AUROBINDO

November 27, 2020

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 November 10, 2020 wherein we have intimated the schedule of Investors/ Analysts call on November 12, 2020. We are attaching herewith the Transcript of the analyst / investor call on the Un-audited Financial Results of the Company for the second quarter and half year ended September 30, 2020 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 LTD. HYDERABAD

“Aurobindo Pharma Limited Q2 FY21 Earnings Conference Call”

November 12, 2020

MANAGEMENT: **MR. P.V. RAM PRASAD REDDY – EXECUTIVE CHAIRMAN, AUROBINDO PHARMA USA**
MR. N. GOVINDARAJAN – MANAGING DIRECTOR, AUROBINDO PHARMA LIMITED
MR. SANJEEV DANI – COO & HEAD, FORMULATIONS, AUROBINDO PHARMA LIMITED
MR. SANTHANAM SUBRAMANIAN – CFO, AUROBINDO PHARMA LIMITED
MR. SWAMI IYER – CFO, AUROBINDO PHARMA USA
MR. KRISHNA KIRAN – INVESTOR RELATIONS, AUROBINDO PHARMA LIMITED

Moderator: Good morning, ladies and gentlemen. Welcome to the Aurobindo Pharma Limited Q2 FY'21 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Krishna Kiran, Investor Relations, Aurobindo Pharma Limited. Thank you and over to you, sir.

Krishna Kiran: Thank you. Good morning, and a warm welcome to our Second Quarter FY'21 Earnings Call. I am Krishna Kiran from the Aurobindo Pharma Investor Relations. We hope you have received "Q2 Financials" and the "Press Release" that were sent out yesterday. These are also available on our website.

With me, we have our senior management team, represented by Mr. P.V. Ramprasad Reddy -- Executive Chairman, Aurobindo Pharma USA, Mr. N. Govindarajan -- Managing Director; Mr. Sanjeev Dani – COO, Head, Formulations; Mr. Santhanam Subramanian -- CFO, and Mr. Swamy 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 affirmations on our future business, business development and commercial performance. While these forward-looking statements exemplify our judgment and future expectations concerning development of our business, a number of risks, uncertainties and other important factors may cause actual development and the results to differ materially from our expectations. Aurobindo Pharma undertakes no obligation to publicly revise any forward-looking statements to reflect future events or circumstances.

And with that, I will hand over the call to Mr. "Santhanam Subramanian for the Highlights." Over to you, sir.

S Subramanian: Thank you, Krishna. Good morning, everyone. We hope all of you and your families are safe and healthy. We will now discuss the "Results for the Second Quarter of the Financial Year 2021 declared by the Company." For the quarter, the company clocked a revenue of Rs.6,483 crores, an increase of 16% over last year. The EBITDA before FOREX and other income increased by 23% year-on-year to Rs.1,433 crores. Net profit increased by 26% year-on-year to Rs.806 crores.

In terms of the "Business Breakdown": Formulations business in Q2 FY'21 witnessed a growth of 18% year-on-year to Rs.5,654 crores and contributed 87% of the total revenue. API business witnessed a growth of 3% year-on-year and clocked a revenue of Rs.829 crores. In the Formulations business, US business posted a growth of 12% year-on-year to Rs.3,190

crores in Q2 FY'21. On a constant currency basis, the US business increased by 7% year-on-year to US$430 million.

During the quarter under review, we have filed 24 ANDAs including 10 Injectable ANDAs. Revenue of Aurobindo Pharma USA, the company marketing oral products in USA has increased by 8% for the quarter.

Revenue of AuroMedics, the Injectable business decreased by 15% year-on-year to US$64 million for the quarter. However, the Injectable business witnessed a healthy growth of 25% sequentially. We have filed a total 144 injectable ANDA as on 30th September, out of which 78 have received final approval and the balance 66 are under review. European Formulations revenue clocked Rs.1,515 crores in Q2 FY'2021, an increase of 8% over last year. In euro terms, the revenues decreased by 3% year-on-year. However, Europe business recovered sequentially and recording a healthy growth of 15% in rupee term and 10% in euro term in Q2FY21 over the previous quarter, which has earlier impacted due to stocking up at the beginning of the pandemic.

Growth markets revenue increased by 40% year-on-year to Rs.446 crores in Q2 FY'2021. On a constant currency basis, growth markets reported an increase of 33% year-on-year. Growth markets have recovered and sequentially grown by 54% in rupee terms and 57% in constant currency terms after Q1 FY'21 was impacted earlier due to stocking up at the beginning of the pandemic.

