AUROBINDO

February 17, 2022

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

Dear Sirs,

Sub: Transcript of earnings call.

Please refer to our letter dated February 3, 2022 wherein we have intimated the schedule of Investors/ Analysts call on February 10, 2022. We are attaching herewith the Transcript of the analyst / investor call on the Un-audited Financial Results of the Company for the third quarter and nine months period ended December 31, 2021 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.

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

Mr. Nithyananda Reddy –Vice Chairman &Managing Director, Aurobindo Pharma Limited

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

Mr. Yugandhar Puvvala - CEO of Eugia Pharma Specialties Limited

Dr. Satakarni Makkapati - CEO of Aurobindo Biosimilars, Vaccines and Peptides businesses

Mr. Arvind Bothra – Investor Relations, Aurobindo Pharma Limited

Moderator: Ladies and gentlemen, welcome to the Quarter 3 FY22 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' (icon) option on the bottom of your screen.

I now hand the conference over to Mr. Arvind Bothra. Thank you and over to you, sir.

Arvind Bothra: Thank you, Aditya. Good morning and a warm welcome to our 3rd Quarter FY22 earnings call. I am Arvind Bothra from the investor relations team. We hope you have received the Q3 FY22 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. Santhanam Subramanian – CFO; Mr. Yugandhar Puvvala - CEO of Eugia Pharma Specialties Limited - the entity housing Aurobindo's sterile and generic injectable products, oncology and hormonal oral business, and we also have on the line today Dr. Satakarni Makkapati - CEO of Aurobindo's biosimilars, vaccines and peptides businesses.

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 reflect future events or circumstances. With that, I will hand over the call to Mr. Santhanam Subramanian for the highlights. Over to you Subbu.

Santhanam Subramanian: Thank you Arvind, and good morning everyone. Hope all of you and your families are safe. Q3 FY22 witnessed a spike in overall cases with surge in Omicron variant globally. The quarter performance reflected some of the impact on our business performance in select businesses. We will now discuss the results for the third quarter of fiscal year FY22 declared by the company. We will be discussing ex-Natrol numbers throughout the call. For Q3, the company registered a revenue of Rs. 6,002 crores, an increase of 1% quarter-on-quarter. The EBITDA before FOREX and other income declined by 20.6% year-on-year to Rs. 1,016 crores. EBITDA margin for the quarter was at 16.9%. Net profit decreased by 22% year-on-year to Rs. 604 crores.

In terms of the business breakdown, Formulation business in Q3 witnessed a decline of 3.3% quarter-on-quarter to Rs. 4,992 crores and contributed around 83% of the total revenue. API business contributed around 17% and clocked a revenue of Rs. 1,010 crores for the quarter registering a strong growth of 48% on a year-on-year business led by improved demand for some of our key products. For the quarter the revenue from US Formulation decreased by

4.4% year-on-year to Rs. 2,745 crores. On a constant currency basis, US revenue decreased by 5.9% year-on-year basis to $ 367 million.

We have received final approval of 4 ANDAs and launched 7 products in the quarter under review. We have filed 10 ANDAs including three Injectables during the quarter. In addition, we filed one 505(b) (2) NDA with the USDA. The total number of filings end of December is 719. Revenue of Aurobindo Pharma USA, the company marketing overall products in the USA decreased by 5% year-on-year for the quarter. Revenue of Auromedics, injectable business decreased by 7% year-on-year to 63.2 million for the quarter. We are total 165 injectable ANDA filings as on 31stDecember 21, out of which 108 has received final approval and the balance 57 are under review or have tentative approval.

The company as on 31stDecember 21 filed 719 ANDAs, with the US FDA on a cumulative basis out of which 494 have final approval and 30 having tentative approval, including 8 ANDAs which are tentatively approved under PEPFAR and the balance 195 ANDAs are under review. For the quarter Europe Formulation revenue clocked at Rs. 1,694 crores and increase of 1.4% year-on-year growth. For the quarter, Growth Market witnessed a growth of 2.8% quarter-on-quarter to Rs. 397 crores. For the quarter, ARV formulation registered a modest 7.4 growth quarter-on-quarter at Rs. 155.7 crores, a de-growth of 64.9% Y-on-Y on a high base of last year.

R&D expenditure is up Rs. 393 crores during the quarter, which is 6.6% of the revenue. The average raw material cost increased by about 4% during the quarter and the freight cost more than 20% quarter-on-quarter. Net organic CAPEX for the quarter is around $ 52 million. The average Forex rate was Rs. 74.82 in Q3 FY21, Rs. 73.94 in September 21 and Rs. 73.68 in June 21.

The average finance cost is at 0.7% mainly due to the availing of multiple currency loans. The business generated a free cash flow of $ 201 during this quarter which is the highest. Net working capital for the quarter has been reduced by $ 137 million mainly due to the reduction in the inventory, and we continue to make further progress on this front. Inventory alone we have reduced by $ 100 million and $ 175 million for the quarter and year respectively. As a result of the strong cash flow generated during the quarter, the net cash position including the investments at the end December 21, improved to $ 211 million. The gross debt is $ 499 million, and we have been reducing the gross debt quarter-on-quarter and we will continue to do so.

