



“Glenmark Pharmaceuticals Limited
Q2 FY '26 Earnings Conference Call”
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Moderator: Good morning, ladies and gentlemen. Welcome to the Q2 FY '26 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: Thank you, Lizanne. Good morning, everyone, and welcome to the Q2 FY '26 Earnings Conference Call of Glenmark Pharmaceuticals Limited. Before we start the call, a quick reminder to everyone that the information, statements and analysis discussed during this call describing the company's or affiliates' objectives, projections and estimates are forward-looking statements based on current expectations, forecasts and assumptions, which are subject to risks and uncertainties, which could cause the actual outcomes to differ materially and no representation of warranty either expressed or implied is provided in relation to this document. The company undertakes no obligation to update or revise forward-looking statements, whether because of new information, future events or otherwise.

From the management team, we have Mr. Glenn Saldanha, Chairman and Managing Director; and Mr. Anurag Mantri, Executive Director and Global CFO. Like always, I'll provide a brief update on the overall business for the second quarter and then hand it over to Glenn and Anurag for their opening comments on the current and future potential of the company. Following that, we'll open the floor up for Q&A.

For the -- in terms of our overall performance for the second quarter, Glenmark's consolidated revenue from operations was at INR60,469 million as against INR34,338 million in the corresponding quarter last year, recording a Y-o-Y growth of 76%. For the 6 months ending September 30, 2025, Glenmark's consolidated revenue was INR93,113 million as against INR66,780 million, recording an increase of 39.4%.

In terms of our regional performance, starting off with India, sales for the formulation business for the second quarter of FY '26 were INR1,650 million as against INR12,817 million in the corresponding quarter last year, recording a decline of 87%. Glenmark has a unique legacy 3-tier distribution system in India like peer companies, and there was increasing uncertainty within the distribution channel following the announcement of the GST regime change on August 15.

And during the second quarter, Glenmark's primary sales were affected due to onetime reduction of distributor inventory levels, some postponement of orders and impact of freight and reverse logistics, all in anticipation of the GST regime change. Growth was also impacted due to the base effect of the discontinued tail-end/low-margin products.

The company expects reported growth for India business to be in line with the secondary sales growth starting the third quarter. In terms of secondary sales growth for the second quarter, Glenmark continued to outperform the Indian pharma market. As per IQVIA, Glenmark's India

formulation business recorded a growth of 10.8% in the second quarter and 11.4% as per MAT September compared to the overall market growth of 6.4% and 7.3%, respectively.

In terms of its core therapeutic areas, Glenmark continues to outperform the overall market as per the IQVIA secondary data. We are now ranked 13th with a market share of 2.3%. We have, in fact, now added a couple of additional brands to the IPM top 300. We now have 11 brands in the IPM top 300 as of MAT September.

And in terms of our key core therapeutic areas, we are ranked second in dermatology, third in respiratory and fourth in the cardiac segment as per the IQVIA MAT September data. In terms of some of our key launches in India, so starting off with TEVIMBRA, BRUKINSA. So as we had announced earlier, Glenmark had launched both these products under their -- TEVIMBRA and BRUKINSA in partnership with BeOne in the first quarter.

And these 2 brands have seen a very strong uptake in the market in a short period of time as a differentiated treatment option available across multiple solid and hematological tumors. The company expects these 2 brands to further gain momentum and meaningfully contribute to the India business growth over the next 2, 3 years.

LIRAFIT, we continue to see strong market share in LIRAFIT and Liraglutide market. And as announced earlier, we plan to launch other GLP-1 agonist as well. JABRYUS, which was partnered with Pfizer, and we launched the product in Jan 2024. And again, as a novel treatment for moderate to severe atopic dermatitis, JABRYUS has been well received by dermatologists overall.

Our Consumer Care business recorded secondary sales of 10%. Candid Powder continues to hold leading share in the market as per the IQVIA data. Our Scalpe portfolio delivered a very strong growth during the second quarter and some of the other direct-to-consumer brands also performed well. We recently transferred the India's GCC business into a wholly owned subsidiary called Glenmark Consumer Care Limited to bring better focus to the India Consumer Care franchise.

Moving on to North America. The North America business recorded sales of INR44,656 million for the second quarter as against INR7,405 million for the second quarter of last year. Net of the out-licensing income for ISB 2001 deal, the core business growth in North America for the second quarter was 7.4%.

In the second quarter, we launched 2 very interesting products, Micafungin injection and Eribulin Mesylate injection. We now have more than 10 injectable products launched in the U.S. market and continue to build a strong institutional business franchise in the region.

We are obviously leveraging our strong development capability in respiratory are awaiting approval for 2 ANDAs for the generic nasal sprays, which we have filed earlier. And we are also -- we have -- as announced earlier, we have filed the ANDA for generic Flovent 44mcg, and we are working on additional filings in the respiratory area as well.

We plan to file 2 ANDAs in the upcoming quarter and launch 3 to 4 products each quarter going forward. Glenmark's marketing portfolio as of September has 53 applications pending at various stages of the approval process, of which 25 are Para IV.

Moving on to Europe. Glenmark's Europe operations for the second quarter was at INR7,460 million as against INR6,874 million, recording a growth of 8.5%. Glenmark's European operations returned to growth in the second quarter, driven by a robust uptick of new product launches. Glenmark continued to perform overall -- outperform the overall pharma market in key branded markets like the Central and Eastern European countries.

The Western European business also recorded double-digit growth and branded respiratory portfolio continues to have a strong trajectory in the region. So as mentioned earlier, again, we are focused on sustaining increasing contribution from the branded markets in the branded portfolio in Europe. We now have 7 respiratory products, which have been commercialized across the region, and we are awaiting launch of additional 2, 3 products over the next 18 months.