ARV Formulations revenues were at Rs.503 crores, increased by 111% over previous year. On a constant currency basis, ARV revenues witnessed an increase of 100% over the previous year. The increased conversion from TLE to TLD across geographies has led to this growth.

R&D expenditure is at Rs.408 crores during the quarter which is 6.3% of the total revenue.

Net organic CAPEX for the quarter is US$37 million. The closing rupee versus US dollar rate was Rs.73.770 in September '20 versus Rs.75.505 in June '20. The net debt has marginally gone up to US$194 million at the end of September '20. The majority of the company's debt is denominated in foreign currency. The cash and short-term investment are at US$483 million. The average finance cost is at 1.3% mainly due to availing multiple currency loans.

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

Moderator: Thank you. Ladies and gentlemen, we will now begin with the question-and-answer session. The first question is from the line of Neha Manpuria from JP Morgan. Please go ahead.

Neha Manpuria: My first question is on the gross margin in the quarter. We have seen a pretty sharp improvement quarter-on-quarter and year-on-year. Is this sustainable? What drove to this

improvement? Or should we look at gross margin similar to what we have been guiding in the past?

S Subramanian: The increase in gross margin is due to change in the geography mix as well as business mix within US. Also, individual businesses have contributed better margin due to favorable portfolio mix, especially the injectables in US. We had NBOs which has contributed to good margins. The betalactum segment in APIs, which has low gross margins has degrown this quarter and non-betalactum which has better margins has improved this quarter and this has contributed to a favorable mix. If you recollect, we have said in the past earning calls, we will target gross margins not less than 58% to 59% and it is our endeavor to keep on improving the above.

Neha Manpuria: So, for the full year, we should still look at in the 58% to 59% range?

S Subramanian: With this currency rate, we will be doing better than what we have said earlier and if there is a change in the currency rate, whatever appreciation of rupee, to that extent it will impact, but at this stage, we do not see a problem in terms of maintaining above 59%.

Neha Manpuria: My second question is on the Natrol divestment. If you could give us some color on the thought process behind this divestment? And second, how do we plan to use the capital allocation priorities for the use of cash?

N. Govindarajan: Natrol is a very good business to own, and we actually enjoyed having that company in our portfolio; however, the business has reached a critical mass, and for the next leg of growth, it needs a lot of focus and investment in terms of brand marketing, in terms of advertisements, in terms of positioning the brand, etc., So, it would be appropriate for the business to be in the right hands for the further level of growth. Hence, we decided to divest the business. On the other hand, you would also appreciate that we have made a good return on our investment. On the capital allocation front, we have been mentioning this in the past as well that we will not be looking at any large ticket acquisition for the next couple of years. Our current year CAPEX should be around $180 million to $200 million. We are setting up an Injectable facility for Europe and Emerging Markets in Vizag. Also, setting up a capacity for inhalers and dermatology in the US. We are planning to expand our API capacity, because this is an opportunity for us to grow the external sales. As of now, we have secured ourselves in terms of the capacity requirement for the internal supplies. Spending on specialty product portfolio will also be increasing as we move ahead. Apart from this, we also need to invest in PLI scheme in case if we decide to move forward.

Moderator: Thank you. The next question is from the line of Shyam Srinivasan from Goldman Sachs. Please go ahead.

Shyam Srinivasan: First question is on R&D. We have actually seen a sequential jump to about Rs.408 crores, now that is about 6% of sales. So, this is something that was flagged, but just want to know what are the constituents of this particular R&D jump, what projects is this being used for the incremental part?

N. Govindarajan: In the current quarter the incremental part is more towards the biosimilar spend. In fact, most of the clinical trial got concentrated in this quarter because of slight delay due to the pandemic. You are right in terms of the current quarter; it is around 6.3% of the revenue which is around Rs.408 crores and for the full year we expect it to be in the range of 5.5% to 6% of the revenue.

Shyam Srinivasan: Govind, this biosimilars you talked about. If you can help us understand split of that into generic versus say non-generic if I can use that term, right, the biosimilars or complex, if you want to kind of give some quantitative or qualitative sense? And the 5% to 5.5% is what you are saying for the full year, right?

N. Govindarajan: Yes, 5.5% to 6% of revenue is for the full year. In the current quarter 47% of our spending on R&D has gone to generic and 53% has gone to specialty.

Shyam Srinivasan: How many projects are we doing on Biosimilars?

