AUROBINDO

August 19, 2022

To Listing Department, **NATIONAL STOCK EXCHANGE OF INDIA LIMITED** Exchange Plaza, Bandra Kurla Complex, Bandra (E), **MUMBAI -400 051** **Company Code No. AUROPHARMA**	To The Corporate Relations Department **BSE LIMITED** Phiroz Jeejeebhoy Towers, 25th floor, Dalal Street, **MUMBAI -400 001** **Company Code No. 524804**

Dear Sir/ Madam,

Sub: Transcript of earnings call.

Please refer to our letter dated August 8, 2022 wherein we have intimated the schedule of Investors/ Analysts call on August 12, 2022. We are attaching herewith the Transcript of the analyst / investor call on the Unaudited Financial Results of the Company for the first quarter ended June 30, 2022 and the same is being uploaded on the website of the Company and is available in the following web link.

https://www.aurobindo.com/investors/results-reports-presentations/conference-call-transcripts/

Please take the information on record.

Thanking you,

Yours faithfully,
For AUROBINDO PHARMA LIMITED

B. Adi Reddy
Company Secretary

Encl: As above.

"Aurobindo Pharma Q1 FY23 Earnings Conference Call"
August 12, 2022

Mr. P. V. Ram Prasad Reddy - Chairman, Aurobindo Pharma USA

Mr. K. Nithyananda Reddy - Vice Chairman and Managing Director of Aurobindo Pharma Limited.

Mr. Santhanam Subramanian - Chief Financial Officer, Aurobindo Pharma Limited

Mr. Sanjeev Dani – COO & Head Formulations, Aurobindo Pharma Limited

Mr. Yugandhar Puvvala - CEO of Eugia Pharma Specialties Limited

Mr. Swami Iyer - CFO, Aurobindo Pharma USA

Ms. Deepti Thakur - Investor Relations & Corporate Communications, Aurobindo Pharma Limited

Moderator: Ladies and gentlemen, welcome to the Quarter 1 FY23 Earnings Conference Call of Aurobindo Pharma Limited. All participants' line will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. In order to ask a question, please signal by using 'a raise hand' option on the bottom of your screen.

I now hand the conference over to Deepti Thakur. Thank you and over to you.

Deepti Thakur: Thank you, Aditya. Good morning and a warm welcome to our First Quarter FY23 Earnings Call. I am Deepti Thakur from the investor relations team. We hope you have received the Q1 FY23 financials and the press release that were sent out yesterday. These are also available on our website.

I would like to introduce my senior management team today on the call with us, represented by Mr. P. V. Ram Prasad Reddy – Chairman, Aurobindo Pharma USA; Mr. K. Nithyananda Reddy – Vice Chairman and Managing Director of Aurobindo Pharma Limited; Mr. S Subramanian – CFO; Mr. Sanjeev Dani, COO, Head Formulation, Aurobindo Pharma Ltd; Mr. Yugandhar Puvvala – CEO of Eugia Pharma Specialties Limited, and Mr. Swami Iyer – CFO, Aurobindo Pharma USA.

We will begin the call with summary highlights from the management followed by an interactive Q&A session. Please note that some of the matters we will discuss today are forward-looking, including and without limitation, statements relating to the implementation of strategic actions and other affirmation on our future business, business development and commercial performance.

While these forward-looking statements exemplify our judgment and future expectations concerning the development of our business, a number of risks, uncertainties and other important factors may cause actual developments and results to vary materially from our expectations. Aurobindo Pharma undertakes no obligation to publicly revise any forward-looking statements to in reflect future events or circumstances. With that, I will hand over the call to Mr. S Subramanian for the highlights. Over to you Sir.

Santhanam Subramanian: Good morning, everyone. I hope that all of you and your families are safe. We are here to discuss the results of the first quarter of the fiscal year FY23 declared by the company.

For Q1 FY23, the company registered a revenue of INR 6,235.9 Cr, an increase of 9.4% year-on-year, the EBITDA before forex and other income was INR 964.7 Cr declined by 1% quarter-on-quarter, EBITDA margin for the quarter was 15.5%. Net profit decreased by 9.6% quarter-on-quarter to INR 520.5 Cr.

In terms of the business breakdown, formulation business in Q1 FY23 witnessed a growth of 9% year-on-year, to INR 5,329.4 Cr and contributed around 85.5% of the total revenue.

API business contributed around 14.5% of the total revenue and clocked a revenue of INR 906.5 Cr for the quarter registering a growth of 11.6% on a year-on-year basis led by improved demand for some of our key products and declined at 0.7% quarter-on-quarter.

On a constant currency basis. US revenue increased by 6.1% year-on-year and 6.2% quarter-on-quarter to US $386 million. We have received final approval for 10 ANDAs and launched 7 products in the quarter under review. We have filed 13 ANDAs including 4 injectables during the quarter. Revenue for Aurobindo USA, the company making the oral products in the US has increased by 5% year-on-year to US $214 million. Revenue for Auro Medics, the injectable business increased by 16% year-on-year to $71.7 million. The company has on 30th June ’22 has filed 741 ANDAs on a cumulative basis of which 516 has final approval and 35 has tentative approval including ANDAs which are tentatively approved under the PEPFAR and the balance 190 ANDAs are under review.

For the quarter, the European formulation revenue clocked INR 1,548.1 Cr, a decrease of 2.2% year-on-year mainly due to the depreciation of Euro currency and in absolute Euro terms, the Europe revenue was at EUR 189 million with an increase of 5.9% year-on-year.