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

Moderator: Thank you. Thank you very much. We will now begin the question and answer session. Anyone who wishes to ask question may raise the hand from the bottom of your screen. Once your name has been announced, you will be unmuted, and you can ask the questions. Ladies and gentlemen, we will wait for a moment while the question queue assembles.

Once your name has been announced, please introduce your firm and your name, and then ask a question.

First question is from Mr. Tarang Agarwal.

Tarang Agarwal: Hello sir. Good morning. This is Tarang from Woodbridge Capital. Sir, two questions. Firstly, on the US business. If I look at the operating profitability head versus the corresponding period last year, it is almost entirely on account of gross margins coming off, a sharp decline. Can you give us a more granular sense as to what all drove this? What kind of price in key raw materials, the kind of price erosion that you might have perhaps witnessed at the marketplace? And were there any failure to supply penalties? Any provisions that are reflecting in the raw material cost? And how should we see this going forward from here on?

P. V. Ram Prasad Reddy: In US, this quarter there is a reduced profitability. The cost of goods have increased because our manufacturing costs have increased, input material and services cost and everything increased, and the sale also has come down to some extent. We hope it is a one-off thing and naturally the margins dropped because of this. And quarter-on-quarter the price falls and last 3-4 quarters prices are fallen and we have seen very much lower drop in this quarter. But in the previous quarters there is no penalty we paid. Penalty we paid hardly 1 million out of 250 million sale or something like that. And penalty is not much, very minimal. We have enough stocks of 2.75 months, including the pipeline. So, this time because of input material, always our transfer from India cost is high. So that is the reason the profitability has come down and we are hoping we have touched the bottom, things will improve from now onwards.

Tarang Agarwal: Got it. So basically what I understand is, it is a functional, both erosion at the marketplace and input costs as well.

P. V. Ram Prasad Reddy: Transfer itself from India went into a higher price. So naturally, there is less profit

Tarang Agarwal: Got it. Sir, you have purchased about $34 million of ANDAs this quarter. If you would give us some insight in terms of the significance of these purchases. And if I see the first 9 months, it is almost at about $150 million now. So, do we anticipate more purchases in this direction, which therapeutic areas of focus?

P. V. Ram Prasad Reddy: No. We are not going to purchase anything because we got a) where we don't have the ANDAs which is not under development or b) under approved list. So, whatever we don't have, we bought the ANDAs. Even you develop those products that will cost more than that. This is only either CBE 30 or the change of API PIS that we are working very aggressively. It is a total of 40 products. Out of that, 31 is the orals and 4 are Injectables three are dermatology and balance under transfer. So like that. Whatever we don't have only we got it because it came in at a reasonable price. So, we bought it for the strengthening of our portfolio. Previously also we have done like that. Wherever we don't have in our portfolio, and we feel that is required by the sales team, we will definitely make it; we will buy. But I don't think in next 1 or 2 years…we are almost, majority of the generic formulation we are there.

Tarang Agarwal: Got it. I have a couple of more questions, I will join back the queue. Thank you.

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

Manpuria Neha: Thank you so much. This is from Neha Manpuria from Bank of America. Subbu, just to clarify on the gross margins. I understand this…because of the API growth would have also impacted margins. So if you could just give a breakup in terms of the impact on gross margin because of the US price erosion versus raw material cost versus the higher sales of API.

Santhanam Subramanian: Yes, there is a change in the product mix during the quarter, and because of the mix, the impact from the gross margin is about 1.25%. Out of the total 3% +, 1.25% comes on, balance is contributed both by raw material costs and the price erosion. Price erosion for the quarter is not very big, it is decent. But overall if you really see the year as one there is a significant price erosion. So out of the 3-3.5% gap which you are talking, around 1.25% comes out of the product mix.

Manpuria Neha: Understood. And I didn't really understand your comment that price erosion in the quarter was not significant because if I were to look at the oral solid business quarter-on-quarter, it seems to have come down about $34-$35 million.

P. V. Ram Prasad Reddy: No, definitely the price erosion has happened. In the last three quarters, all quarters together itself including shelf stock adjustment of around 10-11 million because of price erosion. Almost 45 million or something happened in this one. It means approximately 9% in these 9 months. And we are pretty sure that seeing last one month or so something there is not much pricing reduction request are there.

Santhanam Subramanian: It is a cumulative impact which the Chairman is mentioning.

P. V. Ram Prasad Reddy: Cumulative impact.

Manpuria Neha: So, the cumulative impact is roughly about 9% in the nine months you are saying.

P. V. Ram Prasad Reddy: Yes, absolutely.

Manpuria Neha: Okay. And sir, you mentioned that in the last one month you have not seen any more requests for price revision. Is it fair to assume…?

P. V. Ram Prasad Reddy: At least onething, we have not got any request for reducing the price. ROFR it will be called, you know 'Right of First Refusal'. We have not received any.

Manpuria Neha: Okay. So is it fair to assume since we have hit the bottom in terms of the sharp price erosion we had seen because of inventory stocking.