P.V. Ram Prasad Reddy: We are working on five products in the first wave. We have started clinical trials from the last quarter for our biosimilar products. The clinical trials spend on biosimilar was around $3 to $4 million in the last quarter and around 17 million in the quarter under review. Out of the five products, we are going to file three products in Europe by the end of the next calendar year and two products in USA. Other than these, we have two more products, the clinical trials will end by middle of 2022 to 2023. For the second wave of products, we will start clinical trials from middle of 2022- 2023. Currently those eight products are in the beginning stage. So this clinical expenditure will continue to be there for at least two to three years.

Shyam Srinivasan: Just following up on this one, in terms of second wave biosimilars, if I could use the term, is there any lesser requirement in terms of can I just do a Phase-1 extended and not do Phase-2 or Phase-3, let us assume, I am just throwing it in there. But have you seen anything from the regulatory perspective which makes you believe that…

P.V. Ram Prasad Reddy: Associations in UK, Canada and in three, four countries also US working with regulators. We are closely observing. Whatever we are telling about extended Phase - 1 may be possible. But let us see for what will happen in the coming quarters.

N. Govindarajan: When Mr. Reddy said the first two products, one towards the end of the financial year and one towards the beginning of next financial year are extended Phase-1 only.

Shyam Srinivasan: My second question is just on growth markets, 30% constant currency growth. What are these key geographies, it has now become large enough, so if you can just give us some color there and what is the path forward?

Sanjeev Dani: Key markets in 'Growth Markets' are Canada, Brazil, Mexico, Colombia, South Africa and certain Eastern African and some South-East Asian countries. Going forward, we are focusing only on select growth markets. We are improving our product portfolio and increasing the filings there. We are also keeping on radar one or two large emerging markets depending upon the opportunity which comes along for inorganic growth.

Moderator: Thank you. Our next question is from the line of Girish Bakhru from Bank of America. Please go ahead.

Girish Bakhru: First question was on injectables. Good recovery in the quarter. Can you give us a broad guidance how overall injectable essentially moves from here? The overall share this quarter was something about 19.6%. Where do we see the share going in, let us say three years?

N. Govindarajan: Our generic injectable business has seen a significant improvement in the last five years. The current annual run rate of our generic injectable business in USA and other markets is around $380 million, and this is expected to reach around $650 to $700 million over the next three years. This will be predominantly driven by our new plant in the USA, our new plant at Vizag for Europe & emerging markets and as well as our expansion in unit-IV apart from the ramp up in Eugia.

Girish Bakhru: Within this 650 -700 is it possible to share more split of US versus Europe & Growth Markets?

N. Govindarajan: Till the facility for the emerging markets and Europe kicks in, the growth would be driven more by US and once the facility kicks in and approval accrues, Europe and Emerging Markets will catch up with the US injectable business.

P.V. Ram Prasad Reddy: For Europe and emerging markets, we have already started supplying oncology products and we are also supplying from other existing facilities for Europe including antibiotic injectables. Our new plant at Vizag will be completed in next 12-months and that is dedicated for Europe and Emerging Markets. With all these things are coming in, we are expecting good growth in injectables. Our US plant is ready and exhibit batches will happen in January - February. This is also a reasonably big plant with 5 lines. So, with this we have total in our portfolio - six injectable plants, including oncology plant. So we are upbeat in our injectable business, as Govind said $700 million, is not much difficult in our opinion.

Girish Bakhru: Just related in the growth markets, I know they come in a bit later after US, Europe. Is the competitive landscape very different when you look at markets like Canada, Brazil, Colombia, Mexico and South Africa, and injectables per se, I mean as a strategy, if you could throw more color on like, is it relatively less crowded, that would be helpful?

N. Govindarajan: Injectables are relatively less crowded compared to the other forms. And also, I wanted to add, we already have injectable marketing team with us in Europe. Sanjeev would you like to throw some light on that.

Sanjeev Dani: Yes, we are actually number one in the hospital generic market in two of the large European markets. And there are several other markets where we have ongoing hospital team which is marketing the in-license product or in-source products of oncology as well as general anesthetic and antibiotics range. So, I think this new plant is going to further support the efforts.

Moderator: Thank you. The next question is from the line of Cyndrella Carvalho from Centrum Broking. Please go ahead.

Cyndrella Carvalho: Just want to understand the US market from an injectable and overall perspective post the Q2, how is the recovery and any impact of the next COVID spikes that we are hearing around and also in Europe if you could add color?

