulizer line or only the injectable line right now?

V. S. Mani: Mainly it's only injectable lines and the utilities along with that.

Nitin Agarwal: And sir, with whatever is going on in the U.S. around the local manufacturing, Glenn, is there a provision for us to -- is there a possibility at all to write back -- to get some write-backs on the expenses that we've written up for those plants or those lines that are really unviable that any situation?

Glenn Saldanha: Nitin, our goal is to get that plant up and running, functional and operational. We have some good filings coming out of there. And we truly believe that longer term, this portfolio will do well for us in the U.S. market. So I don't think there's any question of...

Utkarsh Gandhi: No, I think what he was asking is, can we write back some of the write-downs we did OSD line. But I think, Nitin, from a strategic point of view, injectables is what we are focused on from a U.S. manufacturing point of view. So I think we -- once the plant comes up and running, injectable -- all our injectable filings and injectable business for the U.S. will be out of Monroe. So that's the way we'll continue.

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

Abdulkader Puranwala: Okay. So first question is in terms of your guide for the margins. So would it be fair to assume the...

Moderator: I'm so sorry, sir, but your audio is breaking up.

Utkarsh Gandhi: Abdul, we can't hear you. I think he has probably dropped off. We can take the next question, Lizaan.

Moderator: Sure. Ladies and gentlemen, we'll be taking the last question. That is from the line of Tarang Agrawal from Old Bridge Capital.

Tarang Agrawal: Glenn, just to understand the PD-L1 market that you spoke of, currently, who are the principal players in that market? Is it -- and what gives you the confidence for the levels that you're looking at in this market?

Glenn Saldanha: So the 2 big players are, KEYTRUDA is the biggest there, which pretty much dominates the market. And then we have nivolumab of Bristol. These are the 2 big players in the market.

Tarang Agrawal: Okay. And how about the similar dynamics for the subsequent product?

Glenn Saldanha: So the BTK market is small because it's a relatively niche indication. But even there, being best-in-class, we have a good opportunity to gain some market share.

Tarang Agrawal: Got it. Last, I mean, I think to an earlier -- to Nitin's question basically, I mean, would you be open to using the Monroe plant to probably expand in light of the U.S. requirement for domestic

manufacturing? Or would your interest in the plant be limited to only injectables manufacturing that you're focusing on right now?

Glenn Saldanha: So currently, we want to first get the plant cleared and reinitiate manufacturing of the injectables. That's our first goal. And we have some good filings currently underway from that facility in addition to the products already filed and approved. So I think the goal is first to get the injectable portfolio up and running before we look at expanding into other areas.

Moderator: Ladies and gentlemen, that was the last question. I now hand the conference over to Mr. Utkarsh Gandhi for his closing comments.

Utkarsh Gandhi: Yes. Thanks, Lizan. So just to read out the disclaimer before we close the call, the discussion information, statements and analysis made describing the company or its affiliates' objectives, projections or estimates are forward-looking statements, and these are based on current expectations, forecasts and assumptions that are subject to risks and uncertainties.

No representation of warranty either expressed or implied is provided in relation to the discussion, and it should not be regarded by recipients as a substitute for the exercise of their own judgment.

And the company undertakes no obligation to update or revise any forward-looking statements, whether based on new information, future events or otherwise. With that, I think we can close today's call. Thank you, everyone, for joining the Q4 call. Thanks.

Moderator: Thank you, members of the management team. Ladies and gentlemen, on behalf of Glenmark Pharmaceuticals Limited, that concludes this conference call. We thank you for joining us, and you may now disconnect your lines. Thank you.