P. V. Ram Prasad Reddy: In the normal products, other than the niche products it is fair to expect this is the bottom.

Manpuria Neha: Understood. And sir therefore going forward, how should we look at the growth for the oral solid business?

P. V. Ram Prasad Reddy: Now the future is very clear. Going down is very fast, nobody can stop it. Going up is a very-very slow process. It will take 3years' time or something, improve the existing products prices and adding the additional orders of the existing products, adding our so-called 200 to 225 products of the new products, this is the area we will slowly, both sides we want to improve a little bit; that is our goal. I am talking oral side. In the injectable side in one or two, Yugandhar can tell, except in one or two antibiotic injectable so there is not much reduction in these 9 months.

Manpuria Neha: Understood. And sir my last question. There is an announcement about Aurobindo exploring foray into domestic market. Can you give some colour on the thought process on that and what would be the strategy? Would we look at organic/inorganic opportunities?

P. V. Ram Prasad Reddy: Now this is the time we feel we have the cash flow, and we may get another 200-300 million extra additional cash flow in the next 4-5 quarters. So, this is the time we want to go to the either branded or OTC or personal care and all three together, then complete. Because things are changing in the branded formulation, people are not going multiple thousands of reps, that trend is slowly going. So, this is the time we want to go organic and inorganic. we start the first inorganic, then we want to reach in 3 years around 1,000 crores sale is our goal, either organic or inorganic.

Manpuria Neha: Understood. Thank you so much sir.

Moderator: Thank you. We request participants to limit your questions to two at a time. Thank you. And next question is from Mr. Deepak Gupta.

Deepak Gupta: Hi, good morning sir. Thank you for taking my question. I am Deepak from Nippon Life Insurance. Sir the first question is, if you give us some update on USFDA inspection status for all your key plants?

P. V. Ram Prasad Reddy: As on today, we have three audits; Unit 1 which is already under warning letter, again they came, again they have given the repeat observation warning letter. That we already are in discussion with the FDA and we have good advisors, and we will try to resolve in next 1 year. And the major issue has come in where we have the US plant. The US plant, which is a very small sale, it is a 2.5 million, already loss-making, we ourselves are thinking to stop that plant since we had the warning letter. That again, audit has come because it is a 68-year-old building, some leakages. There also we may expect some warning letter. Anyhow, we are not interested too. That plant we are moving to the new, there only we bought the brand-new model we are shifting from there. We are already doing that process. Unfortunately, they came in the meantime twice. So apart from these two, the third one which we have is Unit V. Now, the audit is going on in Unit V, API sterile.

Deepak Gupta: So, sir, can you give us an update on Unit IV and Eugia? Any inspection due over there?

Yugandhar Puvvala: So, all the injectable plants, obviously like as you know we have for last 2 years FDA has not done any audits. So all our units are obviously due for inspection, and we are ready to get inspected. I think across the world, across all companies, that is the same status. So, it is no different for Aurobindo.

P. V. Ram Prasad Reddy: That is a good answer. You need not to ask me about Aurobindo. You ask everybody, the audit is due.

Deepak Gupta: Sure, I understand sir. And sir the last question is, I missed the opening remarks. You may have addressed it, but there have been a lot of media articles talking about the fact that you are looking for investors in your injectable business. If you could give us some perspective what exactly the thought process of the injectable business. Thank you.

Santhanam Subramanian: The BOD has constituted the committee of independent directors on November 8th for comprehensive evaluation of various options and alternatives, including the demerger for restructuring Eugia and related arrangement. Their evaluation by the COD is ongoing with inputs also being taken from certain advisors. We will inform the stock exchange once an option has been finalized and approved by the Board of Directors and as it is required by the applicable law and regulations. The company fully cognizant of the need to create shareholders value and the Committee of Independent Directors is also aware of this.

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

Nitin Agarwal: Sir, thanks for taking my question. Sir, my question is on Eugia. If you tell us what is the global sales of injectable business this quarter?

Yugandhar Puvvala: Let me just tell you like this, Eugia is all about not only injectable, It is complete speciality business. It is general injectable, oncology injectable, oncology oral solids and hormonals. We are like clocking at a range of around 100-110 million every quarter; that is the last 3 to 4 quarters performance. We expect that it would go up to a double-digit growth next year. Nitin, any other question on that?

Nitin Agarwal: Secondly, we are out at about $400 million thereabouts run rate for this year. You have talked about in the past $650-700 million run rate for the injectable business in FY 24. I mean, how do you see this gap or this difference between the…it is a fairly large growth we are talking about next 2 years. How do we see this getting bridged? Any specific geographies, any specific launches, any thoughts on where we can get to in couple of years along this target?

Yugandhar Puvvala: See, starting this year like, we are expecting significant launches happening from April of FY23. So, I expect like, starting from April, like we have a scheduled launches of around 10 to 15 products in FY23. That will drive the growth for FY23 and for FY24

also, we have significant assets i.e., filings and settlements for launches. So, we are pretty confident of 650 to 700 million in FY24.