Glenmark also launched WINLEVI in the U.K. and initial response has been very positive, and we will be launching it in other European markets as well once we get the final approval. On the emerging markets, for the second quarter of FY '26, revenue from the emerging markets was INR6,585 million as against INR7,041 million, recording a decline of 6.5%.

Growth in the emerging markets continued to be impacted by geopolitical uncertainties, which resulted in lower uptake in certain markets in Latin America and Middle East Africa. However, our Russia business did well. As per IQVIA MAT September data, Glenmark's Russia business recorded secondary sales growth of 8.1%. RYALTRIS continues to do well in Russia and gain further share. And we are continue to be ranked amongst the leading companies in dermatology and expectorant market in Russia.

In Latin America, as mentioned, we witnessed some subdued secondary sales during the quarter. We have launched multiple respiratory -- differentiated respiratory products, including RYALTRIS in markets like Mexico and expect stronger performance in the forthcoming quarters. In Middle East, Africa also growth was impacted due to lower uptake. However, again, RYALTRIS as a brand continues to do well in the region.

And in other markets where it has been launched in the last few quarters, we have seen good uptake for this product. APAC region, we did well. We recorded double-digit growth during the quarter. And again, respiratory and dermatology, in both areas, we continue to do -- perform well. RYALTRIS, again, will be a key growth driver and will be launched in additional markets like China and Thailand by our partners in the forthcoming quarters.

Quickly giving an update on our global innovative specialty portfolio. So RYALTRIS, as mentioned, marketing applications for RYALTRIS have been filed in more than 90 markets. The product is now commercialized in 49 markets. Recently, we announced that our partner, Grand Pharma, had secured approval for RYALTRIS in China.

We are working with Grand Pharma to launch the product in the first half of the coming fiscal year. And our partner in Thailand, Organon is also preparing to launch RYALTRIS in the fourth

quarter of this year. WINLEVI so as mentioned, company has launched WINLEVI in the U.K. We are expecting approval in other European markets as well. And as soon as we get the approval, we'll launch the product.

Our partner, Cosmo received a positive CHMP opinion in August 2025. And WINLEVI is also under regulatory review in South Africa. QiNHAYO, which is Envafolimab, we have already filed 14 applications for QiNHAYO and first commercial launch expected towards the end of this year. We have received authorization from regulatory agencies for -- to supply Envafolimab in Kenya. We also initiated a global multicenter Phase III trial in the neo-adjuvant/adjuvant NSCLC setting.

Trastuzumab Rezetecan -- so in Q2, we announced an exclusive license and collaboration agreement with Hengrui Pharma for Trastuzumab Rezetecan, which is a next-generation HER2 targeting ADC. Glenmark has gained rights to register, develop and commercialize the ADC in several emerging markets.

This is Hengrui's self-developed HER2-targeting ADC. It was approved in China for treatment of HER2-positive non-small cell lung cancer. It is also undergoing other clinical trials in HER2-targeted solid tumors.

Finally, on IGI. So a quick update on the various IGI pipeline. So ISB 2001. So obviously, the one big update was that post our deal announcement in July, we got the approval from the U.S. FTC and received the upfront payment of \$700 million in September. As mentioned earlier, we are eligible to receive up to \$1.225 billion in development, regulatory and commercial milestones along with double-digit net sales royalties.

And Glenmark Pharma will be leading the commercialization across emerging markets. ISB 2301 is the next molecule in our IGI pipeline. This is a first-in-class multi-specific NK cell engager developed for solid tumors and the first program from IGI's IMMUNITE platform. The key update here is the clinical candidate was selected in October and the program has entered IND-enabling studies.

And finally, on immunology portfolio, ISB 880, which is the IL-1RAP antagonist, which was licensed to Almirall. Recently, Almirall announced that ISB 880 or LAD191, as they call it, has moved into Phase II studies in Hidradenitis Suppurativa, which is a large dermatology indication.

And ISB 880 -- sorry, ISB 830-X8, which is STAR-310. This is the OX40 antagonist licensed to Astria. Recently, Phase I trial was initiated by Astria, and they presented initial data at the European Academy of Dermatology and Neurology Conference in September 2025 as a late-breaking oral presentation. Based on the initial results, the molecule looks positive in terms of its efficacy as well as safety profile. And there is potential for infrequent maintenance dosing, which is a key update there.

So I think with that, I will hand it over to Glenn for his opening comments. Over to you.

Glenn Saldanha:

Thank you, Utkarsh. Good morning, everyone. Thank you for joining the call today. I've been running Glenmark for 25 years now, and this is, in fact, my 100th earnings call as a listed company CEO. Since our IPO 25 years ago, Glenmark's revenues have grown more than 80x from INR200 crores to INR16,000 crores, and we have delivered phenomenal returns to our shareholders as the stock price has gone up over 200x during this period.

Across these years, investors have always questioned our huge investment in innovation and our ability to deliver anything meaningful. In the past, to keep supporting this ambition, our operating margins and balance sheet has constantly been under stress due to high debt and other practices like high-cost pre-collections from distributors to manage our cash flows.

But we knew that we were building something strong and building a strong R&D platform, so we kept going. The ISB 2001 deal clearly vindicates our years of investment in innovation. With this deal and with the receipt of \$700 million, we are able to pay down all our debt and be net cash positive. We are also currently changing some of the legacy practices like pre-collection.

Today, since we have surplus cash, we thought it's the best time to undo some of these practices. Additionally, we have now corrected some other anomalies in our balance sheet, which will help us improve our overall return ratios. All this will be covered by Anurag shortly. Post Q2, Glenmark is entering a new phase called Glenmark 3.0. I see Glenmark in the next 5 to 10 years as a glorious phase for the firm.