For the quarter, the growth market witnessed a growth of 30.8% to INR 430.6 Cr including the domestic formulation sales of INR 45.6 Cr. The quarter performance led by strong growth in Canada business.

For the quarter, ARV business stood at INR 379.6 Cr with a growth of 28.1% year-on-year. And in US$ terms, ARV revenue was at $49 million with a growth of 23% due to shifting of certain sales from the last quarter to this quarter amounting to US $17 million.

R&D expenditures was INR 310 Cr during the quarter which is 5% of the revenue. Net organic capex during the quarter is $61 million and average Forex rate was 76.9795 in the quarter ending June 22 and 75.0917 in the quarter ending March 22.

Net cash and investments at the end of June ‘22 was US$ 337 million. The average finance cost is 1.8% mainly due to earning multiple currencies.

The business generated a free cash flow before capex and other items of US$ 121 million during this quarter. Out of this cash flow, US$ 53 million was spent towards the capex, another $8 million was on PLI project, US$ 34 million for dividend and US $22 million for acquisition of business and thereby increasing the available cash , by about US$ 3 million. As a result of the above cash flow generated during the quarter, the net cash portion including the investments at the end of March ’22 improve to $337 million.

Also, we reduced the gross debt significantly to $277 million from $313 million end March ‘22. We have been reducing the gross debt quarter-on-quarter in the past quarters also.

This is all from our end and we are happy to take your questions now. Thank you.

Moderator: Thank you very much. We will now begin the question-and-answer session. Anyone who wishes to ask a question may use the raise hand icon on the bottom of your

screen. Once your name has been announced, you will be unmuted, and you can ask the question. Ladies and gentlemen, we will wait for a moment while the question queue assembles. First question is from Mr. Prakash Agarwal. Please unmute yourself Mr. Prakash.

Prakash Agarwal: The first question is obviously you did fairly well in the US market which has shown Q-o-Q growth, is it our preferences volume versus getting into better pricing given the gross margin decline or gross margin is largely due to the cost inflation or we have gone for volumes in the US also to grow the business.

Swami Iyer: In the US we have grown the volumes compared to the last year similar quarter and we have taken a fair amount of business. We have done, grown in terms of volume and the bottom line has various factors. One of the main reasons is the price erosion. And there has been inflation also in terms of transportation. We believe that going forward we can look for better numbers in terms of gross margins and for the years.

Prakash Agarwal: And when you say price erosion what kind of price erosion we are talking about here? It is in line with the previously seen trends of 5%, 7% or it is as reported by some of the peers it's double digit or how are we facing? What is the trend we are facing?

Swami Iyer: we are seeing some kind of tapering. We believe that the price erosion for example, this quarter, compared to the previous quarter is about 2% plus, and including the shelf stock adjustment, it's closer to around 3%.

Prakash Agarwal: Okay. And what about injectables? I mean that growth doesn't seem to pick up, so what's happening there?

Yugandhar Puvvala: Prakash, I think in terms of the growth, we have grown by 16% in US. And the overall growth is in the single digits at the global level. And we expect whatever approvals what we received during quarter one, and we expect some more approvals to flow through in this quarter. We are very confident of hitting the double-digit growth this year. Growth is not a concern at all.

Prakash Agarwal: No, but we have a big milestone, right? I mean, we have talked about almost doubling the business in next two years. So where are we in that journey?

Yugandhar Puvvala: we are still on track to hit the guidance what we have given for FY24, which is $650 million to $700 million. And as I indicated last year, we closed at a pro forma level of around $440 million in FY22. And we expect to cross half a billion this year in FY23. And we are on track for our guidance for FY24.

Prakash Agarwal: So, you're saying it would be largely back ended? Or how should we think about in terms of scale up?

Yugandhar Puvvala: No, it won't be back ended, it will be a quarter-on-quarter growth and which you will continue to see the double-digit growth every quarter.

Prakash Agarwal: And one question for Subbu sir is on the gross margin. So, clearly the price erosion is stable, 3% is stable in my view, but what is the outlook on the gross margin from here on given we have seen a substantial drop in this quarter.

Santhanam Subramanian: overall if you really see the gross contribution has come down by about 2.8% which is a combination of multiple factors including the price erosion which Swami has mentioned and there was some raw material prices increase also have happened. Even though the price started becoming stable, but because of the weighted average of some of the costs which have not been charged up earlier, have come this quarter. So, all put together around 2.8%. And we believe going forward must be in this range in the coming quarter and probably there must be softening coming in Q3. We are getting some indication but not from everyone. So we can start seeing the improvements in the margin Q3 onwards. I'm talking about the gross contribution, gross margin, not the EBITDA margin.

Prakash Agarwal: Any colour on EBITDA margin, sir.

Santhanam Subramanian: EBITDA margin, even though this quarter looks low as we had additional expenditure to the tune of around INR 60 Cr on account of the freight because we had to reschedule our production process etc. to meet certain regulatory compliance because of which production shifted to the later part of the quarter, which made us to airlift the material to achieve the commitment we had given to our customers. So hopefully going forward this should not be there in the coming quarter or at least at a very reduced level it should be, that's what our feeling.

P. V. Ram Prasad Reddy: One or two quarter will be there, Subbu, this last quarter and this quarter also some extent is there. then it will taper down.

Prakash Agarwal: And last question for RPR, sir. We had Govind sir as our CEO. So, is there any update on looking out for a professional CEO going forward?