Nitin Agarwal: Thank you and best of luck.

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

Anubhav Agarwal: Hi. First question is on the input cost inflation. So if you hear the comments from most of the companies, they have been guiding that the Quarter 4 impact will be more than the Quarter 3. So is that true for Aurobindo as well? Because from the commentary it seems like you guys trying to say that most of the impact were there in this quarter, next quarter it will be okay.

P. V. Ram Prasad Reddy: You see, Quarter 2 itself there is a fall because of one or two one-time sales are there in US. So, it looks better. It is not exactly reflected at the time in Quarter 2. But the erosion has started, Quarter 1 onwards, Quarter 1, 2, 3 it has started because the pricing, as I told you from the beginning, we have three types of pricing reductions. One is the overall pricing reduction and all input material, be it chemicals, intermediates or the products have come down. And ARV business, now slowly improving this quarter i.e., the running quarter. Definitely it was better than last quarter, and we have visibility in next to 6 to 7 months, may not be at the same level of last year. Loss of ARV businesses is another area. Third area and the most important area is input material cost increase and services cost increase. Services means like coal become double and the freight alone, we will send 370 containments in a month. For a quarter, our freight has increased at around 8.5 million, in last 2-3 quarters also increased. So, with all these things, we are very hopeful either freight or the coal has already come down, but that will be used after one or two months, because now we are using high cost coal because our coal usage is monthly 2.5 million. So, all these things, we are hoping that the costs will come down after winter Olympics and ARVs will improve little. So that is the reason we are telling in the beginning, this may be the bottom. In one or two quarters we will reach to the improvement stage.

Anubhav Agarwal: I am with you. My question was very simple, that did Quarter 3 reflected the bottom or Quarter 4 will be even worse, and therefore March quarter will reflect the bottom?

P. V. Ram Prasad Reddy: I don't think. We feel Quarter 3 is the bottom. Let us see, but we have…January month is little better, and Quarter 3 is the bottom most level. After that, things should be either stabilized or improved.

Anubhav Agarwal: Okay, that is helpful sir. And second is on the domestic market. When you talked about reaching about 1000 crores sales, what kind of capital you are trying to commit here, even when you are going organic/inorganic? And in this 1000 crores, target is what? Maybe I missed out. Maybe 3 years, you mentioned or what time did you mention?

P. V. Ram Prasad Reddy: Yes 3 years from the date of the first launch.

Anubhav Agarwal: And what kind of capital you are committing to reach that 1000 crore number?

P. V. Ram Prasad Reddy: We cannot tell that whether we will buy these brands. It is difficult. But whatever the capital we are prepared for it.

Anubhav Agarwal: Typically the norm in the market, it is about acquisitions typically happen at about 3x to 4x sales. So, are we talking…when we are talking about 1000 crores number you are talking about…?

P. V. Ram Prasad Reddy: Yeah maybe.

Anubhav Agarwal: Okay. Thank you, sir.

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

Tushar Manudhane: Yeah. So just on a US generic piece. While the price erosion would have got subsided but the pace of launches have also considerably reduced compared to the annual run rates in the previous years. So how do we see the launch space improving, if it is hinged on US FDA inspections?

P. V. Ram Prasad Reddy: we feel the US FDA inspections are things are improving now and more inspections are coming, and hence approvals also will increase.

Tushar Manudhane: Okay. Even the injectable for which we are targeting 650-700, I am sure, I mean at least for the near term launches would be subject to the inspection and then subsequent approvals or it is more to do with the product review without inspections.

Yugandhar Puvvala: Yeah. It is the product review without inspection and most of the filings and the approvals are dependent on just ANDA review, nothing to do with the inspection due. Because we have not filed any product in the new lines where inspection is necessary. So, from that perspective, FY23 and FY24 I don't see anything which is hinged on inspection per se.

Tushar Manudhane: And just broadly, while maybe not sharing the name of the products typically what kind of product size you are targeting; approximate range if you could highlight.

Yugandhar Puvvala: I think it is like an open news. There are a lot of products which are actually going off patent and starting from May, and you do your research and we are present in most of those off patented molecules. There is no significant launch on approval molecule, it is mostly off patent and it is in the range of 100 million to 1 billion.

Tushar Manudhane: Understood. And any update on the implementation of the PLI scheme.

P. V. Ram Prasad Reddy: Yeah. We have started the work. We already spent Rs. 400-500 crores and we are very much, really excited. This is going to be the good project. That is what.

Because we are selectively investing in the API. Then we are strengthening the existing…Nithyananda Reddy can you explain?

Nithyananda Reddy: Yeah. This PLI scheme that we are going ahead of the project for 15,000 tons of Penicillin G at Kakinada. Good thing is, we got extension up to 24 by one more year because of the COVID issues related to government that is happening. So already land acquisition is over, work is going on, CFE and the environmental clearance has come, all this has come and now construction is going on full swing.

Tushar Manudhane: And while you highlighted for – on the API side, there's been improved demand for certain products, but is that like for this particular quarter or you see this to be sustainable number?

