AUROBINDO

November 19, 2021

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

Dear Sirs,

Sub: Transcript of earnings call.

Please refer to our letter dated November 2, 2021 wherein we have intimated the schedule of Investors/ Analysts call on November 9, 2021. 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, 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

AUROBINDO PHARMA LIMITED Hyderabad

Encl: As above.

“Aurobindo Pharma Q2 FY22 Earnings Conference Call”

November 9, 2021

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

Mr. N. Govindarajan – Managing Director, Aurobindo Pharma Limited

Mr. Sanjeev Dani – Chief Operations Officer & Head, Formulations, Aurobindo Pharma Limited

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

Mr. Swami Iyer – Chief Financial Officer, Aurobindo Pharma USA

Mr. Arvind Bothra – Investor Relations, Aurobindo Pharma Limited

Moderator: Ladies and gentlemen, Welcome to Q2FY22 Earnings Conference Call of Aurobindo Pharma Limited. All participants lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. 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. warm Welcome to our Second Quarter FY 22 Earnings Call. I'm Arvind Bothra, from the Investor Relations team of Aurobindo Pharma Limited. We hope you have received the FY 22 financials and the press release that we sent out yesterday, the same is available on our website as well. With me. We have our senior management team represented by Mr. P.V Ram Prasad Reddy, Chairman, Aurobindo Pharma USA; Mr. N. Govindarajan, Managing Director, Aurobindo Pharma Limited; Mr. Sanjeev Dani, COO and Head of formulations; Mr. Santhanam Subramanian, Group CFO; and Mr/ Swami Iyer, CFO Aurobindo Pharma USA.

We will begin the call with summary highlights from the management followed by an interactive Q&A session, please note that some of the matters we will discuss today are forward-looking, including and without limitation, statements relating to the implementation of strategic actions and other affirmations 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 main cause actual development and results to differ materially from our expectations. Aurobindo Pharma Limited 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 Subramanian.

Santhanam Subramanian: Thank you. Arvind. Good morning, everyone. We will discuss the results for the Second Quarter of FY22 declared by the company. We will be discussing ex-Natrol numbers throughout the call. For Q2, the company registered a revenue of INR 5,942 crores, an increase of 4.2% quarter-on-quarter. Most of the businesses registered a healthy growth on a sequential basis, the EBITDA before forex and other income declined by 8.3% year-on-year to INR 1,187 crores. EBITDA margin for the quarter was at 20%. Net profit decreased by 2.1% year-on-year to INR 697 crores. Increase in some of the key raw material prices and logistic costs weighed on the profitability for the quarter. Also, the increase in R&D spend by 0.4% quarter-on-quarter led to decrease in EBITDA margin during the quarter. We started focusing on optimizing end to end inventory which has resulted in reduced capacity utilization across our facilities. This in turn increased the overheads and thereby affecting the profitability. However, this will release cash flows which will continue to benefit over the coming quarters and position us as an agile player. During the quarter itself we were able to reduce the working capital by about $62 million mainly due to reduction in the inventory.

In terms of the business breakdown, Formulation business in Q2FY22 witnessed a growth of 5.6% quarter-on-quarter to INR 5,161 crores and contributed around 87% of the total revenue. API business contributed around 30% and clocked a revenue of INR 781 crores for the year registering a degrowth of 5.8% year-on-year and 3.9% quarter-on-quarter respectively. For the quarter, the revenue from the US market increased by 6.9% year-on-year to INR 2,968 crores. On a constant currency basis, US revenue increased by 7.3% year-on-year basis to $401 million. On a sequential business, US business grew by 10% in US$ terms and 10.7% on reported currency basis. We have received final approval of

7 ANDAs, 1 NDA and launched 6 products in the quarter under review. We have filed 27 ANDAs, including 5 injectables during the quarter. Revenue of Aurobindo Pharma USA, the company marketing oral products in USA increased by 9.6% year-on-year for the quarter. On a quarter-on-quarter basis. Aurobindo Pharma USA grew by 13% in reported currency Revenue. The US injectable business increased by 5% year-on-year to $68 million for the quarter and revenue quarter-on-quarter increased by 10.3%. We have filed total of 155 ANDAs as on 30th September out of which 101 have received final approval and balance 54 are under review. The company as on 30th September has filed 681 ANDAs on a cumulative basis out of which 656 of final approval and 29 of tentative approval including 8 ANDAs, which are tentatively approved under PEPFAR and the balance 196 ANDAs are under review. For the quarter European formulations revenue clocked at INR 1,662 crores an increase of 9.7% year-on-year. On a quarter-on-quarter basis European formulations increased by 5% on base currency. For the quarter Growth Markets witnessed de-growth of 13.5% year-on-year to INR 386.3 crores. On a quarter-on-quarter the growth market business grew by 17.3%. Performance of Growth Markets was led by strong growth in Canada, Brazil and other markets. For the quarter ARV formulation business stood at INR 145 crores, de-growth of 71% year-on-year on a high base of last year. The corresponding de-growth in ARV formulation on a quarter-on-quarter basis was 51.1%. R&D expenditures INR 399 crores during the quarter, which is 6.7% of the revenue compared to 6.3% in Q1FY22. Net organic capex for the quarter is at $98 million, the average forex rate was INR 73.94 in September'21 and INR 73.68 in June'21.