N. Govindarajan: As you would have seen that due to reduction in elective surgeries and lower number of footfalls in the hospital, the demand for certain therapeutic segments, particularly antibiotics have come down, which has impacted our business in the Q1 of FY'21. However, currently, we have seen the recovery in the injectable business in Q2 and we have reached our internal budget. That holds true even for Acrotech also, which is an injectable business again.

Cyndrella Carvalho: On the facility update, if you could make some comments?

N. Govindarajan: As far as unit 1, 9 and 11 are concerned, we have completed the committed CAPAs and we are awaiting further direction from the regulator as far as US is concerned. Post completion of the remedial measures, our unit-11 was inspected by regulatory authorities from Europe, Japan and Brazil, and we already got the GMP certificate from Europe as well as the Japanese authorities and Brazil also has cleared the inspection. So, all the inspection has gone well is what I would say. As far as unit-1 is concerned, the facility was inspected by European regulator and we received the GMP certificate. As far as unit-7 is concerned, we have completed the committed CAPAs till date and we are awaiting further direction from the regulator. As far as AuroLife is concerned, we have already engaged consultants and we will be submitting our response in the current week. After we submit the response, we will be awaiting further direction from the regulator to move forward.

Cyndrella Carvalho: Any additional comments from European perspective from the profitability side, have we seen improvement there, and should the entire gross margin improvement that we have seen and as you highlighted earlier should continue?

Sanjeev Dani: If you recollect, we have acquired Actavis business about five years back and from a loss-making stage and it was turned into the positive EBIT and positive PAT status. After that we

acquired the Apotex business one and a half year back, which was also loss-making and we have initiated a number of actions, such as streamlining sales and marketing operations in the five countries of Apotex business that we had acquired. Then we also merged the companies in four out of five countries that is Spain, Czech, Poland and Belgium. Netherlands companies will be merged in Q3. At the same time, we have filed the products which were sourced from other sources, to low the cost of manufacturing locations and the products have started supply from these locations in Q1 and Q2, and the pace will increase. We have launched new products also on our enlarged platform in these Apotex countries, and that is an ongoing effort. At the same time some of the high manufacturing base which we had in Leiden in Netherlands, that is turned into contract manufacturing, so you will see further gross margin improvement going forward. Already some of the benefits have been captured. And overall, in European business in Q2, we have again touched double-digit percentage EBITDA level.

Moderator: Thank you. The next question is from the line of Tushar from Motilal Oswal. Please go ahead.

Tushar: Just on the ARV front, if you could just explain the kind of conversion that has happened from TLE due to TLD, is that more or less stabilized now, or you feel significant conversion is ongoing forward?

N. Govindarajan: The global current procurement volume of TLD is almost around 8 to 9 million packs. In fact, we believe that some more transition would happen, after that it would reach around 14 to 15 million packs over the next one or two years. So, this will further drive our growth.

Tushar: And so, what would be the current market share, if you could share in the TLD space for Aurobindo?

N. Govindarajan: So, we have not spelled the specific market share. And also, it is difficult because you need to measure across various aspects. We are pretty happy with the market share what we are having.

P.V. Ram Prasad Reddy: Maybe 20%.

Tushar: So broadly considering this TLE conversion and gain in market share, so the run rate in terms of ARV revenues can still be further in the range of 20%, 25% or it could little taper out?

P.V. Ram Prasad Reddy: ARV is more or less stabilized.

N. Govindarajan: We expect to maintain the current momentum is what I would say. Because once that 8 million to 9 million reaches to 14 million to 15 million, again to that commensurate level we will be able to grow our business.

Moderator: Thank you. The next question is from the line of Surya Patra from PhillipCapital. Please go ahead.

Surya Patra: So now this practically makes us a kind of net cash company. So if you can talk something more on the uses of this fund and do you still believe there are some gaps in terms of asset or in terms of product, which we could think about locating for acquisition or something like that, although you have broadly said that, no big ticket acquisition in the near future?

N. Govindarajan: You are right, we have categorically said that we are not looking at any large ticket acquisition for at least foreseeable future or let us say a couple of years. So the current year CAPEX is around $180 to $200 million, and I would say that we are likely to maintain that. Over and above that we are looking at PLI scheme as well, that is something which would be an additional investment if at all we move forward. Apart from that, from a capital allocation point, we are also setting up an injectable facility at Vizag. As Mr. Reddy and Mr. Sanjeev both have explained for Europe and Emerging Markets, and we are also setting up a capacity for inhalers and dermatology in US. We are also planning to expand our API capacity to focus on external sales because our current capacity is absolutely feeding well for our internal supplies, and we feel that we can create capacity for enhancing our external sales. Our spending on specialty product basket will also increase as we move forward. As you might have seen that the R&D spend is also more skewed towards the specialty. This is the overall capital allocation plan.