Nithyananda Reddy: Generally, now in the last quarter also a little bit improvement is there, that same thing will continue. Last 3-4 quarters, it was very low. The consumptions are like antibiotics and other things and due to COVID restrictions, there were not much sales happened. Now these sales are improving. We have a perfect base, we can go for further growth.

Tushar Manudhane: And just lastly, whether this -- out of this quarter-on-quarter, how much would have been due to the raw material cost pressure and maybe how much was more of a volume like?

Nithyananda Reddy: Raw material side, say 8% to 10% as import raw material cost has gone up. Then solvents and other things have already Ramprasad has explained for the logistics and all the input logistics also gone up. Now, that will slowly -- we hope that another one or two quarters, it will stabilize.

Tushar Manudhane: Alright, thank you. Thank you for the opportunity.

Moderator: Thank you. Next question is from Shyam Srinivasan.

Shyam Srinivasan: Yeah, hi. Good morning and thank you for taking my question. Just first is on the biosimilar and the vaccines business. So, if you can give us an update on some of the key molecules that are there, also on the vaccines, what's happening to our COVID candidate?

Satakarni Makkapati: Yeah, this is Satakarni. So, in terms of the biosimilars as you know, our second Oncology biosimilar has been filed with the European Medicines Agency in January 2022. So, this is according to the plan. We are having three more biosimilars at different stages in phase III licensure clinical trials out of which an Oncology biosimilar monoclonal antibody that is currently being evaluated in a large phase III efficacy and safety trial will potentially be filed in the next financial year. We are looking at Q3-Q4. We have the last bits of recruitment to happen, so that's progressing well despite the COVID headwinds.

P. V. Ram Prasad Reddy: Q4 of this financial year, Satakarni?

Satakarni Makkapati: Of the next financial year, starting April.

P. V. Ram Prasad Reddy: Okay.

Satakarni Makkapati: So, our development efforts with our second wave of biosimilars are entering into an important stage I would say with one product, which already advanced in this month as we talk into phase I trials in Australia and another product advancing into clinical trial, early clinical trial probably in Q1 of the next fiscal. We remain otherwise on track with development of our other biosimilars both in Oncology and Immunology segments. So, we are reasonably convinced about the progress that we are making with our biosimilars portfolio in both Oncology and Immunology segments. To address your second question Shyam.

Shyam Srinivasan: Satakarni let me just interrupt because just can I have quickly follow up on this right? So, we should assume a nine-month window for both these BP 13 and BP 14 right? Would that be a starting point and in terms of market formation or when there is market formation already in terms of your launch strategy also?

Satakarni Makkapati: So, essentially what we are looking at is with the regulatory timeframes during the COVID times, we assume about 267 to 270 days, which is roughly nine months and the market formation depends on the national phases that you are entering anywhere between 2-5 months roughly is the time that it takes to enter individual member (or national phase) markets after getting the approval through EMAs. I hope that answers your question.

Shyam Srinivasan: Yes. Thank you.

Satakarni Makkapati: And with respect to your second question regarding the vaccines business as you told, we have given an update in November that the Vaccinity project did not move forward because Vaccinity failed to get an approval -- emergency approval from the Taiwan FDA, but our bacterial vaccine is currently in the first license of clinical trial and we will be able to make more commentary on this subject once we initiate the review of the pivotal data coming out of the trial somewhere in Q3, Q4 of the next fiscal and once to initiate the regulatory process in India. Our other vaccine programs are at different stages of development. So, we have invested in vaccines now. The realization from the COVID scenario is that we have a backbone of capabilities in terms of our GMP, know how, in terms of our presence and marketing outreach that we wanted to stay invested in other vaccines. So, that's building up really well and we hope in next two to three years' time, we will have some advances made in key vaccine segments.

Shyam Srinivasan: Very helpful. My last question is on the Auromedics injectable number, I think 63 million, so 6%-7% decline. So, what is still driving this? Is it still demand or is there a price erosion angle even in the injectable side?

Yugandhar Puvvala: I think it is both. We are averaging around 65 million per quarter for the last three quarters and we expect that it will be in the same similar range 65-70 and going forward, I expect that significant launches coming in, in FY23 like our run rate will significantly improve. But it is both, like we have a slight price decreases here and there and there is also

volume increase in some products, so that they get offset with each other for the quarter. So, it's a running quarter like I'm just saying because they can be 2-3 million gap here and in general it's a stable pretty good state of business and starting quarter one of next year, we see significant growth possibilities.

Shyam Srinivasan: Got it. Sir, thank you and all the best.

Moderator: Thank you. Next question is from Surajit Pal.

Surajit Pal: Hi thanks for taking my questions. Just one question is that, Mr. Rao last time told us that antibiotic sales in the US could be the bitter cycle for hospital business. Could you throw some light on update on how that antibiotic sales overall in the US is ramping up? The antibiotic sales in US is a precursor of overall sector wise hospital sales to go up.

P. V. Ram Prasad Reddy: Now things are stabilized and the antibiotic market will get normalized. It is slowly improving. The new Covid patients in US also is drastically coming down. So, from next one or two quarters things will improve. The antibiotic sale already increased and other sales also will improve because of this. Because last two quarters, the hospitals also are very busy. We are hoping in next 15-20 days things will be perfectly alright and things will improve, that's what we feel in US Injectables.