We will accomplish our journey of moving up the value chain into becoming more of a branded-led company globally. In Glenmark 3.0, if I look at each of our businesses, our India business is a very strong business. We've built very strong brands such as Telma, Ascoril, Candid, Alex, and we are leaders in the therapeutic areas that we operate in.

We are in the top 3 in dermatology, top 3 in respiratory, top 3 in cardiovascular and oncology continues to do well for us. Our OTC business, our in-licensed products such as TEVIMBRA, BRUKINSA and our Chronic business will continue to outperform as we go forward. As per IQVIA and AWACS, we've been consistently among the fastest-growing companies over the last decade as per secondary sales.

Unlike our peers, we've had a legacy 3-tier distribution system. We thought we had optimal inventory in the channel. However, with the unexpected change in GST announcement in middle of October, the distributors decided to reduce their inventories due to price differentials. Today, most of the distributors have brought down the inventory levels to below threshold, so you could see some restocking happening going forward.

From Q3 onwards, we should get back to INR1,150 crores to INR1,200 crore run rate for our India business. Additionally, our India business should deliver over INR4,800 crores in top line revenues in FY '27. Our U.S. business -- on the U.S. side, our U.S. business continues to demonstrate strong growth going forward.

We look forward to our respiratory launches, our Monroe plant coming online, the in-licensed products continuing to deliver good growth and the next 3 Sole FTF/exclusive products should

launch in FY '27. Overall, FY '27 should be a very strong year for the U.S. business and the growth momentum should continue post that as well.

In Europe, our business continues to deliver very good results. Our respiratory launches, RYALTRIS and WINLEVI should be major growth drivers for the firm going forward. Growth for the region should be in the double-digit range in the second half of this year.

In emerging markets, while Q2 is an aberration, overall, our emerging market business continues to be very strong. The main growth drivers in EM will be our specialty launches like RYALTRIS, Envafohimab, Hengrui HER2 that we just licensed additional in-licensing and eventually ISB 2001. Due to this, our emerging market business should see remarkable growth going forward.

If I move on to IGI. In IGI, we've invested heavily over the last decade in building a world-class multi-specific antibody platform technology. This is a plug-and-play technology. The excellent ISB 2001 clinical data clearly validates that the platform works. Hence, we see all future assets coming out of this platform having a higher probability of success.

Not too many companies, including oncology-focused big pharma have a multi-specific antibody platform technology. So this is very unique and gives us a huge competitive advantage. At IGI, we're currently running over 4 multi-specific preclinical and discovery programs that will be coming into the clinics over the next 5 years. The first is ISB 2301, which enters the clinics in FY '27.

IGI will keep spending around \$70 million to \$75 million a year to bring its pipeline forward. Assuming these multi-specific programs work, each of them could be as valuable as ISB 2001. So out-licensing deals could be pretty big going forward from IGI. With the 3 partnered programs of ISB 2001, ISB 880 entering Phase II and ISB 830 in AD and a world-class multi-specific antibody platform technology, IGI could be amongst the most sought-after valuable company in the next 5 to 7 years globally.

Friends, in summary, post our Q2 results, I see Glenmark 3.0 as a company entering a very strong revenue growth phase of 12% to 15%, strong operating margins of 23% going forward, targeted to go up to 25-plus percent in the years to come, a well-funded company generating strong free operating cash flows, being zero gross debt in FY '26, generating industry best ROCs and ROEs in FY '27 and beyond.

Excellent world-class R&D portfolio with ISB 2001, ISB 880 and ISB 830, a world-class multi-specific platform technology in IGI that is delivering subsequent assets like ISB 2301 and the 3 new programs, large out-licensing partnership deals over the next 5 years.

In the early years, some of our previous deals were in the range of \$20 million to \$50 million upfront because we needed the cash. Now that we have a strong balance sheet and are well funded, we are in a position to realize the full potential of the pipeline similar to what we did with ISB 2001.

IGI is being self-funded for the next 3 years. During this time, we'll progress a very exciting pipeline of 2301 and 3 additional multi-specific programs in the clinics. Post 3 years, we can expect additional milestones from our partnered assets to fund IGI, potential new deals for the 4 programs that we are currently running and possibly an IPO to raise additional funds.

Hence, we will ensure that IGI remains -- continues to remain self-funded even going beyond the 3-year mark. To conclude, our FY '27 revenues, we expect to be about INR17,000 crores to INR18,000 crores in terms of top line revenues.

I will now hand the floor over to Anurag to give his opening comments.

Anurag Mantri:

Thank you, Glenn. Good morning, everyone. As Glenn highlighted, the Glenmark 3.0 is now entering a phase of strong and sustainable growth. This will be a growth-oriented phase with a strong balance sheet and prudent capital allocation. To strengthen our balance sheet, bring in tax efficiencies and focus on the cash flow generation, we have implemented some key changes in terms of our provisioning norms and standard operating procedures.

While the onetime IGI income in this quarter would have impacted our capital ratios, the balance sheet restatement ensures that our financials represent the true capital efficiencies of our core business. Let me just outline the key changes which we have instituted in terms of our overall way of operating and the financials.

So we have discontinued in the past. Actually, we have -- due to various operational constraints, as Glenn mentioned, we had the legacy pre-collection arrangements with the distributor across geographies. These were high-cost arrangements and as high as 20% in some cases, which adversely impacted our margins.

With constraint now removed, we have discontinued these pre-collections, resulting in large increase in debtors. The transition will support improved operating margin and help us to continue a strong margin trajectory going forward. This will also help us enhance our working capital efficiencies and sustain a net working capital cycle of around 110 to 115 days, which will be in line with the peer companies despite a diversified global presence.