Surya Patra: So that means that there is no bullet debt repayment likely also why because anyway the cash generation from the internal accrual itself is likely to be sufficient to handle the current acquisition, is that right?

S Subramanian: We are at present having all the things by way of the short-term loans. When I mean by short-term loans, less than one year. So, we will be able to handle all these things within the internal accrual of the existing business. So, as we said earlier by 31.3.22 the existing business will generate and wipe out the entire debt. The Natrol money will be allocated for various initiatives and various strategic plans which Govind has articulated earlier.

Surya Patra: Thank you. And the second question sir on the vaccine side. So, I think multiple initiatives that you have taken and particularly for the COVID vaccine, which is status, so I think dual initiative that you are taking; one is Auro vaccine in US and also simultaneously tie up with the multiple government agencies here in India. So, what is the thought process? Why multiple COVID targeted vaccines? What is your ultimate thought process around it if you can share something on that? What is the kind of progress so far, we have achieved on our initiatives on the COVID vaccine front?

N. Govindarajan: We have taken a three pronged approach. one in terms of our own vaccine, one in terms of tie up with CSIR Labs, which in fact, there are three different products on three different platforms by three institutes. Apart from that, we are also exploring collaboration with the potential partners who will be getting ready with the product sooner than our product or even CSIR's product. So, this is the three-pronged strategy. Our product is slightly delayed. But

having said that, CSIR's products are progressing well, and our manufacturing facility, we are still targeting to complete it by March - April timeline and start the qualification by April. We can start commercializing it by April - May timeline, that is the plan. The facility we created will be having a capacity on a multi-dose level, of around 450 million doses, and the objective was that we would be able to utilize a facility along with our partner whoever is getting ready earlier than whatever efforts we are investing on. So that is the reason we went ahead and created the capacity.

Surya Patra: Yes, sir, but just some more clarification on it. Why the development in US? That is one. Are you thinking about global business opportunity there, that is why, or secondly, here, you have talked about a partner. So, whether initially it would be like commercial manufacturing or some third-party that is what we are thinking about when we say that our commercialization can start early April, May like that?

N. Govindarajan: I said the manufacturing facility would be ready by April or May timeline for commercialization. When we collaborate with partners, it is a multi-pronged approach again, we shall be doing the manufacturing taking the bulk from them and over a period we can even do the bulk and then do the finished dosage and we will also be taking certain markets for distribution as well. To answer the question on why the development in the US, because we acquired a company called Profectus BioSciences, which we rechristened it as Auro vaccines and they have the VSV platform on which the product is getting developed. So that is how we are developing the product in the US.

Moderator: Thank you. The next question is from the line of Kunal Dhamesha from Emkay Global. Please go ahead.

Kunal Dhamesha: So the first question is, now that we are focusing more on injectables in Europe as well as emerging market so specifically on Europe, the margins in that business, does it significantly higher than what we are currently making in Europe or is it largely in line or how should we think about it going forward?

Sanjeev Dani: Europe margin cannot be compared with US, but if you have been tracking the Europe history, actually there used to be compression of margins five years back and there used to be higher and higher demand for discount, even some price cuts, we have not seen such pressure in the last three years or so. We are steadily improving the margins through better gross margin at a manufacturing level as well as in terms of improving our market share and thereby gaining some kind of advantage.

P.V. Ram Prasad Reddy: Overall compared to US, the margin in Europe is slightly lesser than US for injectable.

Kunal Dhamesha: Secondly, on the injectable pricing in US, I think the last couple of years we have seen kind of a positive pricing trend in injectable space. But do you believe given a lot of players are now

focusing on injectable and with the pipeline that we have, and the LOEs that we are seeing over next four, five years, do you believe that positive pricing is sustainable for next two to three years in injectables in US?

P.V. Ram Prasad Reddy: In any country the huge margins may not be sustainable, that is what I strongly believe from the beginning. But the same way injectables also may come down few points. But for injectable because of having a lot of the compliance issues and other issues, the margin is more than oral.

Moderator: Thank you. The next question is from the line of Nithya Balasubramanian from Bernstein Research. Please go ahead.