Surajit Pal: Okay. Thanks. In domestic market, can you throw some light on which are the segments you could be targeting initially? or is it possible that you might be encashing your R&D project since the launch…

P. V. Ram Prasad Reddy: We can tell in next quarter and not in this quarter. We have a lot of plans and we will come back to you in coming quarter. Coming one or 2 quarters we'll have a lot of clarity.

Surajit Pal: Okay, okay. Thank you and all the best.

P. V. Ram Prasad Reddy: Thank you Sir.

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

Prakash Agarwal: Yeah hi. This is Prakash. Good morning. Am I audible?

P. V. Ram Prasad Reddy: Good morning Prakash ji, yeah perfect.

Prakash Agarwal: Sir, a question is on US FDA, so you mentioned that it's an ongoing process which we understand but tell me something when they started quite a bit of inspection in October, November, and suddenly in December-January. I think it is again slowed down. What is the current conversation with the FDA for this year's inspection which are planned already? I mean are they coming on board or still desktop inspection is happening or what is a conversation that is happening?

P. V. Ram Prasad Reddy: No, no. We feel in next 2 to three months, it will become normal.

Prakash Agarwal: And they would start visiting again.

Nithyananda Reddy: The physical inspection will happen.

P. V. Ram Prasad Reddy: Yeah.

Prakash Agarwal: That you expect to start in the next couple of months.

P. V. Ram Prasad Reddy: In 2-3 months at least in both sides; India as well as America, things are very drastically improving in COVID side and we hope in 2-3 months it will be normal way of life.

Prakash Agarwal: Okay and sir understood. And correct my understanding sir, I mean we have been hearing that lot of complex products approvals required pre-inspection etc. So, there was a participant also saying that the run rate of approvals have come down especially the complex ones. Is it related to that, or you think that is not required? Inspections are not required for complex products if the plant is approved?

P. V. Ram Prasad Reddy: It is not like that. we filed 180-190 products, we have taken care. In previous products at least 60-70 products are tentatively approved or patent issues and all these things. We got stuck either in raw material because of Unit 11 or Unit 1 or something, but now the new approvals all are coming. We hope it will come very fast from next month onwards, there is less related with the planned inspections. The two years back filings got stuck Just because of this type of API issues, now we are changing the API's source.

Prakash Agarwal: Okay, very helpful and second question is just clarity. I mean there are various participants who have asked, so are you saying that both from a Q&Q, US pricing pressure decline that we have seen as well as input cost, there is one more quarter of pain and then we start growing or you are seeing pain is behind us and we will stabilize from Q4 onwards?

P. V. Ram Prasad Reddy: I strongly believe pain is behind us. It doesn't mean it will overnight it will come down, in next one or two quarters,. I'm not expecting any big price increase either import material or services which are in the price point. That's what we expect.

Prakash Agarwal: So, Q4 is stabilized?

P. V. Ram Prasad Reddy: Yes.

Prakash Agarwal: or it is still under pressure?

P. V. Ram Prasad Reddy: May not definitely. That's what I feel.

Prakash Agarwal: May not decline further.

P. V. Ram Prasad Reddy: yes.

Prakash Agarwal: Okay, got it, and sir, last one if I may, so we have a long list of complex products across different segments, complex segments. In the past, we have said 23 is the year where we will start monetizing the complex injectable, peptide, penem etc. in a big way. So, is it more on the second half side or it is moving to fiscal 24 given the delays that you talked about across the industry?

Yugandhar Puvvala: Some of these things obviously like whatever we said it is FY 23. I think we are still confident that like we will get some of the complex Injectables in fiscal 23. Let's see like how it goes, but due to COVID, there are some development delays because some of the Injectables are getting developed in US. Then, we have to take batches in India, because of the travel restrictions and also some of the validation batches and all, there is a quarter or two delays, but we expect that we will start doing the filings in FY23 and expect some approvals to come from FY24 onwards, but it will be a continuous journey with a quarter or two delays.

Prakash Agarwal: Okay. Perfect, great. Thank you and all the best Sir.

Yugandhar Puvvala: Thank you.

Moderator: Thank you. Next question is from Mr. Venkat. Requesting you to please introduce your firm's name before asking the question. Yes, Mr. Venkat, go ahead. You can unmute yourself, yeah. Please ask the question. Okay, we'll go to the next one. Next question is from Mr. Anubhav Agarwal.

Anubhav Agarwal: Yeah. First question is on the PLI. Just wanted to confirm, so when do we start this PLI production? Earlier timeline was April 23, will it be April 24 now?

Nithyananda Reddy: Yes, that is expected FY 24 end, we are going to start the production sir.

Anubhav Agarwal: So, you were talking FY24 end is it?

Nithyananda Reddy: Yes.

Anubhav Agarwal: Okay, which is April 24, understood.

Santhanam Subramanian: 01/04/24, is the cut-off date we need to start.