Net cash including investments at the end of September'21 was US$34.7 million. The average finance cost was at 0.6% mainly due to availing of multiple currency loans. The Board of Directors constituted a committee of independent Directors for comprehensive evaluation of various alternative/options, including demerger for restructuring the Company's wholly owned subsidiary Eugia Pharma Specialties Ltd, focused on sterile oncology and hormonal product and recommended to the Board by the ensuing meeting for further discussion and decision. This is all from our end and we are happy to take your questions now. Thank you.

Moderator: The first question is from Damayanti Kerai.

Damayanti Kerai: Thank you for the opportunity. Sir, my first question is on succession plan for Govind. So as per your earlier update he will be stepping down. So, what are plans for his replacement.

P.V. Ram Prasad Reddy: The Board is meeting again in early December, and we will let you know after that Board meeting, the final succession plan in this

Damayanti Kerai: So, will get update in December. After your Board meeting, right?

P.V. Ram Prasad Reddy: Yes

Damayanti Kerai: Thank you. And my second question is on your US performance, very good performance I'll say compared to what we are seeing in terms of price erosion and all, so what has led to this notable performance in the base business because I see like injectable also picked up, but

more of the growth is driven by the oral part. So, what kind of price erosion. You are facing in your portfolio and how do you see this moving ahead.?

Swami Iyer: Yes, this is Swami. I work as a CFO for Aurobindo USA. Thank you for the question, Damayanti. The US business has grown largely the oral solids registering significant progress in terms of volume. However, like you said there has been price erosion and we have had fairly good growth across all the therapeutic segments, it's on the back-off certain shortfall in demand in the previous quarters. This quarter has been good, and we are looking forward to similar growth going forward. However, as you mentioned pricing is pricing pressure was there during the quarter, we expect that this would stabilize over a period of next one-two quarters.

Damayanti Kerai: Okay. Right now, erosion must be in double-digit rate, which you expect to moderate?

Swami Iyer: So, I didn't say moderate.

P.V. Ram Prasad Reddy: High-single digit is the present erosion. Next one or two quarters will have more clarity on this, also once the price falls are there, there are stock adjustments also. So, a double effect may happen.

Damayanti Kerai: Okay, sir. Thank you. That's very helpful and my last question will be on your plans for Eugia. So, what kind of alternatives you are assessing and when do you expect this process to complete?

N. Govindarajan: I think already Subbu explained Damayanti. The subcommittee of the board has been already formed with independent directors and they will be evaluating everything, and they'll be getting back in the forthcoming meeting. So, I would not like to second guess anything.

Damayanti Kerai: Okay, thank you and Govind all the best. Thank you.

N. Govindarajan: Thank you. Damayanti.

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

Tarang Agarwal: Hello, sir. Good morning. Couple of questions from me. Firstly, on the Injectables business. So about $68 million, It's still about 15% behind the $75 million - $77 million run rate, which we reached pre-COVID, what's driving this and how should we see this moving forward. I ask this, because you know you have about 23 approvals in the trailing 12 months and still the current run rate is not close to pre-COVID levels. So how should I see this moving forward?

N. Govindarajan: Swami I'll take this; I think if you remember we have clearly said that we are confident about our medium-term aspirations of reaching $700 million revenues by FY24. So obviously this should be backed by our pipeline and continued efforts to improve our market share. What I would suggest is not to measure on a quarter-to-quarter basis but on an annualized basis. We are confident about achieving what we had already mentioned.

Tarang Agarwal: Got it. Thank you. You know there is a line item in the cash flow, which talks about amount paid for business acquisitions to the extent of INR 5,925 million. What would this be regarding because if I recall your OTC brands and ANDA acquisition was about $104 million in last quarter?

Santhanam Subramanian: Yes, that's true. Last quarter we have paid around $104 million, which you're right, plus this quarter also something around $17 million, which has been explained in the earnings call presentation. So that is the total we have been during this year.

Tarang Agarwal: So, but $104 million will translate about INR 750 crores. So, there's still a difference.

Santhanam Subramanian: No there are certain other items.

P.V. Ram Prasad Reddy: Nutraceutical brands as well as the ANDAs and some other smaller assets. 3 different of entries have happened for all these things - $82 mn, $17 mn and another $22.5mn. These 3 entries are happened in the overall in the last 2 quarters.

Tarang Agarwal: Got it, got it. So that will be captured in acquisitions plus payment for intangibles. correct?

Santhanam Subramanian: Yes, and it will be in the balance sheet, something will be reflected in the net block, something will be reflected in the capital WIP, and something will be in the capital advances. You will not be able to reconcile directly.

Tarang Agarwal: Got it. And the last one from my side, you know if you could give us some sense on what's driving this heightened pricing pressure in North America because we've seen it across the domestic peers as well as global peers. While you've mentioned that it had to do with the you're not channel filling last year is that the only reason or this incremental supply and competition that suddenly come in?