N Balasubramanian: A quick one on the export incentives campaign. I was wondering if there was an in fact this quarter if you can help quantify it and how should we think about it going forward, what are you hearing from the government?

S Subramanian: The export incentives we have taken only up to the period of August. We have not considered the export incentive for the month of September. The government is coming out with a new export incentive policy which will be hopefully by 1st of January onwards.

N. Govindarajan: We will be having some drop in terms of the numbers because of the export incentive. But we are working hard towards how to still maintain our margins.

N Balasubramanian: Is there any indication from the government that they might come up with some other form of compensating export companies or a new to figure out other ways of looking at it?

N. Govindarajan: I do not want to second guess that. I think it is better that we see and then decide how it is. We are mentally prepared, in the worst-case scenario there will be some drop and we have to work hard towards ensuring that we are able to maintain our margin even after the drop. That is what we are working towards.

N Balasubramanian: Another quick one on the ARVs. So just a bit of help us understand how long do these tenders typically last, cycle that you normally have when it comes to the ARV tender?

N. Govindarajan: So, if you take a South African tender, you are aware of it, it is for a period of three years. As far as the other tenders are concerned, it could be cyclic. Certain tenders could be for a year, certain could be six months, certain could be even shorter, all other businesses other than South Africa, if we put it together we will always have the visibility to the extent of three to five months. Firm orders atleast for three months and then we will have clarity even for subsequent two months in terms of clear forecast of orders, which will get converted.

Moderator: Thank you. The next question is from the line of Prakash Agarwal from Axis Capital. Please go ahead.

Prakash Agarwal: My first question is, if you could reiterate your R&D guidance for second half and next year given that there are various initiatives in the biosimilars, depot and other complex injectables?

N. Govindarajan: This year, we are guiding around 5.5% to 6% of revenue for the full year. The first quarter if you remember it was around 4.3% and the current quarter is around 6.3%. So, overall, this current year we would be guiding around 5.5% to 6%. As far as the next year is concerned, we would like to maintain this, but you also have to appreciate the fact that we need to relook in terms of how the concentration of biosimilars Phase-3 can happen. If that happens, it can slightly go up by another 1% or 1.5% if it gets concentrated.

Prakash Agarwal: Just wanted to understand like, since we are in a few of the products in the second wave, and in ophthal, maybe the first wave, what kind of approx. ballpark number we are spending on each of the molecule, I mean, the Biocons of the world typically spend about $50 to $70, $80 million, which are in the first wave. So, I understand we would be half of it or less than that?

P.V. Ram Prasad Reddy: Everybody will be spending more or less in the same range. Everybody is doing the clinical trials in the international accredited laboratories and R&D costs are there. Everybody will spend around $40 million plus/minus $5 or $10 million.

N. Govindarajan: To add to whatever Mr. Reddy said, there are a couple of products where spend is much lower where he had earlier clarified that we will be doing the extended Phase-1. Whatever Mr. Reddy is talking about is for the global products. For those two products, it would not be the same.

Prakash Agarwal: And given the pipeline that you have been disclosing in your presentation across complex products, what is our three year to five-year outlook on the base that we have? We have been typically doing mid to high single digit growth. This kind of pipeline would help to sustain that, or could we see a little step up on the growth platform?

P.V. Ram Prasad Reddy: As you know we are working on lot of areas; we are doing vaccines, biosimilars, increase in injectable capacity etc. With all these things, we are confident to continue the growth between 5% to 10%. Maybe except one or two quarters here and there may miss, otherwise, we are very very confident of maintaining 5% to 10% of growth.

Prakash Agarwal: On the New Jersey, the recent FDA action, so, I am sure we have taken all the precautionary measures, so given that the 483 still not available, what do you think would be time required to address and go back to FDA in terms of timelines, CAPA plans and all, so when do you think that you would be ready for a reinspection?

N. Govindarajan: We will be submitting our response for the warning letter this week itself. And in fact, as part of this particular response itself, a good percentage of CAPA should have been closed and we will be further working with them in terms of the way forward.

Prakash Agarwal: But any timeline sir, I mean, what we want to say to FDA that we will be ready in a year, six months?

N. Govindarajan: No, for us in terms of completing the CAPA should not take more time. The existing facility's CAPA should get addressed in the next two to three months, a maximum three to four months it would not be beyond that.

Moderator: Thank you. The next question is from the line of Rahul Veera from Abakkus. Please go ahead.

Rahul Veera: Just wanted to have some clarity on what kind of total investments have we made for this vaccine facility?