Anubhav Agarwal: Understood and the CAPEX is still at 2200 crores or is this changing CAPEX?

Nithyananda Reddy: CAPEX is 1,850 crores, one of the two projects we dropped, 7ACA and TIOC, so we restrict to only for Penicillin G. We are going ahead with that project.

P.V. Ram Prasad Reddy: Penicillin G alone has 200-300 crores CAPEX increase because of increase in the heavy steel prices which they underestimated the equipment cost. Also, the land we bought for the future requirements 400 acres, we are using for Penicillin only 120-130 acres. Like that there is here and there some 200-300 crores increase in CAPEX, only for PenG.

Anubhav Agarwal: What is the number you mentioned 1,850 crores, Is it?

Nithyananda Reddy: Yeah, around that.

Anubhav Agarwal: And out of this, how much is let's say, really on which incentives are applicable from the regulators, right? So, one is, I remember you guys were going for higher capacity

P.V. Ram Prasad Reddy 240 x 5, and now it is around 1,200.

Anubhav Agarwal: On 1,200 crores incentive. Any particular reason we dropped the other product?

P.V. Ram Prasad Reddy: No. We have requested the ministry to regulate 7-ACA and D7-ACA and this is because 7 ACA is half and D 7ACA is half the demand. Somewhere got struck with the government, because they have to go back based on Government rules and procedures. Hence it was not happening.

Anubhav Agarwal: Okay.

P.V. Ram Prasad Reddy: The scheme is only for 7-ACA in domestic requirement is 50% 7-ACA and 50% -- almost 50%-55% D7-ACA. Without D7-ACA, only 7-ACA is not feasible, and hence we dropped them all.

Anubhav Agarwal: Yeah, understood, understood and Sir, just you talked about it, but just asking again, I'm not still clear, the sharp decline that we've seen in the US from quarter 2 to quarter 3, when price erosion was not much. What explains this 402 going down to 366 in one quarter?

P.V. Ram Prasad Reddy: Subbu.

Santhanam Subramanian: I'm on mute sorry Anubhav. It's a combination of one is the overall reduction is not only attributable to the orals, it's a combination of everything, plus also there is a significant drop in the direct dispatches from India, where the third-party label sales used to pick it up from India, which they are not picked up, that is one thing and second, then the distribution within US also, it's not a drop it in one segment alone , it is a small, small drop and about $10 million drop in orals like that; everywhere it is scattered.

P.V. Ram Prasad Reddy: It is only 30 million- sometime here and there in one segment more, so, it will happen in these difficult times.

Anubhav Agarwal: Sure. And what about the inventory levels for us in the US for our products like example?

P.V. Ram Prasad Reddy: Anubhav, it is good now and we are working for another 100 million reductions overall in our working capital to increase the cash balance. So, already our people done a wonderful job and we have still room for reduction for in especially in Europe and some areas and a 100-150 million, we have the room for reduction and increase the cash.

Anubhav Agarwal: No, actually my question was a little different sir. My question was that lets say the problem that you guys mentioned earlier the industry is facing that lot of inventory was accumulated because of erratic supply last year due to COVID and those products are getting

P.V. Ram Prasad Reddy: I think now the accumulation either they must have destructed, or they must have sold. I think it must have already come because already one and half year is over. There is no use of any stock.

Anubhav Agarwal: But how about that stock for Aurobindo? are you having stock, which is near expiry now?

P.V. Ram Prasad Reddy: whatever stock is there for some products like azithromycin, we already made provisions and we sold some products. we requested the distributors for some products, they already bought it. whatever it, this issue maybe in one more quarter, afterwards there won't be extra stock.

Anubhav Agarwal: Okay. Thank you.

Moderator: Thank you. Next question is from Cinderella.

Cinderella: Thanks for the opportunity. I just wanted to understand our strategy on European market. For some quite some time, the market has been subdued for us. So, how do we see plus on the injectable side also we had plans on our plant for European and ROW Market. What is the status on that? and when do we see this growth? is it because of lower approvals or what is the cause on the European side? Can you please help us understand?

Yugandhar Puvvala: The injectable side first, after that Ramprasad Reddy then you can give the overall view. In terms of the Injectables as you rightly said, we have decided to construct one plant in Vizag and it's almost complete and we'll be starting filings from middle of FY23, and we expect to start commercializing in FY24. So, I expect it'll be a steady and muted growth in Europe for FY23. From FY24 onwards, it should pick up.

Cinderella: And overall market?

P.V. Ram Prasad Reddy: Our overall Europe market, you see Injectables they are going through the oral division. Oral divisions are going to have a distributorship for Eugia and that is the one area. And overall, honestly, we also really struggling and we already filed around 70 new products and another 180 in the development at various stage and definitely we are

very deeply studying with outside consultants also and how to break to the next level. i.e., from 900-1000 million to 1300-1500. We are also on the job last two quarters.

Cinderella: Okay. And on the US side, we said that there was almost $10 odd million shell stock adjustment. Was that taken in this quarter, or it is for the nine-month number? Can I have the

P.V. Ram Prasad Reddy: Nine months number madam.

Cinderella: Okay. Thank you so much. All the best.

P.V. Ram Prasad Reddy: Thank you.

Moderator: Thank you. Next question is from Praveen Kumar. Mr. Praveen please unmute yourself. Okay.

Praveen Kumar: Hello sir. Praveen here sir.

Moderator: Yes, yes, go ahead.

Praveen Kumar: Yes sir, the ex-MD talked about the buy-back that the board will review about the buy-back of shares whether it will be, we can expect in the upcoming quarter Sir.

P.V. Ram Prasad Reddy: Subbu, what is it can you please tell?

Santhanam Subramanian: Yeah, there is no proposal before the board Mr. Praveen.

Praveen Kumar: Okay sir.

Santhanam Subramanian: As and when any decision taken, it will be communicated to the stock exchange, but we don't see it now.

Praveen Kumar: Okay sir. Thank you, sir.

Moderator: Thank you. As there are no further questions, I would like to hand the conference over to Mr. Arvind Bothra for the closing comments.

Arvind Bothra: Possibly, we have another 3-4 minutes. We can take one or two more questions. Let's take the question.

Moderator: Okay. We have a question. So, next question is from Mr. Surya Patra.

Surya Patra: Yeah. Thank you for taking my question. Sir, just on the injectable business front, so when we have given an almost kind of doubling growth guidance for let's say over next two-year period, what share of that would be coming from the US and currently what is a mix in terms of US and other major market? If you can throw some light on that.

Yugandhar Puvvala: It is going to be a significant portion is going to the US. Even today it is 75:25, and I expect in next two years as well it will continue to be 75:25; 75 being US.

Surya Patra: Okay. Second question is on the European business. So, in fact it was always considered that Europe, the profitable progress in the Europe should practically support the overall profitability for Aurobindo, but on the revenue itself we are stagnating since sometime quarterly run rate wise, so you have just now guided that the 24 would be the key growth trend that we will be witnessing, but in terms of the profitable growth trend, so when do you think that okay the margin profile for the European business will improve and that will start contributing towards overall improvement of the margin of the Aurobindo as a whole?

Yugandhar Puvvala: As Ramprasad Reddy garu said, like in the previous question, I think we are still doing what exactly the growth drivers are both for top line as well as bottom line and we are yet to come out with clear answers for the Europe business. I think as you rightly said, we have come to a stage where we feel like we need to think differently to drive this business and that work is in progress and we will let you know in next two quarters.

Surya Patra: Sure sir. And just last question if I can, on the foray into the domestic business, what it is when mentioned, so here the thought process would be to replicate all the portfolio that we have created so far for the global market that would be implemented here as well, and how quickly that India foray can happen? Although you are in discussion mode, but whether this is like current financial year, any timeline on that front, if you can?

Santhanam Subramanian: Sir, we have clearly given what is our thought process and the new business strategy is under evaluation. Probably, we will be able to come out very clearly in the next quarter. In the meantime, what we have said, the aspiration for us is in the third year we should be achieving a turnover of 1,000 crores and whether it can be organic or inorganic and we are also have surplus capacity etc., and we'll able to come out with a very clear strategy. Having said that, we will not wait for the strategy work to complete so that we will start the work after that. We will do the things parallelly in such a manner, we will be able to meet our aspirational growth.

Surya Patra: Okay. Okay. Just one clarification sir. Sir, in the last call you had mentioned about Revlimid that you have already settled that, and you are also likely to be launching the product before or in the first wave itself? So, could you throw some light their sir?

Yugandhar Puvvala: I'm not sure like whether we said it is first wave. We do have a settlement and we are expected to launch the product in FY24 and beyond that because it is confidential settlement matters, we cannot say more than that, but yes, we will be launching in FY24.

Surya Patra: Sure. Okay. Thank you, Sir. Thank you for taking my question.

Moderator: Thank you. The last question is from Naga Sridhar.

Naga Sridhar: Yeah. Good morning one and all. I am Naga Sridhar from Hindu Business Line, Hyderabad. Am I audible?

P.V. Ram Prasad Reddy: Yeah, thank you. Yeah perfect.

Naga Sridhar: Yeah. Yes Sir, I just would like to know the raw material import scenario from China Sir, in terms of cost wise and quality wise.

P.V. Ram Prasad Reddy: There is not much issue in the raw material import, but the only thing is import price increase. Just like that, they are increasing the prices and there are internal issues are there. Because of the Winter Olympics, controls are there on the manufacturing because of that also shortages are there. So, let this Olympics are over, then we'll see what happens.

Naga Sridhar: Okay Sir, thank you very much.

Nithyananda Reddy: Thank you.

Moderator: Thank you. I would now like to hand the conference over to Mr. Arvind Bothra for the closing comments.

Arvind Bothra: Thank you all for joining us on the call today. If you have any of your questions and answered, please feel free to keep in touch with the Investor Relations team. The transcript of this call will be uploaded on our website, www.aurobindo.com in due course. Thank you and have a great day.

Satakarni Makkapati: Thank you.

Nithyananda Reddy: Thank you.

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