On provisioning, we have -- let me explain you the onetime provisioning and charges of debtors and inventory. We have revised our policies on debtors and inventory and in line with the prudent accounting norms, restated certain provisions and charges to better reflect our true return ratio. These balance sheet charges are tax efficient, cash neutral and very value accretive for the shareholders, driving improvement in key metrics such as ROCE and ROE.

We are at debtors level of around 90 days and inventory level of around 80 days now, which is in line with the industry or perhaps better than the industry average in terms of inventory days despite our geographical spread. This will help us support the growth from Q3 FY '26 onwards. These are provisions and hence, any recovery of debtors and inventory in the future will add to profitability.

Now let me give you the cash flow recalculation from the ISB deal. So I will start from the opening cash of 31st March 2025. We had an opening cash of INR1,705 crores. From ISB 2001

deal, we got around INR5,950 crores. That takes us to our cash to our INR7,655 crores. Then out of this, we have repaid the gross debt of INR1,300 crores.

We have paid the cash tax and interest -- cash tax of around INR75 crores and interest of around INR150 crores. The capex in this H1 was around INR500 crores. And then we have also paid the onetime expenses of around INR650 crores. These included onetime bonus payouts to IGI team for successful execution of the deal, deal execution expenses, IP and documentation transfer charges, also the closure of the facilities in Switzerland.

As you know, in these geographies, typically closing of the facilities, you have to dispense a lot of liabilities at the time of closure, which included employee-related liabilities, local authorities charges. So all these have been now settled with the authorities and various other miscellaneous items.

And this stands the approximate that INR2,874 crores was spent like this. And it includes also the legal settlement of around INR200 crores, which we have actually provisioned earlier and was -- has been now expensed out. So this includes the one provision which we made in the quarter 1, if you recall that INR37.5 million out of that almost INR11 million we have repaid in this quarter. And some of the provisions of the past year, we have repaid in this quarter.

So this does not include any P&L charge on the cash outflow, and this is only for cash reconciliation purpose. So this takes -- adds up to INR2,874 crores. Besides that, if you recall that we had -- because of India sales, we had a H1 business cash deficit of around INR500 crores. And then that leaves us with a change in working capital of around INR1,600 crores, which is primarily due to debtors and inventory.

This is debtors is because of, as we said, is because of the stock of pre-collection. There was an increase in debtors of around INR800 crores. And similarly, inventories are actually to build up for the quarter 2 -- sorry, H2 businesses. We had to actually -- and the inventories, as I told you, it's still at 80 days as compared to the industry practice of 90 days.

So it's all healthy inventory which we have to build up to support the growth rate of the business in H2. So that's all of the one-off change in working capital of around INR1,600 crores. And that leaves us with a cash of around INR2,600 crores, INR2,647 crores to be precise. So that actually gives a full cash reconciliation. With all the above changes, we are in a very strong position and have ensured that we manage to fully express the true future potential of our business.

To summarize, Glenmark 3.0 will be immediately impactful as our EBITDA margin will trend towards 23% and strengthen further over a period of time. We will continue to maintain a strong balance sheet by sustaining zero debt and focusing on robust free cash flow generation. This will enable to maintain industry-leading return ratios of around 25% to 30% of ROCE and 20% to 25% of ROE going forward.

With this, we can start the Q&A.

Moderator:

Thank you. Ladies and gentlemen. We will now begin with the question and answer session. The first question is from the line of Nitin Agarwal from DAM Capital.

Nitin Agarwal:

Glenn, a couple of things. One is, a -- clearly, this whole -- the way that Q2 results came out, they were really from the corrections that were there in the P&L balance sheet [inaudible 0:30:39]. So fairly unexpected. So that's for the record. And on this part, we've heard your explanations on how you see things going forward.

But as an assurance, I mean is this -- I mean, from what you've done so far, is it -- I mean, are we done with these corrections on the legacy issues on the balance sheet and the P&L? Or I mean, is this literally the end of it? If you would like to just reconfirm?

Glenn Saldanha:

So Nitin, very clearly, if you heard my commentary, right, I mean, we are clearly in a position where we'll take each of the pieces, okay? For example, for India, we have clearly guided to INR1,150 crores, INR1,200 crores is starting Q3. And next year, over INR4,800 crores of sales, right? So that should tell you that the India business is back on track.

As far as the balance sheet changes, right, the pre-collections, we are pretty much done with everything. We changed the model completely, right? It's clearly -- I think -- and the balance sheet changes is clearly reflective in our ROCE and ROE, right? If you see the -- obviously, this year, ROCE, ROE will be very high.

Next year also, we are -- we'll have industry best ROCEs and ROEs, right? So given all this, we are pretty much done with -- and a lot of provisioning. We made a lot of provisioning. Some of that could obviously get added back as we go forward, right, particularly better than inventory. So I think from our perspective, there are no further changes in either the P&L or balance sheet corrections, which need to get done going forward.

Anurag Mantri:

So Nitin, basically, just to add to that, actually, we have looked at all the provisioning norms, and we have now made it on a basis of principles, certain principles. We had a new auditor also in place and then we discussed thoroughly with them. And we have now made a very standard process of the provisioning norms.

And going forward, I can assure you that's the reason we have actually taken a onetime in terms of debtors was largely because of pre-collection and inventories are in line. So all these charges actually will help us that balance sheet is in a very strong place and truly reflect the capital employed in the business because that will help us to truly reflect the capital employed in the core business and improving the ROCE and ROE accordingly.

Nitin Agarwal:

And sir, just to pick up working a little bit on that. So you mentioned in your opening comments that in the past, because of investments in R&D and everything, cash flows have been a constraint for Glenmark in the past. Now with that constraint ease, what kind of changes do you think -- what impact does it have on the business? I mean what flexibility does it give you for the business on a going-forward basis?