P. V. Ram Prasad Reddy: As on today we are not looking. we are happy with the present system. And we have for biosimilar and vaccine and the peptides, Dr. Satakarni as the CEO and Yugandhar is taking care of Eugia Specialities Group and Nithyananda is taking care of the overall and raw material business. I'm taking care of formulation and reporting to Nithyananda. I don't think we are looking but, we are going to appoint in next two to three years.

Prakash Agarwal: Okay, perfect, sir. Thank you and all the best.

Moderator: Thank you. Next question is from Neha Manpuria.

Neha Manpuria: Hello.

Moderator: She has muted herself. Neha, please unmute yourself. Okay. We'll take the next question. Next question is from Shyam Srinivasan.

Shyam Srinivasan: Hi, good morning, everyone.

Shyam Srinivasan: thank you. So, just I missed little bit of the opening remarks. So, just in the US revenues, I think we talked about lower price erosion, but Q-o-Q and Y-o-Y we have grown. So, what's driven that new products or new contracts and old products, if you can help us understand?

Swami Iyer: Shyam, one is we have done additional volumes across some of our business. First and foremost, we had some supply chain constraints. So, we could not bring in those kinds of volumes. And this quarter, there has been an improvement in terms of volume. So, the demand for those products were good, so we could increase the volume for those products. And apart from that, we also tried to get some of the base business additionally. So, we have been partly successful in that.

P. V. Ram Prasad Reddy: Generally, in second and third quarters, some seasonal products also will improve and particularly like antibiotics and those things. This is also one of the reasons, and then other thing what Swami is telling.

Shyam Srinivasan: Swami and RPR sir, but the volumes came at much lower prices, because the gross margin comment you made on pricing question, is it US only what we have seen it elsewhere as well.

Swami Iyer: Shyam, as far as the gross margin is concerned there will be lag for improvement after these prices go into effect, there is an inflation in terms of transportation and we have taken on additional volumes and some of the additional volume products may have product mix wise the margins are below. But like Mr. Reddy mentioned, we are looking forward to higher volume and the mix could be better. And we believe that the lag in the price changes that we have seen that were might somewhat be nullified a bit going forward in the second and third quarters.

Shyam Srinivasan: Got it, very helpful. Second is on Europe and also on biosimilars. So Europe as a business, we've seen it, you're accounted for FX reasons, but clearly, even here, we have seen like lacklustre growth for quite a few quarters. So while the US engine is probably slower, and Europe has remained and these two are like almost two thirds of your business. So just want to understand what's happening in the Europe front and the linking point is there any update on the biosimilars in terms of either approval or queries from EMA anything.

Sanjeev Dani: Yes, so, Shyam just to put it in perspective, the Europe business is pretty stable and growing. This quarter, we have the 6% growth, the previous quarter was 7% growth and the markets are about 0% to 3% growth. So we are expecting 5% to 8% growth year-on-year and that has been always the guidance. we are not looking at double digit unless we have made in the past acquisition then only it is grown. Secondly, the future growth drivers are of course a new products. So, we have several new products which are waiting for approval something close to 43 and we have another 118 oral products under development then we are looking at the oncology products injectable and oral which are another close to 50. And injectable the new plant which is expected to start filing early next year that we are looking at about 50, close to 50 products and then biosimilar which are two, which are already filed for now almost nine months. So, all put together the addressable market is $34 billion and

even considering the net price etc. And then 5% to 10% market share we are looking at about $300 million plus in the next couple of years. So, I guess that the new products once they are there the speciality driven, we will be able to grow faster.

P. V. Ram Prasad Reddy: So as far, Shyam, the biosimilars as we told in the last call two products we've filed in UK and Europe and 180 days will be in the next one week from date of filing. Then we will have a lot of clarity where we stand. And we have filed in UK third product and that is not the global clinical but US as we told as on today we have four global clinical work going on. And out of those one we are going to file in the first quarter of 2023-24. And in the same year in the last quarter, we are filing second product in the US. So yes, we will file two products and next year we will file total five products in the Europe.

Shyam Srinivasan: One from data point, where we are margins in Europe at this point of time, still above double digit.

Sanjeev Dani: Yes, margins are, EBITDA is in early double digit.

Moderator: Thank you. Next question is from Neha Manpuria.

Moderator: Neha, can you unmute yourself? Okay, we'll take her again. Next question is from Praveen Kale.

Praveen Kale: Hello, good morning.

Praveen Kale: I would like to ask the question on behalf of the retail investors. So in terms of our investment in the stock, we haven't seen much appreciation, what is the result mean, for retail investors like us, because we had a lot of hope on also the Eugia Pharma investment. So that did not come through. And the prices in the stock hasn't been reflecting the progress that you've been making. So as a retail investor what should I be expecting in the days ahead?

Santhanam Subramanian: Mr. Praveen, while we may not like to comment on the movement of the share price or where it is; in terms of the performance, we have given a very clear roadmap where we are heading to on various things. And if you have seen our annual report, also, we have said what are all our growth pillars, which is what going to deliver it in the coming years. And I'm sure for your benefit, I'll repeat one is the biosimilars, second is Eugia, as Yugandhar just explained and we are getting into Pen-G project, we are getting into the China project. So many projects, and as on date, there are six plants are under commissioning, and once these have been successfully commissioned, this will also add to the top line and bottom line, etc. So from our side what are the company's growth levers and the management has to do in terms of working out strategy to improve the top line and bottom line; we have been doing that.

Parveen Kale: Well, I really appreciate your efforts in this regard. And I do hope that I mean as a retail investor who has a lot of hopes in the progress of your company, you guys do really well in days ahead. Thank you.

Moderator: Thank you. Next question is from Anubhav Agarwal.

Anubhav Agarwal: Subbu sir, there are couple of clarities first, you mentioned about $17 million number, is that shift which has happened the US segment or the ARV segment?

Santhanam Subramanian: It is at the ARV segment, Anubhav, because we follow the AS 115 revenue recognition, if the material has not been loaded into the vessel, we will not reckon the sales, last quarter we could not do which has happened in the month of April. That's the reason why got added here. And similarly, this quarter also sum of around $5 million got deferred to the next quarter. So this is a continuous phenomenon. But since the number is a significant one, we thought better to inform the market/investors. On an average the ARV business, we have been looking at, which has been explained to you in the past quarter also, will be around $35 million. At least we have been targeting to achieve not less than $35 million, quarter-on-quarter.

Anubhav Agarwal: Helpful. Second question is just a clarity on the other expenses actually even adjusted for the INR 60 Cr number that we talked about; other expenses has gone up significantly quarter-on-quarter. There is even if I adjust for INR 60 Cr, there's INR 100 Cr jump, I understand this quarter has integration of the India acquisition that you have done that would have added some, but still a higher number.

Santhanam Subramanian: Anubhav, what is happening is you're looking into the numbers in rupee term; we need to translate all the Euro, US$ and everything into rupees, which has also added up significantly is one of the reasons plus as we said in the past when you can compare exactly Q1 FY22 versus Q1 FY23 so much of freight cost etc. has increased in the Q2 or Q3 of last year, it is not comparable. If I demonstrate some number, the freight costs which are there in Q1 last year has nearly doubled in this quarter even though I mentioned about INR 60 Cr which is the additional only pertaining to this quarter compared to last qtr, but overall freight cost, solvent, all the expenses for everything has gone up substantially in the last one year which we have been explaining in every quarter.

Anubhav Agarwal: Subbu sir, I was not comparing year-on-year, actually if you look at March quarter versus June quarter, our total other expenses has almost increased by INR 170 Cr, so let's exclude the INR 60 Cr number that you talked about. Now freight costs, I am not sure how much they've increased March quarter versus June quarter.

Santhanam Subramanian: If I am right, Q4 other expenditure was INR 1,457 Cr vis-à-vis INR 1,504 Cr this qtr, which is an increase of around INR 50 Cr. This INR 50 Cr increase, I can clearly said INR 60 Cr on account of the freight plus we have the Indian domestic integration etc. I really do not know which number you're comparing.

Anubhav Agarwal: I am comparing the same numbers but it in this numbers your R&D has reduced by significantly right as well.

Santhanam Subramanian: R&D is not only the other expenditure, it involves the payroll employees which is the biggest cost, we are nearly so much of payroll cost and other things plus it is a question of translation also.

Anubhav Agarwal: But won't bulk of R&D be captured in other expenses rather than the personal cost?

Santhanam Subramanian: Everything it will go into, it's spread over all the elements of cost like in payroll it will be there, in other expenses, will be there everywhere.

Anubhav Agarwal: Okay, let me simplify. Is this a new base or just so INR 60 Cr is adjustments we make for this then is it a base that we work with until unless the freight cost comes down?

Santhanam Subramanian: I think around 1500 cr; this is what when we said INR 1,504cr at least it has the incremental cost of around INR 50 Cr to INR 60 Cr pertaining to this quarter alone. And probably the INR 1,450 cr is what we need to look at it subject to the translation effect on a quarter, the forex and other things.

Anubhav Agarwal: And R&D we should think about somewhere between INR 350 Cr to INR 400 Cr range a quarter or like what?

Santhanam Subramanian: I think that is what we see typically. As chairman explained while talking about the biosimilar, we are getting four biosimilars into the clinical trials in this year, probably the impact of it, you can start seeing it from Q3 and Q4, So you can see the biosimilar costs going up, And by the time we hope as explained know the freight costs are a little bit softening probably that impact may come down and we are also trying to ensure we are moving the material more into the sea route rather than to do airfreight. So we are also trying to do all the possible things by which the cost is controlled.

Anubhav Agarwal: And just last question $22 million that you talked about in acquisition, question, what does it pertain to?

Santhanam Subramanian: It is the Veritaz which we are explaining around INR 170 Cr plus GLS INR 9 Cr.

Anubhav Agarwal: Yes. Okay. Got it, clear. Okay. Thank you.

Moderator: Okay, thank you. Next question is from Surya Patra.

Surya Patra: Yes, thank you for this opportunity. Sir, the first question on the US business. Pardon me if I'm repeating this, I have joined relatively lately. Sir, there is a kind of positive surprise in terms of the US generic growth what we have seen in this quarter, despite our earlier guidance that possibly a 13%, 14% kind of price erosion that we have been seeing for our base business. So and simultaneously obviously, there is a kind of impact on the gross margin also that we are witnessing. So is it fair to link these two things, and think that the growth would be possibly in the US market is coming at the cost of margin, because the volume was so –

Swami Iyer: Surya, thank you. First and foremost, I'd like to clarify last time Mr. Reddy had mentioned that we have to watch one or two quarters as far as the erosion is concerned. And

he hinted that probably it may not happen the way it has happened. And that is kind of a factual statement, it turns out to be factually correct, we are not experiencing that kind of erosion that we did last quarter. That's number one. Number two, with regard to the margins, the margins, there are various reasons for it. One is, of course, the increase in certain costs, I had mention earlier, that there would be a time lag for some of the realization, that's all the savings that could happen. For example, just to tell you, the gasoline prices have gone up. So the transportation costs are shot up and now we have seen in this quarter, the prices coming down, naturally, that's going to translate into lower costs for us. So I don't want to get into those kinds of details, but primarily what we are saying is Q1, we did have certain increases in costs, and these were not matched in terms of realization. We did take a lot of volume and there could be quarter-to-quarter, there could be a product mix issues. So, we earlier, I do remember one of the investors call we mentioned that you should not take quarter-to-quarter. Overall, I think we will do better.

Surya Patra: And regards to this India Business foray obviously, initially we had indicated about the branded formulation foray in the market, but our expectation was really low, like INR 1,000 Cr kind of base in two-to-three-year time. So, that will not influence at all our overall business model. So, and we are currently doing multiple small acquisitions to build up. So, what is the ultimate plan here and can it really be more influential positively to our overall business? If we can throw some light here, how should we think?

Sanjeev Dani: Surya, I do agree on for an INR 25,000 Cr company, INR Cr 1,000 Cr will not contribute so much, but that is how we want to make a start because launching organically we will not reach anywhere around even that number. So, in the timeframe that we are discussing, so we have to make an acquisition, but I guess we have to keep on looking opportunities and look at the strategic fit and also not at a very high valuation which is the current level. So, I guess that we will be spending our money or investing money wisely.

Surya Patra: sir on the European operations, Sanjeev sir, so although we haven't targeting the kind of more integrated manufacturing activities in India, should ultimately be driving the overall profitability to the company levels. And I think the major trigger on that front is the launch of injectables. So, there when should we really consider this injectable ramp up happening or launches happening in Europe and that should be bringing at least the profitability beyond 15% level because it has stuck at that level of 11% 12% levels in some time.

Sanjeev Dani: not only injectable we also talked about biosimilars, so that also will give higher profitability margin, but I remember CEO of Eugia talking, Yugandhar, who is also on the call talking about filing the products in early next year, so I guess it takes about a year to get the products approval. So you can look at FY24 onwards these impact coming but meanwhile some of the capacities are being expanded. So even existing approval, we will be able to meet the demand.

Surya Patra: Okay, just last one bit, sir, on the PLI side, so with a significant change in the pricing scenario of the Pen-G and all that. So, do you think this proposition has changed meaningfully from the time of that we accepting the contract and now the situation becoming even more significantly better for our operation and what is the stage of that PLI project?

Santhanam Subramanian: Surya, just to address the status of the PLI project the project has already started and will be expected to install the entire thing by about maybe Q2 and then do the pilot batches etc. Hopefully, we'll be completing by Q4 2024. And we are expected to commission the project as on first of April 2024. That is what we think, while our endeavour is to complete it earlier, but this is the target which we have been working on. In terms of the prices, I think we are 18-months away from the commissioning date and we will not like to make any statement depending upon the current price etc. So, let us face it as and when it comes to near the date. But yes, there is a positive but whether this is a sustainable pricing etc. we do not know at this stage.

P. V. Ram Prasad Reddy: And Subbu, it is not only pricing, the input costs of Pen-G also has increased, coal increased, power increased, and all these things, the increase in the price also because of the costs also are increasing. we are going to complete the plant before December '23. And we're going to start before March of '24.

Surya Patra: Thank you, sir. Wish you all the best.

Moderator: Thank you. Next question is from Nitin Agarwal.

Nitin Agarwal: So, thanks for taking the question. So, my question is on your China business. Can you just give us more update on where we are on the China business in terms of this meaningful commercialization revenues coming in from there?

P. V. Ram Prasad Reddy: On the China business as we told the plant was completed, we have taken around 11 exhibit batches and the filings will start from October onwards because six months stability we have to put. Nowadays any formulation plant after you complete the plant, it is taking four years or five years to become the commercial production because commercial production means you have to take the products, file the products, approval has to come then the meaningful approvals some five six approvals come then only commercial will start. So, this will take time, in 2024 we expect our commercials will start in Jan.

Nitin Agarwal: And on your inhaler business filings, which are there in US, can give us some more colour on how many products that we filed and when we are looking at approvals for this segment.

P. V. Ram Prasad Reddy: No, we have filed only one product as on today that is year before, year end up before. And we are working for another three projects and maybe if everything is alright in 2023 second half we can file, at least one product.

Nitin Agarwal: Okay. And secondly on the oral business. There has been during the quarter lot of talk about certain companies talking about withdrawing from certain products. Are you seeing any changes in the dynamics in the business, has pricing beginning to improve in certain products? Is there anything improving any signs of improvement in the oral business in general?

P. V. Ram Prasad Reddy: No, there is no improvement, as we told in the first quarter also the sizeable of 2% to 2.5% the price erosion, 1% of the shelf stock adjustment, it is more or less similar or little more than the last year, last year including shelf stock it is 10%- 11%. This year in the first quarter itself is around 2% - 2.5% and 1% the shelf stock, shelf stock is only one time, it is not a regular thing, one quarter at a time, but we hope let us see the further quarters because I cannot estimate whether it is going to substantially reduce the price reduction or something.

Nitin Agarwal: And then are you seeing opportunities for shortages and all beginning to improve again or the situation is a very few shortage of products, I think there have been a reduction, the shortages have reduced quite a bit over the last few quarters. Yes. Is there any change on that or that's also a similar?

Swami Iyer: No, we have not seen any opportunities because of that, at least I would say we are not seeing any major opportunities as of now.

Nitin Agarwal: And sir last one, we have a very large capital work in progress on our books right now, can you give us some sense on which are the large blocks of CWIP and when will they get commercialized?

Santhanam Subramanian: Nitin, we have three plants in US under installation and commissioning. And apart from that, in India, also we have the injectable Vizag plant, then the biosimilar plant, then China plant.

P.V. Ram Prasad Reddy: Then vaccine plant, India around three or four plants. In US our Dayton plant, Puerto Rico and as well as the Raleigh plant, all these are under various stages, these plants has to come to commercial. almost seven plants are in Work-in-progress.

Nitin Agarwal: And, sir, by when do you see commercialization of all these seven plants coming through?

P.V. Ram Prasad Reddy: It starts in a year, and end with the next three, four years.

Nitin Agarwal: Okay, thank you, best of luck.

Moderator: Thank you. Next question is from Vinod Pathiparampil.

Vinod Pathiparampil: first, a quick question. I believe earlier, you have said that generic Revlimid in the US would be a FY24 launch for you. Is that, does that hold true even now? And would that be a significant opportunity for you?

Yugandhar Puvvala: Yes, it is in FY24 launch, but as the settlement discussions with the innovator are confidential, I cannot comment on the financial percentages, but yes, we are launching in FY24.

Vinod Pathiparampil: Okay, great. And next a general question, when I look at your US portfolio, a large part or look at your overall business portfolio, a large part of that is US and

Europe. And in both these market terms slow growing markets, you already have a reasonable market share, the kind of growth we can see is around 5%, 6%. Not significantly more than that. And you mentioned that some a little while ago as well. So and of course you add all these new things you're trying to do biosimilars, China etc. maybe it adds a percentage point or so. So is that a 6% or 7% the kind of growth we should look forward to over the next two, three, four years? Or am I missing something?

P. V. Ram Prasad Reddy: Yes, that's what we can expect, that's what we are also expecting, until unless there is no other any surprises don't happen in the global side, the present costs are more or less stable. And we hope next after a quarter also the prices slightly may come down also. And that is what we are also expecting because one after the other six, seven plants should go into the commercial and profitable. that will take some time. So all these things will come then definitely more growth may expected after one or two years.

Vinod Pathiparampil: So my question was more like do you have anything in mind to take this growth from 6%, 7% to say 11%, 12%? Is there any such plan in mind?

Yugandhar Puvvala: Vinod, I can just try and explain in terms of each and every business unit has a different growth trajectory. Let's assume in a speciality business, whatever you're mentioning that double digit growth is possible. In terms of OSD, it will be different, in terms of biosimilar it will be different. So like you need to just look at in a different segments and opportunities and the growth trajectories will be different for different businesses.

Vinod Pathiparampil: Okay, understood, thank you very much.

Moderator: Thank you. Next question is from Tushar Manudhane.

Tushar Manudhane: So just on this extending previous participant's question, so while these products under your different niche categories are under development, and we already have a huge base of existing products under approval or pending approval already filed. So how do we see the filing pace of ANDAs over let's say next two years?

Santhanam Subramanian: Tushar, we have been filing around 10 – 12 products. even this quarter also we filed 13 products with them. In the past, also, we have been filing around 50 products plus year-on-year. maybe around COVID time it has come down. So, we don't see a reason why it has to come down dramatically. And we will endeavour to make it continue the same filing.

Tushar Manudhane: And secondly, on the operational costs, like in recent months, we've been hearing they are softening. So, if you could just put some numbers, let's say is it down 5% 10%? Or even that is too much for us.

Santhanam Subramanian: 5% 10% on what?

Tushar Manudhane: In terms of this inflation link down drill cost or in terms of this logistics cost? We have been hearing that there is some reduction that has happened. So, any ballpark would you like to put?

Santhanam Subramanian: Yes, we expect the reduction will start happening. But whether it will have full impact in this quarter is not sure. But as Chairman said, the prices are stable, and it started coming down and probably we will be able to see the full impact of it in the next quarter ie Q3. But certainly, some impact will come in this quarter.

Tushar Manudhane: Sure, sir. That helps. Thanks, thanks a lot.

Moderator: Thank you. Next question is from Charul Agrawal.

Charul Agrawal: Hi, thank you for taking my question.

Charul Agrawal: Yes, thanks, this is Charul from Bank of America. I wanted to understand that you have $300 million in your cash, given the current stock position, do you have any plans for stock buyback?

Santhanam Subramanian: This is the matter which cannot be talked, there is no proposal as on date on the table. As and when this proposal is talked about it, it will be dealt by the board and any decision taken we will immediately inform the stock exchanges. But as on date, there is no proposal.

Charul Agrawal: Okay, understood. And the second question is regarding the value unlocking in injectable business. So now that strategic investments have seemed to be delayed, are there any other plans for the value unlocking that we're looking for?

Santhanam Subramanian: So this matter has been discussed both by the COID and the Board of Directors. And they will look into any option in the best interest of the shareholders at the appropriate time in the future. As on date, we don't see in the next six months anything will happen like that. But if at all anything happen, board will decide in the best interest of the shareholders.

Charul Agrawal: Okay, understood. And my last question is on the depot injectable. Do we have any update on the same?

Yugandhar Puvvala: Charul, it is the same thing what I said last quarter. Our 3 depot products are under execution. And we will keep the investors updated every quarter in terms of the progress but it is on track as I mentioned last quarter.

Charul Agrawal: Thank you, that was all.

Moderator: Thank you. Next question is from Damyanti Kherai.

Damyanti Kherai: Hi, good morning.

Damyanti Kherai: Thank you for the opportunity. So my first question is on Vizag injectable grant. Did you mention majority of supply pickup will happen after FY24?

Yugandhar Puvvala: Damyanti it is like this. Vizag injectable plant will start the validations and filings in Q4, Q4 we will be doing validations. And then Q1, Q2 of FY24 is where we will be filing and in all probability and by FY24, quarter four, we should start commercializing the plant. And it depends on inspections and other matters as you said. So it is, we'll start with the emerging markets and Europe and then subsequently also commercialize the plant for US. That's the plan, but this is an additional plant and which we want to use it as both the de-risking and capacity enhancement for a number of molecules where we have additional demand.

Damyanti Kherai: Okay. So, for this target of $650 million to $700 million sales for generic injectable, there is less dependence on Vizag plant and you believe the existing capacity should be able to meet the stated goal.

Yugandhar Puvvala: You're absolutely right.

Damyanti Kherai: So, in existing plants, where all you have expanded capacity?

Yugandhar Puvvala: See, we have existing four commercial plants; one oncology and hormonal plant, one Penem plant and so, everywhere we have added additional lines wherever we have excess demand, we have added additional lines and so, in three plants, we have expanded the capacity and the fourth plant also we are planning to expand the capacity. So, that is a continuous process, Damyanti.

Damyanti Kherai: Okay and all these expansions are good enough to meet the target which you have set for yourself.

Yugandhar Puvvala: Absolutely. In fact, whatever we feel is with these four plants can take care of demand up to FY26.

Damyanti Kherai: Up to ’26, okay. And my second question is on any update on the unit seven and unit five which had undergone FDA inspection in previous month?

Santhanam Subramanian: regarding unit seven we are already informed the stock exchange that we have been classified as VAI and the unit 5 also we have informed the stock exchange at least a month back that it has been cleared. and we have given a proper disclosure to the stock exchange.

Damyanti Kherai: Okay and my last question is on vaccines. How should we look at this opportunity moving up in next two to three years and what are the key near to medium term goals for new year?

P. V. Ram Prasad Reddy: As we told in previous calls one product we may launch if the clinical trial go through in one or two months. We hope the outcome will come, once it is there we will launch in India and then we are also working in another two vaccine projects, this will

take another one and one and half year. So that is the way that it's going slow but it is getting very steady.

Damyanti Kherai: So mostly two years from now, we should be seeing good ramp up happening.

P. V. Ram Prasad Reddy: Yes, two years we can see profits in this company. That is what I am hoping for.

Damyanti Kherai: Thank you. I'll get back in the queue.

P. V. Ram Prasad Reddy: Thanks, ma'am.

Moderator: Thank you. Next question is from Prakash Agarwal.

Prakash Agarwal: Thanks for the follow up. Yes, just two things. One is during Q3 call, we had talked about acquisition of 40 ANDAs, 32 I guess within market. So, is it a function of that that is playing out in this Q1 where the sales have improved?

P. V. Ram Prasad Reddy: No, that is - work is going on that CP30, PAS out of that 40 and there is nothing has come into to the commercial. And we are hoping and it will come from September, October onwards one product after another product will come definitely; because it is CP30 or it is PAS, it won't take much time because the only thing is we have to take the product and take the batches here and keep the stability and file it, maybe CP30; this will take some time. So that is the reason most probably you can take in the early next year the commercial, the result will come from this 40 products. 31 is the oral and, three are injectable, and around six are derma products.

Prakash Agarwal: So correct our understanding, so these are not currently commercialized products which are having running sales.

P. V. Ram Prasad Reddy: Not in our portfolio.

Prakash Agarwal: Okay, so this gets transferred to your portfolio through your filing and then you start monetizing the same.

P. V. Ram Prasad Reddy: Yes, From early January, we already transferred to Aurobindo name, and we already working on the filings. We already filed around seven products. And the commercial benefit will start from early January.

Prakash Agarwal: Early January, perfect. And what is the running, I mean expected sales run rate from these? How would it start? It would be like a step function. And what would be the expected sales from this portfolio?

P. V. Ram Prasad Reddy: I will come back, Prakash, I'm not sure, how many to what products I filed, I have to look into that I will come back on that.

Prakash Agarwal: Okay, perfect. And lastly on clarification on the first question that I had asked. So, I think what I understood was this gross margin would be still softer in the upcoming quarter from 3Q, you would start seeing some improvement with the function of improving freight and raw material cost. Is that correct understanding?

P. V. Ram Prasad Reddy: That way as long as if the R&D expenditure is not going up, otherwise, the profit has to start to see a little bit improvement.

Prakash Agarwal: And so when you say R&D, what is the rate that you're looking at for this year and next year, given that we have lot of complex products under development and that we would also see filing? So, how do you see that ramping up or what is the guidance on that?

Santhanam Subramanian: So there the program which has been explained, Prakash, first quarter we have done 5%, on an average we have been meeting around 6% to 6.5% last year. So, we will continue to do that probably on the overall basis anywhere could be 5.75% to 6.5% could be the thing based on their programs, and depend on how the other programs are going fast.

Prakash Agarwal: Yes, but would it not be fair to think that this will go up given that you have significant range of complex products which will require CT

P. V. Ram Prasad Reddy: From the biosimilars and from the Raleigh plant, the MDI projects, and other plants more or less every quarter are going in a structured way. So there may not be additional and so these two areas, some additional expenditure as to increase , it may little bit increase some another one percent but less than 1.5%, it may increase the additional R&D, If this clinical expenditure comes into the account.

Santhanam Subramanian: We need to see, Prakash, adding to what Chairman said. We need to see the timing, whether it can spill over between Q4 of this and Q1 of next year like that, we need to see that.

Prakash Agarwal: Okay. Thank you.

Moderator: Thank you. Next question is from Kuldip Yaqik.

Kuldip Yaqik: Hello, thank you for the opportunity. So I'm very much confident on pharma business, but could you please elaborate about the vaccine like how many products are there in R&D now, and as you said that two, three products will be rolled out in couple of years maybe two to three years. So what is our future prospect on other R&D products.

Santhanam Subramanian: we are working on multiple things, Kuldip. We are working on Nasal we are working on Derma, as Chairman explained on the inhalers also, we are working, transdermal we are working etc., if you really see in the case of Nasal, we have already got two products approved and we have filed one product and under development is around nine products and Derma we are working more than 30 products and we have already filed some products.

Kuldip Yaqik: Sir, you're talking about Derma but I have talked about vaccines. So yes, is it the type vaccines? Yes, I am talking about vaccine.

Santhanam Subramanian: As on vaccine, as Chairman explained, we have already done the PCV vaccine and the outcome of the results will be known in two, three months we will come to know of it and that is what we are working as on date.

P. V. Ram Prasad Reddy: And another two projects we are working.

Kuldip Yaqik: Okay. And you said that it will be launched in India. So is there any other competitors are also there for these products?

P. V. Ram Prasad Reddy: Yes, there must be another one or two people definitely and we are willing to take up after that to WHO that will take another one year.

Kuldip Yaqik: Okay. Thank you. And what could be the market size if it is launched maybe in two years?

P. V. Ram Prasad Reddy: let me check with the concerned person, and come back, but I'll come back to you in the next one.

Kuldip Yaqik: Okay. Thank you, sir. Good luck.

Moderator: Thank you. Next question is from Vishal Manchanda.

Vishal Manchanda: Thanks for the opportunity. Would you have a number as to what would be Aurobindo's market share in the oral solid dosage category in the US? By prescription volumes?

Swami Iyer: Vishal, by prescription volume, we are number one in the US. And that is just by Aurobindo itself. We also have some private labels that would be additional. So we had done in the last one year through May based on the IMS, we have done about 4.4 billion tablets, approximately. And with this, we are the number one on an annual basis, we are close around 20 billion.

Vishal Manchanda: Okay, and 20 billion is in terms of number of tablets, you said?

Yugandhar Puvvala: That's correct. And this is only from our Aurobindo side plus, as you know, we also have some partners.

P. V. Ram Prasad Reddy: what is the percentage he is asking, Swami. Our's around 7%, 7.1% or how much is, Swami?

Santhanam Subramanian: If I recollect it is 8.3%, Swami.

P. V. Ram Prasad Reddy: Somewhere around that. And we will come back.

Vishal Manchanda: That's in the oral solid dosage category eight point.

P. V. Ram Prasad Reddy: Yes, that's what.

Santhanam Subramanian: We'll come back to you, Vishal.

Vishal Manchanda: Okay. And, sir, the second question is on Folotyn, so there's a settlement in November 2022. So, what if assuming Generic centre post that would be -- would that materially impact our EBITDA or it will not be a material event for us?

P. V. Ram Prasad Reddy: And some extent it will impact from end of this year.

Vishal Manchanda: So, do we have launches that could set this off or this would obviously be large for the company?

P. V. Ram Prasad Reddy: No, two Derma products, they are already in the middle way of the clinical trial and then this gap will come in 2023 from 2024 onwards calendar year approximately this will cover up and that is what we are expecting.

Vishal Manchanda: Okay. And just one fundamental question on oral solids, I think even Aurobindo would be doing mid to high single digit ROCE and probably be I think, Aurobindo would be the lowest cost player in this space. So how long do you think the situation can persist? So based on your assessment of capacities that will be available in this --

P. V. Ram Prasad Reddy: We are not the lowest cost of production, whatever in the India people are producing same cost only we are also, as we have a good number of ANDAs. So, we are producing little more, but we hope this will continue and some more additional products are expected to join in this out of that at least some will get click and this will continue or we hope next seven to 10 years maybe or more.

Vishal Manchanda: Maybe what I mean is that ROCE would be in low single digit. So can this go further down or what? How do you think the industry will shape up? Because this is an unsustainable number.

P. V. Ram Prasad Reddy: This further going down is a very difficult, but still we don't know exactly what is going to happen. But you ask me, it should not go as per theory. It is already gone down like anything.

Vishal Manchanda: Okay, thank you.

Moderator: Thank you. That was the last question. I would now like to hand the conference over to Ms. Deepti Thakur for the closing comments.

Deepti Thakur: Thank you all for joining us on the call today. If you have any of your questions unanswered. Please keep in touch with the investor relations team. The transcript of this call will be available on our website www.aurobindo.com in due course. Thank you and have a great day.

Moderator: Thank you on behalf of Aurobindo Pharma Limited. That concludes this conference. Thank you for joining us. And you may now disconnect your lines.

End of Transcript