N. Govindarajan: Total investment for both bacterial and viral facility would be around Rs. 250-275 crores

P.V. Ram Prasad Reddy: Those things will start this type of clinical. Is it right, Govind?

N. Govindarajan: No, sir, bacterial facility we are already moving to Phase-III, that would get monetized earlier where there would not be much of an investment, whatever clinical investment would happen, it would happen on virals.

Rahul Veera: When we talk about leading vaccines which are in the late Phase-3 trial, So in terms of capability, whether it is RNA or DNA vaccines, we have the capability to manufacture either or we are just a fill and finish kind of a facility?

N. Govindarajan: I would answer it this way, from a fill and finish, we have our capacity to either to go for liquid filling or lyophilized product, we have the capability and we can fill that. As far as the drug substance is concerned, we need to evaluate. With the mRNA, we need to understand in terms of how the bulk needs to be produced, because we have the capability of doing it in a fixed bed reactor or we can even go for a conventional bioreactor. So, we need to understand in terms of each of those potential partners what they are looking for and then we will be matching and letting them know how we can go about it. That is how we have been doing so far. But we have the capability.

Moderator: Thank you. The next question is from the line of the Tushar from Motilal Oswal. Please go ahead.

Tushar: Just to recap in terms of the CAPEX requirement separately in terms of injectables or the inhalers or the API facility?

N. Govindarajan: What was projected is around $180 to $200 million now, because you would agree with the fact that all this investment will take approximately 24-months. So, partially it will be this year, partially next year and something can go to the subsequent two quarters. You can take it

as this year and next year it will be around $180 million to $200 million. Apart from the PLI scheme is what we are mentioning.

Tushar: And this included the vaccine manufacturing facility CAPEX as well?

N. Govindarajan: The vaccine manufacturing facility has been already invested. Most of the investments will get concluded in this year itself. Because when we are talking about trying to commission the facility by April or May, most of the investment would happen in this year itself.

Moderator: Thank you. The next question is from the line of Charulata Gaidhani from Dalal & Broacha Stock Broking Private Limited. Please go ahead.

Charulata Gaidhani: I have two questions. One is on the ARV. Do you think the numbers in the ARV business are the new norm or do you see them coming down because of COVID?

N. Govindarajan: We are able maintain our business and we are able to grow is what we would say at this juncture.

Charulata Gaidhani: We can take this as the run rate going forward?

N. Govindarajan: As I mentioned earlier, we typically have firm orders for a period of three to four months and even have visibility for the subsequent two years, so we can currently take this as a run rate.

Charulata Gaidhani: To which geographies do you supply?

N. Govindarajan: Majority of it would go to PEPFAR markets.

Charulata Gaidhani: What about South Africa?

N. Govindarajan: Additionally, South Africa would be there, but majority of it would be still PEPFAR because PEPFAR includes most of the African markets.

Charulata Gaidhani: Currently, how many injectables have you commercialized in the US?

N. Govindarajan: Around 60.

Moderator: Thank you. The next question is from the line of Amit Goela from Rare Enterprises. Please go ahead.

Amit Goela: I have two questions more strategic in nature. So, one is you have executed brilliantly and the numbers also very good, so congratulations on that. Now for the first time we are getting our company listed in the country which is purely injectables and our size of injectable business is almost similar to theirs, if not slightly bigger. So, could you throw some more light on the

injectable business in the US? Number one. How do you see a generic business going forward over the next two, three years like what is your strategy because so far you executed brilliantly and going forward how do we see this business like what kind of growth numbers and products like you are adding a complex pipeline to that but pure generics how do you see it going forward if you could say a few lines on that?

P.V. Ram Prasad Reddy: Injectable business as we told sometime before, at present $380 million, we are confident of next three years to reach around $700 million. The pricing side also will be more or less same or slightly lesser. Otherwise as far as the orals and other areas of the products like biosimilar would be as we told. Overall, we are expecting a growth 5% to 10%.

Amit Goela: No, one is like say injectable it is good to know, if you could throw the light on the margins if possible. And generic like you had solid volume growth over the last few years. So, what is your strategy on that over the next two, three years -- are you going to be doing more of the same or are you looking at something different like?

P.V. Ram Prasad Reddy: Regarding generics ANDAs, we are yet to get approval for around 180 products including tentative approvals or the to be approved or to be launched. Apart from this, over 290 products are at the various stages of development. So, we have a very good visibility for the next five to seven years. That is on the back of biosimilars and specialty & difficult to develop products under development.