Glenn Saldanha:

So look, the way I see it, Nitin, the journey for Glenmark for the -- at least for the next few years is very clearly related to continuing to be a high-growth business, right? We are back in the growth phase because all these years, right, we were investing heavily in innovation, right? And we couldn't optimally invest in the base business. We are now back into a high-growth phase as an organization.

And I anticipate -- my aim is to grow this business around 15% as we go forward, right? And if you see India, for example, last month, we had a 17% growth, right, which was the highest -- among the highest in the industry, right? So we are back into a high-growth phase, right, as an organization.

Our focus is to grow this business organically. So we will continue to grow organically in most of our geographies. And just by focusing on organic growth, we will get to those high-growth numbers going forward, right, as an organization.

And of course, free cash generation, we talked about the EBITDA margins going to 23% immediately. And then eventually, we will -- as the business scales, we'll go up to 25-odd percent. And then the free cash generation is a must-have, right, for us. Although we have zero gross debt, right, by the end of FY '26. Thereafter also, we will ensure that the business will continue to generate free cash.

And then we'll figure out, right, what the next steps are with the cash that gets generated by the business from FY '27 and beyond. So the journey ahead is a very different one than what we faced in the past, right? In the past, a lot of constraints came because of our high investment in innovation, right?

And now that with 2001 deal happening, the cash coming in, automatically, the next steps for the organization is very different, right, where the business will throw a lot of free cash from FY '27 and beyond, right? This year, of course, we are well funded, right, for this year.

But FY '27 and beyond, the business will throw a significant amount of free cash, right, as we go forward. On a very high EBITDA, almost INR17,000 crores, INR18,000 crores top line with EBITDAs of 23-plus percent, right, will generate significant amount of free cash.

Nitin Agarwal:

I just to squeeze, to build on that. So H1, I mean, our guidance is almost INR1,800 crores EBITDA or thereabouts. So I presume given what we've discussed so far, we should have some generation of free cash in the second half of the year?

Anurag Mantri:

Yes. If you see that I think we are still at INR2,700 crores of cash in the books. And as the business generates, we will surely be in a cash positive. And as Glenn mentioned that we will be -- first, we -- our aim will be to have a completely gross debt zero by FY '26 -- end of this March, end of this fiscal. And the business will continue to have a cash generation, and we'll have a -- as we outlined, we'll have a very prudent capital allocation going forward to grow the business.

Moderator:

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

Damayanti Kerai:

My first question is, you mentioned you paid around INR650 crores as onetime bonus and some deal-related charges, etc. So if we see that number as a percentage of the money which you got from the deal almost coming to 10%, 11%, right? So if you can explain, is this the global norm of paying such high amount to employees as an incentive? Or why you have like paid such a high amount? If you can just throw some light?

Glenn Saldanha: Damayanti, first of all, that INR650 crores is not employee bonuses, okay? And it's not only deal cost. It combines a lot of different line items that Anurag mentioned. right? So -- but Anurag, go head.

Anurag Mantri: Yes. So basically, Damayanti, employee bonuses are one part and which is in line with the biotech companies where you have to actually incentivize the R&D team and specifically to have them continue to build the pipeline in the future. So that is absolutely in line and we looked at various consultants inputs on this.

And so that's one part of it. But besides that, it also includes the -- because we've done this deal in -- and most of the -- quite a big pharma, most of the big pharma entered the data room, we set up the data room, legal charges, due diligence charges, a lot of consultants were involved.

So all this actually and specifically all this was actually done into the European geographies and U.S. geographies. So which is a very high cost in terms of the lawyers and other fees. So that's also included. And also include the LCDF closure charges because regulatory-wise in these geographies, it's not easy to close the facilities, specifically to disperse a lot of liabilities.

So it included all the settling of all the employee-related liabilities, local regulatory liabilities and everything. So this is not only that. So it's a combination of that. So with that, I think these numbers are very reasonable, I must say that.

Damayanti Kerai: Anurag, can you specify like as a percentage, what was the actual onetime paid and then there are other expenses that will be, I guess, more clear?

Glenn Saldanha: I think because of confidentiality reasons, Damayanti, it's impossible to talk about specific deal bonuses or any specific line items, right, on the call.

Anurag Mantri: And it also included the IP and documentation transfer charges, which we have also had to do as part of the transfer of this ISB 2001. So all these have been actually booked on this.

Damayanti Kerai: Okay. My second question is on India business. So Glenn, again, I think we are looking for some clarity because GST came as a window. So if GST change didn't happen, you wouldn't have taken this write-off? Or you use this window as an opportunity to clean up the issues on distribution side? Because 2 years back also, you did this inventory write-off. And at that time, we thought it's like over -- it's a cleaned up base to start on?

Glenn Saldanha: So Damayanti, if you see my opening comments, right, we thought we had an optimal inventory level in the channel, right? However, the GST thing came as an unknown, right, for us, right? It was totally unexpected, right? And then the distributors, because of the differential, right, in the GST rates, right, they started reducing their inventories, right?

And today, if you see, that is all for us, now they've reached inventory levels which are below the threshold, right? And you could see some amount of restocking. But this was completely unexpected from our side, right? So...

- Damayanti Kerai:** But Glenn if I may interrupt, I think this discussion on GST, etc., has been going on for some time, right? And I believe industry is also involved as a part of discussion?
- Glenn Saldanha:** But Glenmark has a unique distribution model, okay? We have a 3-tier legacy distribution model. Most of the industry is already on C&F, okay? Their C&Fs. So that is making the big difference, okay, right, because of the 3-tier distribution system that we have. And that is what is impacting -- has impacted us, and it's not impacted the rest of our peers.
- But it's -- again, it's a onetime thing, as I mentioned. From Q3 onwards, you should see sales coming back, and we've even guided to INR1,150 crores, INR1,200 crores from Q3 as well as next year, INR4,800 crores and above.
- Damayanti Kerai:** Okay. Just to be on the same page, if you can explain what is the third layer which is additional for you against?
- Glenn Saldanha:** We have a super stockist structure, okay, which is we have super stockist or distributors, right? Most of the other companies have a C&F model where the inventory and everything is on the company, right? So inventory and receivable collection from stockist is on the company, whereas for us, when we do the billing, the inventory is on the distributor and his responsibility to collect from the channel. So that's the uniqueness of the model.
- Moderator:** The next question is from the line of Kunal Randeria from Axis Capital.
- Kunal Randeria:** Sir firstly again on the India business, Glenn, in Q3 FY '24, you had undergone some kind of restructuring. And now we have restructuring in Q2 '26. So if you mind -- do you mind telling us what the difference was? And the extension to this question is since you still have a state distribution structure, in future, if there are any certain changes from the government's end or from the industry's end, do you run a risk of something similar happening?
- Glenn Saldanha:** So Kunal, I explained the -- what currently happened, right? In terms of the future, look, the distributor inventories are now at very low levels, right? So automatically, in fact, we are expecting some restocking. Now in future, if there is any other change that happens, it's impossible to predict, right? But I don't think in the future, we will be at a disadvantage because of the 3-tier system. So that is pretty clear for us, right, as of now, right, whatever we can see because the inventory levels have come down to very low levels now.
- Kunal Randeria:** All right. But then again, in Q3 FY '24 also, I think there was some intention of getting the inventory down, right, if I'm not wrong?
- Glenn Saldanha:** That's correct. So that was an inventory -- we reduced the...
- Utkarsh Gandhi:** Yes. So Kunal, actually, at that point, as I think we explained that what we did is we basically consolidated some of our stock points because we -- while we had the 3-tier system, we actually had -- at a -- over a period of time, we have built some inefficiencies in terms of how many number of stock points we had across the country.

And we just thought we will consolidate some of that business. And so that was a change that happened in Q3, I mean, 18, 24 months back. I think what has happened this time, Glenn has explained, and I think we spoke about the future as well.

Kunal Randeria: Right. Right. Okay. Okay. And my second question, again, I think Anurag did explain the INR1,650 crores of working capital that's gone in the cash flow statement. To be honest, I can't really see it in the cash flow of the balance sheet. So my question is, if the inventories have now gone down, I mean, how is INR1,650 crores, if you can kind of split it between receivables because I think some payables would have also gone up or if you just can give the split?

Anurag Mantri: So Kunal, if you see that there was inventory gone up by around INR250 crores on the face of the balance sheet and debtors was close to INR400 crores on the face of the balance sheet. But the underlying towards that is that we stopped the pre-collection. So that has actually increased the INR800 crores of the debt. So that's what the reconciliation.

And inventory levels also it's all we'll have to -- as a going concern business, we'll have to keep building the inventories for the next H2 of the -- and to support the growth. So which is a normal inventory of INR3,300 crores today, we are carrying, which is 80 days of the -- just 80 days of the inventory levels.

Utkarsh Gandhi: And Kunal, just to clarify, I mean, we can connect offline as well. But if you see the cash flow, I mean, there is part of the \$700 million, right, that where we received the cash, but the P&L booking will happen in subsequent quarters. So that is sitting in other current liabilities and other noncurrent liabilities. So I mean, that's why if you adjust for that in the cash flow statement, broadly you will get to the working capital increase that we are talking about. But we can explain, we can talk it offline also in separately.

Anurag Mantri: So basically, the INR1,500 crores -- so if you see, out of INR6,000 crores gross number is that what we received, we have booked only INR4,500 crores in this P&L. So balance INR1,500 crores, what Utkarsh mentioned is sitting in other current liabilities. That's actually what the number is actually. So -- and we can give you the full reconciliation of that.

Utkarsh Gandhi: And since we've taken -- when we explained the cash, we took the full cash at the start, right, the entire INR5,950 crores. That's why we have to adjust -- we have to take the actual cash impact for the working capital increase.

Kunal Randeria: Right. And just one more if I can. You have a net cash of INR1,500 crores, INR1,600 crores now. I believe you still need to pay the tax on the proceeds of this withdrawal and payment. So can you guide to what your number could be by the end of FY '26, the net cash number?

Anurag Mantri: Okay. So net cash of -- right now, we are sitting is actually INR2,647 crores, exactly to be precise. And in terms of the taxation of this, we have actually really worked that very well in terms of -- and we have brought down despite the 3 level of taxation, which is Swiss taxation, U.S. taxation, India taxation on this money flow.

We have actually brought it down to close to a \$90 million of total cash outflow of the taxation. The charge will be higher, but because of various -- we have worked out with the various

structure of absorbing the losses in the various entities. So this has come down to almost 12% to 13% of the total deal value of the cash outflow.

So that will be there and it will be going -- I think large part will be going in H2, but I think balance will be going in the next year also. And this is completely has been built up in our cash flow planning. And as Glenn mentioned, with this, we are -- FY '26, we will be a gross debt zero surely of that.

Glenn Saldanha: And also, Kunal, the business will generate -- a significant cash will get generated in the second half, okay, right, from the business, right?

Anurag Mantri: Expected to be much higher than H1. So I think -- as Glenn mentioned, it's almost INR8,000 crores of revenue, which is expected in H2. So that's actually also be a strong cash generation. So besides paying the full gross debt, we will still be a cash positive.

Kunal Randeria: Got it sir. So you will be ending with at least this amount, if not more. That should be...

Anurag Mantri: Amount I would -- Kunal, I would not say that. I think what I would guide is that our first target will be to have paid all the gross debt. And the second will be to actually support all the taxation and discharge all the liabilities in terms of contract. I think what this, I think it's only 2 quarters, so you have to be patient with that, but we will still be a cash positive.

Moderator: The next question is from the line of Tarang from Old Bridge Asset Management.

Tarang: Just on the India business, in terms of inventory rationalization, the channel unloading that you have done, what is the quantum of it? Is it close to about INR1,000 crores?

Glenn Saldanha: A little less than that, I'm guessing.

Anurag Mantri: Yes, around INR1,000 crores. It's almost -- see, our targeted run rate, as Glenn mentioned, going forward is INR1,150 crores plus. So I think that's what -- I think if you remove that INR150 crores what we have booked, so close to INR1,000 crores and maybe a little higher than INR1,100 crores sort of number we could have hit this quarter.

Tarang: Got it. Second, the INR830 crores IGI and onetime charges line item, it doesn't include the R&D associated with IGI in Q2, right, that...

Anurag Mantri: No, it does not. It only included the onetime charge. It does not include the running expenses of R&D.

Tarang: Okay. Glenn, just you have attributed a lot of your write-offs in this quarter and the previous quarters to your spend on innovation. But if you look at the last 12 quarters, right, the quantum of write-offs that the business has taken, it's actually a 1:1:1:1 split between Monroe, India, Zetia and other antitrust regulations.

And the fourth one would perhaps be related to your intangibles or your R&D spends okay? The question really is -- and if you add them up, the quantum is pretty significant, and we can take

the numbers offline. But really, the idea here is to look forward and try to get a sense on what are the kind of controls that you've instituted within the organization.

And this is -- I mean, this is not specifically only to Glenn. It's really everyone who's listening to the call, the top management, the Board, the CFO rather, right? This can't keep happening, Monroe, litigation, India and obviously, the R&D, the IT innovation spends. So just wanted to get a sense on how are you really fool-proofing it going forward?

What are the checks and balances, the controls that you're doing? Are there additional committees that are being set up? Do you have someone who's really keeping a razor eye margin -- razor eye sight on what's really happening, please?

Glenn Saldanha: So Kunal...

Tarang: No, this is Tarang.

Glenn Saldanha: So the first part, right, look, many of the things you mentioned, right, we had a difficult patch as an organization, right? There's no taking that away, right? Whether it's Monroe, right, all the FDA challenges we faced and the fact that the facility has not manufactured anything for the last 3, 4 years, and we continue to have that operating expenses.

Intangibles a lot of the intangibles, we were able to take certain write-downs. Zetia, we booked the revenues. Unfortunately, we had these class action lawsuits where we had to pay back a lot of things. So I mean, these are not in anyone's control, okay? From an operational standpoint, it's impossible to predict any of these, right?

Otherwise, we -- from an overall business perspective, right, we have very strong controls in place, right? We have a lot of governance committees that are formed now to look at the various aspects of the business. We have a great leadership team overseeing most of our businesses. But some of the 3, 4 points that you mentioned are clearly -- it's impossible to predict, right?

The issues we faced in Monroe or the issues we faced with regards to the litigation costs that we ended up incurring. And even there, I mean, we have strong compliance committees now in place, right, to oversee some of the litigation aspects, right, to make sure we don't have those issues again.

So I think as an organization, right, we've evolved significantly. But there's no taking away that the last 4, 5 years, right, prior to the 2001 deal were difficult years because we got hit with a lot of different things from different areas, right, be it litigation, be it Monroe, be it some of our other business challenges that we faced, right?

And that, obviously, in my opening commentary itself, I mentioned, led to increase in the debt level and led to increase in certain things that we had to do, right? -- from a cash flow perspective, right? Today, we are in a very different place, okay, right? I mean today, the business is rock solid. The growth is very strong. Margin profile is strong. We are sitting on cash, and we will continue to sit on cash. We'll have no debt on the books.

So there are lots of -- there's a lot of strength in the underlying business, okay, today, which we never -- which we struggled to keep in the past, right, or have in the past. So I think that gives us the confidence that the next decade will look very solid for us, right, given all that we've got going, plus we are unique in terms of innovation.

Nobody else has a pipeline that we have. Nobody else has a platform that we have globally. So I think my personal view is the next 5 to 10 years should be transformational for Glenmark. And I've been doing this 25 years now, right?

It's not -- and as I said in my opening comments, right, we've delivered significant returns to shareholders, 200x when you think about it, right, since IPO, right, in terms of shareholder value creation, revenues growth. So look, we are a fundamentally very solid company, okay, right? We've had a phase -- certain phases, every organization goes through certain phases where there have been challenges, right?

And unfortunately, we got hit with all this in the last 5 years. But now the 2001 deal and the kind of cash flows and the strength in the underlying business, right, overall, the next 5 to 10 years should look very strong for us.

Tarang:

Got it. Just -- yes. Glenn, just to retort to it. I think like you called out, right, the last decade, so to say, for the business has been quite challenging from the point of view of the kind of deployments that you did in your innovation business. And the longevity of this business takes time. And in some sense, ISB 2001 has been a strong reminder of the capabilities that you've created.

But what's also happened in the last 3, 4 years, so to say, with the business is that for reasons that are best known and for challenges and risks that are best being navigated by the business, the business has not been able to deliver on free cash flow. So while -- and it somehow comes back ended with these write-offs coming through, and that's where probably our sort of concern stems from.

So what's done is done and as you have called out and the teams called out that you are looking forward to the future, the only request here is that if you all could create a mechanism where there is actually some kind of tap in terms of trying to manage your free cash flows.

And because as analysts tracking this business for the last 5 years at least, while you've been running it for the last 25 years, been tracking it for the last 5, 6 years, these write-offs are extremely difficult for us to also evaluate the longevity of the business going forward.

So a sincere request if this is something that as much as it is under your control, obviously, you're running a business, there are risks associated with running a business. But as much as it's under your control, if you could really put a needle on it, it will be really, really helpful.

Last question, over the next 2, 3 years, for all the cases that have been settled, the quantum of cash flows in the next 3 years would be in the ballpark of INR800 crores to INR1,000 crores. Does that number hold good? Or could -- is there an upside risk to that as well?

Glenn Saldanha: Sorry, can you repeat that? For all the cases that have been settled...

Tarang: On the litigation spends for different cases that the business has undergone, right? Litigation spends, the cash outflow, while you'll have taken a provision for it, but you'll have cash outflows coming through some bit of it in '26, '27 and '28. The number that I'm building is about INR800 crores to INR1,000 crores. Is that the number or it's significantly lower or higher? Will be helpful?

Glenn Saldanha: It's slightly lower than that. Okay, Tarang.

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

Bino Pathiparampil: Thanks for the cash flow reconciliation that Anurag offered at the consolidated level. Just wanted to understand at the subsidiary level, at the IGI level. So this entire \$700 million, I assume came to IGI. And how much of it is still with IGI?

Anurag Mantri: No. So IGI, as we outlined that as a capital allocation, we have said that IGI will be covered for next 3 years of their capex allocation, which is \$70 million per annum. So almost \$210 million to \$225 million will be allocated to IGI. And most of them actually has been -- because IGI is a wholly owned subsidiary of Glenmark Holding.

So most of that has been actually then come back as a thing. And then some of this will be because of the tax planning perspective. Some of this will be dividended out in the next year. So it will be a phased out dividend. But for IGI capital allocation, it's only \$210 million to \$225 million, which is allocated for them.

Bino Pathiparampil: So out of the \$700 million, only \$210 million, \$220 million goes to IGI. The remaining came to some other entities of Glenmark. Is that right? Is my understanding right?

Anurag Mantri: Yes, yes. Basically, that will flow through everything to Glenmark. And it will be parked in treasury surpluses.

Bino Pathiparampil: Okay. So out of the current \$700 million cash, which is on your consolidated books, almost entirely when you say \$200 million, roughly 70%, 80% of that is sitting on IGI books now. Is that my understanding correct?

Anurag Mantri: Not IGI books partly is actually as of September, but then we have transferred the money into October also then even if it's IGI, not physically sitting with IGI actually because then it's been actually crossed -- there was an intercompany debt which has been there. And because Glenmark has a better strength to earn the treasury income. So that has been now we are -- see in treasury, we are running on a consolidated basis. So that's how we are actually parking into treasury.

Bino Pathiparampil: Sorry. So the entire money came into Glenmark, I mean, non-IGI Glenmark entities. Is that correct? Entire \$700 million then?

Anurag Mantri: Yes. So physical fund wise, everything, whether it's in the form of loan or the dividend or the other flow-through, it's been under control of Glenmark.

- Bino Pathiparampil:** Okay. And you will transfer \$70 million a year to IGI for the expenses?
- Anurag Mantri:** Right, absolutely. \$35 million for this year, H2 and then \$70 million every year as we committed.
- Bino Pathiparampil:** Understood. And this \$70 million will be fully expenses, will it pass through P&L as well because that is expense which is incurred by IGI, right?
- Anurag Mantri:** Yes. So in P&L, you will see a revenue item of \$70 million every year and corresponding expenses. So it will be neutralizing that.
- Moderator:** The next question is from the line of Kartik Bane from Bajaj Life.
- Kartik Bane:** So my question is on the product. So 4 assets that we mentioned on the multi-specific platform, are they all trispecific antibodies or also various other antibody formats like bispecific, scFv, Fab, etc? And the second question is about the time line that you mentioned 5 years. Is this a time line for recognition of the revenue, out-licensing revenue from these 4 assets? Or is this a time line for these preclinical assets to enter the clinical Phase I?
- Glenn Saldanha:** So when we say multi-specific, right, all these are more than trispecific or more than trispecific, right? So they have multiple binding sites, right, on the antibody. So this is all next-generation programs that we are working on, right, which can be transformational just as we did ISB 2001.
- Regarding your question on time line, we said we will -- 2301 enters the clinics next year, FY '27, right, which again is a multi-specific. And then beyond that, as we go forward over the next 5 years, you'll see one by one of these assets coming into the clinics. Regarding time line to partner, we said we will continuously evaluate partnerships, right? And we will try and close partnerships in the next 5 years, right, as we go forward.
- Moderator:** Ladies and gentlemen, due to time constraint, we take that as the last question. I now hand the conference over to Mr. Utkarsh Gandhi for his closing comments.
- Utkarsh Gandhi:** Yes. Thanks. I'll just hand it over to Glenn for his closing comments.
- Glenn Saldanha:** Yes. Thanks, Utkarsh. So just to close, right, I think, look, this is the best phase of Glenmark I have ever seen in the last 25 years as we are making an orbital change for Glenmark, which allows us to reflect the true potential of the company. In summary, my commitments to the shareholders in Glenmark 3.0 is to aim for sales of around 15% every year with an ascent on a higher branded portfolio.
- On the margin side, 23% EBITDA margin moving up to 25% in the years ahead, focus on strong free cash flow and maintaining a zero gross debt balance sheet going forward, improving our return on capital employed of 25% to 30% and continue to focus on improving it further as we move towards a more innovative-led driven portfolio.
- Strive to create world-class cutting-edge innovative assets that will enhance value creation for Glenmark shareholders going forward and enhance the payout ratios with an increased free cash flow generation, which should happen in the years to come, starting FY '27.

With that, I want to thank you all for joining the call today. If you have any follow-on questions, feel free to contact either Utkarsh or anyone from the management, Anurag or myself. Thank you very much.

Utkarsh Gandhi:

Thanks, Lizanne. I think we can close the call. Thank you, everyone for joining.

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.