N. Govindarajan: Okay. Swami I'll take it. So basically, it's a cascading effect. It started with that and then obviously what we have mentioned earlier as well is about the stocking because of the more demand during the COVID period, so particularly when we are stocking across the entire value chain, it starts from the pharmacists to the distributor to the manufacturer. As you would appreciate the fact that they have to sell the product within a certain shelf life because anything less than one year the distributor would not buy it and sell it at the pharmacist level. So obviously there is a heightened pressure in terms of everybody trying to liquidate and that is the predominant reason. And it also has a cascading effect because when people are not able to sell it, they would like to go much lower in terms of the pricing to ensure that there is some value rather than destroying the product. So that is the main reason we clearly say. But we have used this opportunity to relook at our end-to-end inventory and as Subbu as mentioned in the opening call itself we already improved to the extent of $62 mn, and we would like to continue our effort for another quarter or two minimum like to ensure that we are able to further improve.

Tarang Agarwal: Okay, thank you. Thank you and all the best.

N. Govindarajan: Thank you.

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

Anubhav Agarwal: So is this the new base that on which we should only grow from here. In the sense that there are multiple tailwinds for us injectables get normalized, cyclophosphamide yet to contribute yet to get full contribution from several ANDAs. So, this $400 million can you, I know, difficult to say, but what's your confidence level that is this a new base for us?

P.V. Ram Prasad Reddy: You cannot tell that this is the base, we want to see one more quarter to be on a safer side. So, then we can tell where the base is and as you told the price erosion and shelf stock adjustments are both in orals and ARV side also a lot of stock are piled up in various levels and injectable Ertapenem. So, there are a lot of things that happened last one or two quarters other than the other than the expenses increased by the utility expense like coal, raw material and what not everything came in one or two quarters.

Anubhav Agarwal: No, I appreciate that. My question was only on the US.

P.V. Ram Prasad Reddy: Yes, we can tell you after one quarter.

N. Govindarajan: I'll put it this way, just to add to what Mr. Reddy said. I think he clearly explained. To add to your point that injectable and other divisions would start, you can consider that is a base, but then for oral as Mr Reddy rightly said that we may need to wait for one or two quarter to see whether this is the bottom or whether it would be go down a bit more. So that is the reason we are trying to be cautious.

Anubhav Agarwal: And that cautious outlook is coming because you still think that there is a lot of inventory left with other players, they still want to liquidate.

N. Govindarajan: I think you would appreciate as normally it would be extremely difficult to judge how much who's holding and how long they would take to liquidate. it won't be more than at least couple of quarters is what's our assumption.

P.V. Ram Prasad Reddy: Definitely we are the near-end Govind, that's why we are telling one quarter more.

N. Govindarajan: One quarter or maximum another, instead of 3 months it could be for 4 or 4.5 of months.

P.V. Ram Prasad Reddy: They're not more than that because the product expires generally on an average you take it 24 to 30 months. So, it's already started from June' 2020 or some time and it is ending now in next one and half quarter. Afterwards the product can never be sold if it is less than 9 months or so.

Anubhav Agarwal: Okay, that's helpful. Second, what was the global injectable sales in this quarter across all geographies.

Santhanam Subramanian: So global injectable sales during the quarter is around $105 million.

Anubhav Agarwal: And it's some can you detail some plan on the China because I think at the start of this calendar year. You talked about getting 18 approvals but how many approvals have we got and what is the total filings, we have made in China.

P.V. Ram Prasad Reddy: We have filed around 28 products and 2 products are approved. We have launched one product. Out of two one we got the bid in the tender and another one is a retail product, and we are expecting another 5 to 6 products approvals in next 3 to 6 months.

Anubhav Agarwal: But sir. Was it being the same status that we have filed 28 ANDAs, and the start of this calendar year itself, so we haven't made any incremental filing channel so far?

P.V. Ram Prasad Reddy: No, the ultimate filing from India and goes to China office in China filing, maybe last call it may not be 28. Now, how much Subbu? Current exact number -- filing.

Santhanam Subramanian: Arvind you have the number?

Arvind Bothra: Will reach out to you.

P.V. Ram Prasad Reddy: I think we have filed in this quarter around 3 to 4 products. This all filing has happened from Aurobindo India. We started our production in the new plant in China. One product we have taken intermediates and we are taking every month 2 products from early next year onwards.

N. Govindarajan: Around 30 products.

Anubhav Agarwal: Yes, okay. Sure. And just the last clarity on this ARV contracts. So, when is the next contract negotiation due for TLD for us? I think it was a 3-year contract for us when is that coming for next renegotiation?

N. Govindarajan: You're specifically talking about probably, South Africa. They have asked for the bid, and we have given the bid. It might take another 6 months for us to finalise, and the procurement will start 9 months from now or so. Other agencies will keep continue to ask for the bid whenever they liquidate their stock.

Anubhav Agarwal: What is the sense you are getting is just getting more competitive now more players have come in the TLD market?

N. Govindarajan: More than the number of players, one thing we have to remember is whenever people come under pressure and when they reduce the price, and the price are not likely to immediately improve. I think that would become the new base, so it's not more because of the new players entering, it is more because of the stock people are having which they are trying to liquidate in terms of going aggressive on the pricing. So that is a challenge.

Anubhav Agarwal: Okay, thank you guys.

N. Govindarajan: Thanks.

Moderator: Next question is from Prakash Agarwal.

Prakash Agarwal: Yes, hi, good morning. My first question is a little clarification. Just wanted to understand what the sales of that OTC basket that we bought has that also being clocked in, I missed that comment.

Swami Iyer: Yes, please.

Prakash Agarwal: And how much would be the contribution sir?

Swami Iyer: I think Subbu mention $9 million.

Prakash Agarwal: Okay, sorry. Thank you.

P.V. Ram Prasad Reddy: Total run rate for 11 months is approximately $35 million to $38 million.

Prakash Agarwal: Okay. That is helpful. Thank you. And the second question is on the, you know the receivables, which have gone up, just trying to understand, you also mentioned there would be a shelf stock adjustment. So how do we see the receivables unwinding or have we pushed enough sales, given the pricing pressure was there but still we've done good sales number. How should we see this these receivables and unwinding?

Santhanam Subramanian: Receivables during the quarter has not gone up. Actually, if you really see that receivables overall have come down by ~$5 million. Right. And regarding the question, how you see it for future, Swami can explain.

P.V. Ram Prasad Reddy: What is that?

Santhanam Subramanian: How is the receivables going to look into, in this scenario. That's what he was asking?

P.V. Ram Prasad Reddy: More or less the same.

Swami Iyer: Yeah.

Prakash Agarwal: So, I can see receivables have gone up by 20% over the last six months?

Santhanam Subramanian: No, you compare between June to September, it has come down. March was the lowest. We have explained in the last quarter results that there was an increase in the trade receivable by about $68 million last quarter, we explained it and that's where the overall working capital has gone up in the last quarter by $86 million. But this quarter conscious efforts have been made by the company in all fronts both the inventory and the trade receivables and it has been reduced. Between June to September, there is a reduction in the receivables.

Prakash Agarwal: And you are saying, this is the base unlikely to see a major change.

Santhanam Subramanian: Unlike to see a major change and unless the sales are increasing. I mean more than the normal.

Prakash Agarwal: And lastly, on the margin outlook front, I mean, definitely, I mean as Mr. Reddy also mentioned there is being significant cost pressures. So, solvent prices and power, all those things have gone up, how do we see our gross margins and EBITDA margins for the next 12 to 24 months given that. Then on the portfolio and one of the participants said there is enough headroom for growth in terms of US sales increasing share.

P.V. Ram Prasad Reddy: The cost will come back to normal; we are hoping for normalcy. Coal or solvent prices after the winter Olympics, then we are hoping in the first quarter and last quarter, January to March quarter end or so. We are assuming it will come near to the normal. And as far as the one more quarter is the as we told we want to see that then we want to see where we stand in the pricing pressure, and we are not expecting much big fall. We want to test where is the base, whether this quarter is the base or next quarter is the base.

Prakash Agarwal: No. So, follow-up is on the cost. Operating cost front. So, we have seen significant cost saving then cost optimization, how much headroom we have given the fact that that raw material cost is still increasing in September was the first month probably saw a significant rise and now we going to see the full quarter. But I'm saying what is the cushion we have on the operating cost side, which we have demonstrated very well in the last quarter. I mean is there further scope for cost savings?

P.V. Ram Prasad Reddy: Yes, we are working across the company in various models that are working very effectively. This is the time we have to save the next one or two quarters. Then we can maintain cost neutral.

Prakash Agarwal: And fine what is the capex guidance. Sir the next two year this year and next year?

P.V. Ram Prasad Reddy: Subbu you want to tell?

Santhanam Subramanian: We have incurred the normal capex of around $122 million in the half year and $60 million in the current quarter. Right. And as has been said, this year we expected to do around $200 million against this because we have balance of $80 million. And we will try to control the capex within this. Apart from that, we have two other capex, which is the acquisition of the ANDAs and the brands which is over and above M&A acquisition cost and the PLI project as and when we take up this also will **be** incurred.

P.V. Ram Prasad Reddy: No more new capex in next two years? Normal almost negligible zero capex other than already approved and ongoing projects.

Prakash Agarwal: Which is what we have mentioned in the past about $200 million per year.

P.V. Ram Prasad Reddy: Yeah.

Prakash Agarwal: Okay, sir. Thank you so much. And all the best.

Moderator: Next question is from Shyam Srinivas.

Shyam Srinivasan: Good morning and thank you for taking my questions. First one is on R&D, it's gone up this quarter and to see quite a lot of filings about 27 filings at least in the US. So, what are we filing? The frequency as picked up. So, which is what I'm trying to understand and if didn't get bunched up or do we have we move to a different level of R&D filings.

N. Govindarajan: I think we are still maintaining the same level of filing what we are committed earlier like 40 to 50. Sometimes you cannot measure it on a quarter-to-quarter basis.

Shyam Srinivasan: Got it. Just the quality of the filings as well. I know I can see 5 injectables. But if you could share any colour on or is it the regular stuff that we've been updating us on the different kind of filings we have.

N. Govindarajan: No, I think as we move forward, it will be more skewed towards complex. I mean our injectable and complex would be more as we move forward. Currently I would say, as you rightly said around 20% - 22% is in terms of injectable. But as we move forward, I think it will be more skewed towards complex in the future.

Shyam Srinivasan: Got it. The second question is just on capital allocation, we have paid a dividend this this quarter. Just want to understand how we should look at the capital allocation. What are some of the priorities that we have? We are little bit net cash, but maybe we will generate more cash you made the comment around capex. There is no incremental capex other than what's going on. So how should we look at you know capital allocation?

N. Govindarajan: Well, the capital allocation has already been defined in the past also, our objective is that we are not looking for any large ticket acquisition and our acquisition strategy is evolving around the two bullets, what we have always maintained. One is in terms of like market penetration in the second is in terms of any new platforms or any new set of products or ANDAs. We will also be looking at some in-licensing opportunity in Acrotech as well. So, these are something which are very clearly defined but obviously we are not looking at large ticket acquisition at all. And as you would appreciate over the last decade our top line had grown by 8x, and we have consistently generated cash flows. However, in the past the cash was utilised to service the debt and now that debt has been completely removed and we are generating cash. Our objective is to look committing more pay-out to the shareholders in the future. I think that is something which would be articulated by the board as well.

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

Shyam Srinivasan: Got it. Last question from my end is going. Govind any update on the PLI what our capex status there any update in the earliest commercialization possible if you could share. Thank you.

N. Govindarajan: As far as the PLI 1 is concerned, the discussions have been initiated with the government and they are also looking at various options and we are in discussion, we will have clarity in the next, few weeks or before the end of the year is what I would say. Because our objective is before we start investing major capex, we wanted to ensure complete clarity, that's

what we are discussing. So, another 4 to 6 weeks we should have complete clarity or maximum by year end. So, then we will talk specifically about the capex.

Shyam Srinivasan: Got it. Thank you and all the best.

N. Govindarajan: Thank you.

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

Neha Manpuria: Thanks for taking my question. If you could just update on one the biosimilar pipeline in terms of filing status for Europe. And second on the complex injectables, particularly the long-acting injectables.

N. Govindarajan: At this stage we have concluded a successful licensure clinical trial for our second oncology biosimilar. We are in the process of engaging with EMA and filing the product in this financial year itself. We are also having 3 more biosimilars at different stages of licensure clinical trials, out of which monoclonal antibody that is currently being evaluated in the large Phase III efficacy and safety trials, which would be potentially filed by next financial year. Our development efforts with our second wave of biosimilars are also entering into an important stage with one product advancing into Phase I clinical trials in the last quarter of the current financial year and also another in the next financial year. As you might be aware of it like already one product has been filed with the EMA. So that is the status. On the complex injectables particularly on depot injection, I think, by next year we should be at least filing one or two products.

P.V. Ram Prasad Reddy: Clinical trial is going on in the complex in the complex injectable, just started the clinical trials.

Neha Manpuria: Thank you, sir.

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

Nitin Agarwal: Yeah, thanks for the question. Just taking forward the PLI scheme that you mentioned, the delay, which is there, what was the earlier expectation and how does that change the arrangement for us, the incentive structure and everything?

N. Govindarajan: I presume your question is on PLI?

Nitin Agarwal: Yes

N. Govindarajan: What I understand from your question is since there is the shift in terms of the timeline your overall scheme also would get shifted, is that the question If I understood it right?

Nitin Agarwal: Yes, how does it impact our economics.

N. Govindarajan: Yes. So, that is also another point of discussion which is being considered by the government at this juncture. As you would appreciate, we need complete clarity on the project and that is also part of the discussions which is ongoing.

Nitin Agarwal: And I guess just sort of whenever just from the start the capex on this project, it would be what 18 to 24 months construction period or what kind of construction period you foresee on this?

N. Govindarajan: So, it would be a minimum of 18 to 24 months from the start of construction is for sure. Again, what is more important is for the scheme and as well as for us is the starting date is important having clarity and committing ourselves for the larger capex.

Nitin Agarwal: On the, on the vaccine portfolio both on the bacterial and on the viral side, can you just give us an update on where we are in both the schemes?

N. Govindarajan: On the Bacterial as you might be aware of it our pneumococcal is in the phase III and we expect to launch it in India at least by Q3 next financial year and obviously we will start with India because only after 6 months we can pursue the approval for the WHO, which can also push us into the UNICEF, that is as far as the pneumococcal is concerned. There are one or two products additionally being pursued on the bacterial. On the viral unfortunately there are no major changes in the scenario in terms of the Vaxxinity product and so obviously currently this facility would wait for the AuroVaccine product to get into that particular facility over the next 3 years or so, till then it will be running more of clinical batches supporting the AuroVaccine.

Nitin Agarwal: And just to follow up on the Bacterial vaccine. You talked about launch in India in the second half of next year. So, this is going to be what we expect to be a part of the government immunization program by the second half of next year.

N. Govindarajan: It all depends what scheme is open by then because if they called it earlier than that time, then we may not be able to participate in that. I mean we will still participate, but they will not clear it until and unless the approval comes.

Nitin Agarwal: And the WHO opportunities you said you can file after 6 months. So, when does it start to become relevant for us from our export opportunity perspective this product?

N. Govindarajan: From the subsequent year onwards, because in the interim the facility also has to be inspected by WHO, for them to get this product qualified in that listing as well.

Nitin Agarwal: And if I can squeeze in one last one, On the acquisitions that you've done on ANDAs and brand. This year we spent almost $125 million dollars. So, two things, one is what is the thought process behind committing such large investment behind these products and to what kind of payback or opportunity that do we see in these portfolios that you acquired?

N. Govindarajan: Swami?

Swami Iyer: Yes, thanks Nitin for the question. One is there is a Nutraceutical opportunity that I think Subbu had explained, and Mr. Reddy had also mentioned. On the nutraceutical space, we are bullish on that, especially the branded nutraceutical that's a major acquisition, dollar wise. Then the others, we also mentioned that we are looking for the ANDAs, not any big acquisitions. So, these are ANDAs where we do not have, and we wanted to add to our portfolio. So as far as the payback is

concerned, I would say that there is good, and we expect because we are yet to launch some of these products. Some of them are discontinued ANDAs that we hope to launch. So, we would get a better feel over the next few months, but we believe that we have reasons to be very optimistic about it.

Nitin Agarwal: And so, in this nutraceutical portfolio, the $35 million - $38 million run rate that we talked about for the business.

Swami Iyer: That's correct.

Nitin Agarwal: And it is captured in the orals business.

Swami Iyer: In the Oral. Subbu, you should explain where it has been captured.

Arvind Bothra: Yes. ex of Injectables business in US you should take that.

Nitin Agarwal: Okay. Sure. Okay, thank you.

Moderator: Next question is from Naga Sridhar.

Naga Sridhar: Yeah. Sridhar. here. Good morning. Yeah, I just want to get an update on your plans for COIVD portfolio, including vaccine.

N. Govindarajan: We have already explained about the vaccine. I'll repeat it, as the Vaxxinity product didn't go as planned and they did not get approval with the TFDA So that is where we stand as far as vaccine is concerned, even though we are open in case if any opportunity accrues in terms of contract manufacturing. As far as overall portfolio, as you might be aware that we had in-licensed Molnupiravir from Merck, and we have recently seen that certain UKMHRA approval has happened which facilitates us to export certain quantity of product and we have to wait on domestic market based on DCGA's approval. So, either the DCGA would consider based on UKMHRA or as far as the US approval is concerned, the SEC meeting is scheduled on November 30th. We have pretty much ramped up ourselves in terms of the potential opportunity and we already made certain quantum of products and we are also keeping ourselves ready in case if the demand picks up.

Naga Sridhar: Just one more question, this is with reference to this PLI scheme, do you think it has been delayed more than what it should have been. Do you think the launch timelines should have been much faster from the government and the industry?

N. Govindarajan: So as far as the scheme was concerned, as per the scheme March 2023 end the facility was supposed to be commissioned and as you would appreciate that the scale of these projects is much larger, it is very important for both the industry as well as government to ensure that every aspect is cleared and concluded before you commit yourself for a large-scale investment. So that typically some time has to be assigned. I agree with you it could have been done faster, but this is where we stand, and we are fairly confident this will get concluded in the near future and will move forward with this.

Naga Sridhar: Thank you all.

Moderator: Thank you. Next question is from Abhishek Kapoor, please unmute yourself and ask your question.

Abhishek Kapoor: Good morning, everyone. Sir, I appreciate management's bandwidth on giving clarity with respect to various questions, only one point I would like to make here is that last quarter we made some announcement with respect to veterinary or some companies acquisition after that price collapsed and it has not recovered. Second point is pledging de-pledging is happening very quickly and market is not liking I believe. So, can we think about some buy-back once our capex is done?

N. Govindarajan: This will be considered by the Board is a simple answer I would give you at this juncture. As we had mentioned earlier that we would consider all options in terms of improving the overall aspects including shareholders wealth, the Board would consider it at an appropriate time.

Abhishek Kapoor: Thank you.

Moderator: Next question is from Vishal Manchanda.

Vishal Manchanda: Thanks for the opportunity. Sir, my question is with respect to the injectable guidance $650 million to $700 million. So, just wanted to understand if you are also incorporating the upside from biosimilars and vaccine into this injectable sales guidance and whether this is our guidance for the global sales number?

N. Govindarajan: It is for the global sales number, as far as biosimilar and vaccines are concerned, they are not included in this, there can be always certain marketing arrangements, but the upside would be lying with the individual businesses.

Vishal Manchanda: Okay. And second on the ARV sales. Was this quarter kind of the base and it should move up from where it is or there is scope for this to further go down.

N. Govindarajan: I think Mr Reddy has clearly articulated. For ARV, we need to wait for another couple of quarters, because we don't want to assume that it has bottomed out and the consumption in the ARV has not come down at the consumer level. It is more in terms of the last mile connectivity and because of COVID most of the agencies are holding stock. Right now, what is happening is even in small tender also, people are extremely aggressive in terms of reducing the price because they want to liquidate the stock. I think we need to wait for those particular inventories to get completely liquidated after that the stability would come, but even though the stability and consumption would happen the prices would be a bit lower, I mean rather the prices would be lower compared to the past, because once the prices have been lowered It would take some time for it to come up.

Vishal Manchanda: Okay, thank you.

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

Anubhav Agarwal: Hi this is Anubhav form Credit Suisse. Well, one question on the respiratory fillings. I think you guys have made one filing so far, can you update when are you expecting the next filing on both MDI and the DPI side?

P.V. Ram Prasad Reddy: DPI, work is going on and that is with the alliance with some other company. 1 DPI product only were working. Second, we are working with some other partner. DPIs we are not developing on our own and what we are developing in-house are MDI products. Second MDI we are hoping in the first quarter of the next financial year, we are hoping if our PK study and clinical studies has just started in that, if that completes, then we can file the second product. Product one, we have the queries raised by FDA, we have answered two weeks back and we hope that the inspection will happen in next 1 or 2 months. Then maybe approval will happen next year.

N. Govindarajan: Totally 6 MDIs are being developed. Just to add to what Mr. Reddy said, totally 6 plus 2, 6 MDIs and 2 DPIs. One has been already filled.

P.V. Ram Prasad Reddy: Yeah, 2 DPIs is there on the partner agreement.

Anubhav Agarwal: And out of this 6 MDI's that let's say when 1 we have 5 out of the remaining 5 Mr. Reddy talked about potentially filing one in quarter one next year. How about remaining 4, do we do we expect any more filing of MDI next year?

P.V. Ram Prasad Reddy: Next year or maybe end of next year the third one can be filled, for the 3 we have clarity and then let us file the other 2 then we'll let you know about other products.

Anubhav Agarwal: Sure. And just getting some clarity on the PLI, what is the kind of clarity that you're seeking from the government. Is it more that on the contours of the scheme? I think we're very clear that I think is the clarity more to the incentive structure or the clarity that you want to do certain capex is that you want to do more brownfield capex, is that, does that qualify under the government scheme. So, can you talk about what are the points you're looking clarity on?

N. Govindarajan: Yes. I'll make it very simple, when PenG originally was there the draft scheme was supposed to be PenG and 6 APA. In the final scheme it was only PenG, we wanted to also manufacture 6APA, because the 15,000 tons of PenG when we have committed ourselves, we are very clear that majority would be converted into 6 APA and so the process which in fact originally Aurobindo only developed, wherein we don't need to Isolate PenG to manufacture 6 APA. But since the scheme in only for PenG, so we were raising the query that without isolating the PenG whether it can be considered as part of the scheme. Otherwise, we would be unnecessarily losing certain yields as well as some costs. That is as far as the 6 APA and PenG scheme is concerned. And 7 ACA there has been shift in terms of certain cephalosporins moving into 7 ACA as a starting material. So, these are the major queries and obviously also like related timeline is something which we had been raising. So, these are some major topics in terms of the discussion.

Anubhav Agarwal: Yes, Okay, that's helpful. And last question is on the new facility that we were making for the injectable business in Vizag. So, in your guidance when you talk about $600 million to $700 million do you expect. And you guys have talked about this facility coming online around June next year. So, it does that June timeline assumes it to be cleared by the European regulators or does this June timeline only talks about facility starting?

P.V. Ram Prasad Reddy: At the end of next financial year the inspection will be completed. That is what we are hoping in the next financial year.

Anubhav Agarwal: So that kind of delta that we assuming the injectable sales with just so effectively to the first year of operation FY24.

P.V. Ram Prasad Reddy: Yeah, right from January 2023 onwards.

Anubhav Agarwal: So, are we confident of that $615 million number because we need to generate the $250 million incremental delta from almost like 2 to 2.5 years from now.

P.V. Ram Prasad Reddy: In our US plant we are already filing, and we have 59 products filed and under approval and various other good products are there and we are confident to achieve this figure.

Anubhav Agarwal: Actually, US. I don't have a problem. I was talking more about the ex-US Injectable delta that we were expecting that if anything happens to the facility. Let's say for example, it doesn't get approved in time. I'm just assuming.

P.V. Ram Prasad Reddy: At Present we are using the existing facility (Unit-IV). But what we plan for is that in future all products approve in the US facility, then we may not allocate the space for the Europe and Emerging Markets. At present, we are using the existing Unit-IV which is our bigger facility. But this is the plan from FY23. That is what we have envisaged, from there onwards we can push the demand to the other plant.

Anubhav Agarwal: So, I agree with that's what I was asking that let's say if the approval gets delayed for the from the European regulators for this facility, does this mean that our target of $650 million gets pushed by a year, because that always possible?

P.V. Ram Prasad Reddy: We have a lot of clarity, there is no concern with the Europe and Emerging Markets. We have never calculated next 2 years Europe sales in that.

Sanjeev Dani: Can I add one point, that is, oncology filings which are happening in Europe and the penem block is also being expanded, which is not fully utilized for Europe. So, these two will be additional inputs for injectable business in Europe and Emerging Markets.

Anubhav Agarwal: Okay, thank you.

Moderator: Thank you. Next question is from Surya Patra.

Surya Patra: Yes. Thank you, sir. Thank you for giving this opportunity. Just on the again the PLI, wanted to have a sense. See, obviously, we are in discussion with government to get somewhat clarity and all that but is it. do you have any sense of even after getting clarity and all that what would be the cost difference that we can compared to the Chinese competitors for this project? Whether it could be a considering the incentive it would be a kind of superior one compared to the Chinese potential competition or. what is our thought this?

P.V. Ram Prasad Reddy: We are putting such a bigger plant where Govind will explain in detail. When we put so big plant, we have done very good homework in this direction on these products. Govind, you can continue.

N. Govindarajan: We are going ahead with a clear consideration that we would be competitive. So that's a consideration with which we are going ahead. You have to remember one important aspect of it where Aurobindo has been one of the pioneers in terms of 6 APA, setting up a plant in China. So obviously, there is enough experience and Mr Reddy explained about the level of considerations and design aspects, everything has been looked at and particularly having a facility in the warm zone, A lot of consideration and a lot of work has gone in, and we are fairly confident that we'll be able to produce the product competitively.

Surya Patra: Second question, on the European business certain factor obviously is our expectation was to introduce more and more injectables in the Europe side and also add the penem products in the European market. So, what is the progress there and now what is the profitability that we have or in terms of margins, what level of margins that we have reached for the overall European business. And in 3 years' time. This is what is a kind of expansion in the margin overall that we are anticipating for the European operation as a whole?

Sanjeev Dani: Yes. We would be touching low teens in terms of EBITDA including Apotex loss making business which has turned around. Going forward we are adding more specialty products. As you know, in oncology Eugia portfolio we have developing 55 products and out of that 12 are already filed and 9 are launched and another 3 will be launched in the next quarter. Then we also talked about Vizag facility, which will be ready with civil work by June next year and then after that will go for approval by year-end. There are 50 General Injectables being developed for Vizag plant and out of that 12 are already approved from Unit 4, which is now Eugia Unit-III, so, as soon the US supplies are taken care, for Ex-US markets we will be able to commercialize that also immediately. And then the penem block is being expanded, right now we are not able to fully meet the demand. Cephalosporin injectables are also being reactivated and there is a lot of scope for higher strength of cephalosporins. So, these are the three areas of injectable that we're looking to add the margins. And then you heard about biosimilars. We have already filed one and another is being filed in November. So, I think this is the overall specialty basket, which is there. We are also adding the Day 1 products. In terms of the Orals there are 200 products, which are being developed and there are number of them are in Day 1. So overall we think that we will be improving the margins going forward. Even though I would not like to give the guidance on this part.

Surya Patra: Sure, just last question on the Revlimid, can you give some sense of what is your interaction with the innovator, are you we expecting to settle the litigation and it is?

P.V. Ram Prasad Reddy: We have already settled the litigation and launching from 2023 onwards, some percentage of market share.

Surya Patra: Sure sir. Okay, great. Thank you, sir.

Moderator: Thank you. We will take last two questions. Next question is from Paresh Jain please unmute yourself.

Paresh Jain: No. My question has been answered.

Moderator: We will take one last question. From Mr Nitin Agarwal.

Nitin Agarwal: Hi, sir. Thanks for the follow-up, just following up on the question around Nutraceuticals just if you can help us understand. So, we only sold off the Natrol business, so how different is this opportunity versus the business that you're doing with Natrol?

Swami Iyer: This is a branded business for a start, that way it is different. Whereas Natrol was more like an umbrella brand. It's a specific brand. And then there are products where are one or two products are common, but there are different products to like the cold segment is different here. And then this is more on the cold segment and sleep segment. So that is what I would say.

Nitin Agarwal: This business is going to be basically built around the product we acquired or will be adding meaningfully.

P.V. Ram Prasad Reddy: No, we are adding some more products, but it started with the products that we acquired. It is a running business, but we acquired the products and we have launched the same products. As we also got some stocks, we ensured continuity of the business. We did not buy the business we bought the brands.

Nitin Agarwal: And last one Govind, if you can just give us any updates, which are there on the regulatory inspections for the plants which are under warning letter?

N. Govindarajan: The only change is Unit I got inspected and we have responded within the stipulated time. We are awaiting further inputs from the regulator. That is as far as Unit I, AuroLife FDA inspection is ongoing. These are the only 2 changes as compared to earlier.

Nitin Agarwal: Aurolife is ongoing currently?

N. Govindarajan: Yes.

Nitin Agarwal: And that is the penems plant, right?

N. Govindarajan: No.

Nitin Agarwal: So that's the Unit IV plant?

N. Govindarajan: US plant

Nitin Agarwal: Okay, so the Aurolife plant in the US injectable, is getting inspected right now?

P.V. Ram Prasad Reddy No. Oral. Already warning letter is there to that plant and that plant is getting inspected.

Nitin Agarwal: Okay, got it. My mistake. Thanks for clarification.

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

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

Thank you and have a good day.

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