Moderator: Thank you. The next question is from the line of Damayanti Kerai from HSBC. Please go ahead.

Damayanti Kerai: Sir, my question is on the European business. So, from the current portfolio right now like how many are manufactured at your own end and approximately like how many are outsourced or in-licensed? And with regard to that, how many products you are planning to transfer from in-licensed, outsourced to own manufacturing say next two to three years' timeframe?

Sanjeev Dani: In a larger country, we market almost 600 products like France and a couple of other countries. We are supplying about close to 200 products from India. But do not go by the number of products but percentage of sale it is growing and we are leveraging the cost difference. Over the next three years, we have more than 250 products under development including oncology products.

Damayanti Kerai: If we do not look at numbers approximately in terms of sales percentage right now you are having more sales from the outsource or in-license product, but eventually you are planning to increase share from the products manufactured in-house, right?

Sanjeev Dani: That is right; however, we have to keep in mind some strategic advantage of manufacturing in Europe.

P.V. Ram Prasad Reddy: We may not change the existing products. The new products will be launching from our Portugal plant and our unit-15 oral Vizag plant and China plant. So in total three plants we are allocating to Emerging Markets and Europe.

Damayanti Kerai: Just referring to this China update, it has been a while like we heard anything. So, what is the progress on the move towards Chinese market like how should we look at that part of the business?

P.V. Ram Prasad Reddy: We are at the fag end of completing our plant. We are going to start the exhibit batches in the month of February or March. The first batch we will be taking in February and from there we are taking every month three to four products and these products are for Europe and China. We are also filing from India, as on today we have filed around 27 products. We have not got any approval, but we are going to get approval for two products in next one month.

Damayanti Kerai: Sir, what I broadly understand China we are progressing, though it might take some time before we can see actual sales coming in from these new filings, right, if I understand correctly?

P.V. Ram Prasad Reddy: Actual sales will start from February as we are starting the production, i.e in the next three months. Actual sales my personal opinion is it will start in 2022 for the local China market. But from China plant for Europe market, we are targeting second half of 2021.

Damayanti Kerai: Products manufactured in China plant for the European market, that will start?

P.V. Ram P Reddy: That starts in second half of 2021.

Moderator: Thank you. The next question is from the line of Tarang from Old Bridge. Please go ahead.

Tarang: Just wanted to double check. The CAPEX on the Vizag plant plus the CAPEX in North America plus API CAPEX will be over and above the organic CAPEX guidance of $180 million to $200 million, have I got it correctly?

N. Govindarajan: Most of it will be accommodated within that. When I say $180 to $200 million, all these CAPEX would never happen in one single year. it would get spread over a period of 18 months or 24 months depending on the complexity of the project.

Tarang: So then in that sense, Govind, sir, if I look at your capital structure today, your balance sheet is probably at its most conservative form it has been in the last decade. Your net debt in FY'10 used to be almost Rs.2,000 crores when you had a similar net worth. And now 10-years your net worth has gone up by about 9x and your debt is down to Rs.1,500 crores. Further, if I consider these $180 million to $200 million of CAPEX, in my calculation, you will still be left with $200 million to $250 million of organic free cash flows post CAPEX and tax. And with Natrol divestment and extremely benign interest rate environment, would it therefore not be

prudent for you to maybe lever up your balance sheet appropriately for a suitable acquisition or in absence of any seriously consider a buyback?

N. Govindarajan: We said that earlier as well. What we have not considered in this particular topic, what have we talked about apart from $180 to $200 million and also the R&D investment which may come up from a cash flow perspective, we are also looking at the PLI Scheme which we have not concluded yet, and as you progress, you need to consider that as well, and then only you have to take up a decision in terms of how do we move forward.

Tarang: Is buyback being considered sir?

N. Govindarajan: It would be considered after we allocate all the needs and then only if you have surplus that will be considered. Please understand the fact as I told you that next two years, we have clarity in terms of what we need to do other than the PLI scheme. Once we make up our mind, the board will consider, and they will take the appropriate decision.

Moderator: Thank you. Ladies and gentlemen, that is the last question. I now hand the conference over to Mr. Krishna Kiran for his closing comments.

Krishna Kiran: Thank you all for joining us on the call. If you have any questions unanswered, please feel free to keep in touch with investor relation. The transcript of the call will be uploaded on our website www.aurobindo.com in due course. Thank you.

Moderator: Thank you. Ladies and gentlemen, on behalf of Aurobindo pharma Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines.