

August 18, 2023

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

Dear Sir,

**Sub: Transcript of Q1 FY24 earnings call.**

Please refer to our letter dated August 4, 2023, wherein we intimated about the schedule of Investors/ Analysts call on August 14, 2023. We are attaching herewith the Transcript of the said analyst / investor call on the Unaudited Financial Results of the Company for the first quarter ended June 30, 2023, and the same is being uploaded on the website of the Company and is available in the following web link.

[aurobindo.com/investors/disclosures-under-regulation-46/investor-meet/conference-call-transcripts](http://aurobindo.com/investors/disclosures-under-regulation-46/investor-meet/conference-call-transcripts)

Please take the information on record.

Yours faithfully,  
**For AUROBINDO PHARMA LIMITED**

**B. Adi Reddy**  
**Company Secretary**

**AUROBINDO PHARMA LIMITED**

[www.aurobindo.com](http://www.aurobindo.com)

(CIN : L24239TG1986PLC015190)

PAN No. AABCA7366H

Corp. Off.: Galaxy, Floors: 22-24, Plot No.1, Survey No.83/1, Hyderabad Knowledge City, Raidurg Panmaktha, Ranga Reddy District, Hyderabad – 500 032, Telangana, India.

Tel : +91 40 6672 5000 / 6672 1200 Fax: +91 40 6707 4044.

Regd. off.: Plot No.2, Maithrivihar, Ameerpet, Hyderabad -500038 T.S., INDIA Tel: +91 40 2373 6370/2374 7340 Fax: +91 40 2374 1080/2374 6833  
Email: [info@aurobindo.com](mailto:info@aurobindo.com) Website: [www.aurobindo.com](http://www.aurobindo.com)



*Aurobindo Pharma Q1 FY24 Earnings Conference Call  
August 14, 2023*

**Dr. Satakarni Makkapati** – CEO of Aurobindo Biosimilars

**Mr. Yugandhar Puvvala** - CEO of Eugia Pharma Specialties Limited

**Mr. Sanjeev Dani** - COO, Head Formulations, Aurobindo Pharma Limited

**Mr. Swami Iyer** - CEO, Aurobindo Pharma USA

**Mr. S. Subramanian** - Chief Financial Officer, Aurobindo Pharma Limited

**Ms. Deepti Thakur:** - Investor Relations, Aurobindo Pharma Limited

**Moderator:** Welcome to Aurobindo Pharma Q1FY24 Earnings Call. Please note that all participant's line will be in 'listen-only' mode and there will be an opportunity for you to ask questions after the opening remarks. Please note that this conference is being recorded. I now hand the conference over to management for opening remarks. Thank you and over to you.

**Deepti Thakur:** Thank you, Vandit. Good morning and a warm welcome to our First Quarter FY24 Earnings Call. I am Dipti Thakur from the Investor Relations team. We hope you have received the Q1FY24 financials and the press release that was sent out yesterday. These are also available on our website.

I would now like to introduce my senior management team today on the call with us, represented by-

Dr. Satakarni Makkapati – CEO of Aurobindo Biosimilars, Vaccines and Peptide Businesses.

Mr. Yugandhar Puvvala - CEO of Eugia Pharma Specialties Limited.

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

Mr. Swami Iyer - CEO, Aurobindo Pharma, USA. and,

Mr S. Subramanian - CFO.

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 limitations, 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 may cause actual developments and results to vary materially from our expectations. Aurobindo Pharma undertakes no obligations to publicly revise any forward-looking statements to reflect in future events or circumstances.

With that, I will hand over the call to Mr. S. Subramanian for the highlights. Over to you, Sir.

**Santhanam Subramanian:** Thank you. Good morning to all and a warm welcome to this earnings call. The quarter has been robust in topline and margin expansion due to overall performance improvement across the business segments. We will now discuss the results for the 1<sup>st</sup> quarter of fiscal year FY24 declared by the company.

For Q1, the company registered a revenue of 6,850 crores with an increase of 9.9% year-on-year and 5.8% quarter-on-quarter. The EBITDA before forex and other income grew by 19.3% year-on-year and 14.9% quarter-on-quarter to 1,151.4 crores. EBITDA margin for the quarter was at 16.8%. Net Profit increased by 12.8% quarter-on-quarter to 570.8 crores. EBITDA margins before R&D is 22.5% for the quarter against 21.8% of the last quarter.

In terms of the business breakdown, Formulation business in Q1 FY24 witness a growth of 6.6% quarter-on-quarter to Rs. 5,817.2 crores and contributed around 84.9% of the total revenue.

API business contributed around 15.1% and clocked a revenue of 1,033.3 crores for the quarter, registering a growth of 14% on a year-on-year basis, led by improved demand for some of our key products.

For the quarter, the revenue from US Formulation increased by 11.2% year-on-year to 3,304.1 crores. On a constant currency basis, US revenue increased by 4.2% year-on-year basis, to USD 402.2 million.

We have received final approval of 19 ANDAs and launched 15 products in the quarter under review. We have filed 12 ANDAs, including 1 injectable during the quarter. The total number of ANDA filings at the end of June 2023 is 814.

Revenue for Aurobindo Pharma USA, the company marketing oral products in USA has increased by 11.8% quarter-on-quarter. Revenue of Eugia Injectable in US business increased by 11.7% year-on-year and 11.4% quarter-on-quarter to USD 80.1 million for the quarter. The total Eugia Speciality business in US including the speciality OSD amounts to USD 91 million.

During the quarter, the Eugia performance in various fiscal parameters were better than the last quarter. Globally, Eugia Pharma Speciality has achieved a sale of USD 122 million on a pro forma basis.

We have a total of 169 ANDA filings as on 30<sup>th</sup> June 2023, out of which 130 have received final approval and the balance 39 are under review or have tentative approvals.

The company, as on 30<sup>th</sup> June, 2023, has 814 ANDAs filed with the US FDA on a cumulative basis, out of which 613 have final approval, 34 have tentative approval, including 8 ANDAs which are tentatively approved under the PEPFAR, and the balance 167 ANDAs are under review.

For the quarter, Europe Formulations revenue clocked at 1,836.8 crores, an increase of 18.6% year-on-year growth. In base currency terms, the Euro clocked a revenue of 205.4 million against Euro of 188.8 million of Q1 last year.

For the quarter, growth markets increased by 12.9% year-on-year to 486.1. This includes PLI incentive of 40 crores against Rs. 63 crores of last quarter.

For the quarter, ARV Formulation clocked a revenue of 190 crores.

Gross margin for the quarter was marginally lower at 53.9% against 54.7% of last quarter, mainly due to business/product mix. Also, around 0.6% drop can be attributed to lower other operating income, mainly the export benefits on account of timing issues.

EBITDA margins have gone up due to improved operating leverage. Capacity utilisation for major businesses have gone up well in this quarter. R&D expenditure is at 387.6 crores during the quarter, which is 5.7% of the revenue.

As on date, out of 18 US FDA regulated units, 17 units have a classification of VAI, and only 1 unit is under warning letter.

Net Capex for the quarter is 95.3 million, out of which PLI Capex is 34 million. The cumulative Capex for the Pen-G PLI project till June 30<sup>th</sup> amounts to USD 160 million.

The average USD-INR exchange rate is 82.15 in Q1 FY24, against 82.196 in Q4 FY23. The average finance cost for the quarter was at 4.7% mainly due to availing multiple currency roles.

The business generated a free cash flow of USD 29.5 million during this quarter before the PLI investments and investments in new markets. As a result of the strong cash flow generated during the quarter, the net cash position, including investments at the end of June was USD 178 million. The Gross Debt is USD 644 million.

Outlook: Our financial performance in Q1 was on the back of a positive business environment in key market, as well as our continued focus on driving growth and efficiency. We remain committed to strong execution in the coming quarters while adhering to the highest quality standards. Some of the key highlights for the coming quarters are summarised below.

Q1 clearly indicated the prices for now have been flat. We remain optimistic in Q2 in terms of the margins. Our endeavour is to achieve an internal target of 18%+ EBITDA for the year, plus margin on special product, and we are on track.

PLI facilities and investments are targeted to be completed before 1<sup>st</sup> April, 2024. Commercialisation of some of our other new projects in China and India by Q1 FY25.

With the above actions, including commercialisation of PLI and other projects over a period of time and stabilisation of the manufacturing processes, EBITDA margin is expected to cross 20% based on the current market conditions.

The board of directors have decided to explore the possibility of restructuring of Eugia vertical.

Acquisition of ANDAs and market authorisation based on market opportunities, thereby reducing the gestation periods.

Progression of our Biosimilar Pipeline and other commercialisation starting from FY25 onwards.

Continuing Capex related to debottlenecking and maintenance, thereby increasing the manufacturing capacity and efficiency.

So, this is all from my end. My colleagues will give more clarity on it in our Q&A session. We are happy to take your questions now. Thank you.

**Moderator:** Thank you Sir. We will now begin the Question & Answer session. Anyone who wishes to ask a question may raise your hand from the 'Participant' tab on your screen. Attendees are requested to use headphones or earphones while asking a question.

The first question is from Damyanti Kerai.

**Damyanti:** Hi, good morning. Thank you for the opportunity. I need some clarity on margin outlook. You said, by 2<sup>nd</sup> quarter we should be crossing 18% margin, and for full year it should be ahead of 20%.

**Santhanam Subramanian:** No, I never said that. For the year it is 18% plus margin on special products, I made it very clear.

**Damyanti:** For special products, not on the consolidated basis?

**Santhanam Subramanian:** Consolidated basis. What I meant by special products is, as on date, Revlimid. Mr. Yugandhar will talk about it when he addresses the Q&A. Excluding that, I'll be targeting around 18% for the year.

**Damyanti:** Okay. So, excluding Revlimid, 18% plus. And, post Revlimid launch in 2<sup>nd</sup> half, it could be in 20% plus?

**Santhanam Subramanian:** No, I have not said that. I said, for the year 18% excluding Revlimid, plus whatever margin Revlimid will be having.

**Damyanti:** Okay, got it Sir. Thanks. Sir, you talked about Eugia vertical restructuring. Can you tell us a bit more. What is going to change and how we should look at that vertical?

**Santhanam Subramanian:** So, if you recollect, last year we made an attempt to do the restructuring of Eugia vertical by carving out a separate entity. But, due to market conditions and slowdown in the US FDA inspections, at that particular point of time we put it on hold, and then terminated the process. Now we are planning to re-start the process. How will it take shape, we'll come to know maybe in the next 1-2 months. That decision has only been taken on the 12<sup>th</sup> of August, so we'll come to know of it clearly in the next 2-3 months.

**Damyanti:** Okay. My last question is Europe has seen very good pickup. What has led to strong performance? Are we seeing better supply, especially injectables to Europe now?

**Sanjeev Dani:** Yeah. Damyanti, the real driver of the performance has been overalls. And, because of our broad product portfolio and excellent customer coverage, we are in an excellent position to gain market share when the competitors have shortages. So, this has resulted in our better performance and better margins as well.

**Damyanti:** So, it is driven by orals, as you said, market conditions are more conducive?

**Sanjeev Dani:** Exactly, yeah. The injectables will get a full blast when we start getting supply from Vizag.

**Damyanti:** Okay. Thanks. I'll get back in the queue.

**Moderator:** Thank you. The next question is from Neha Manpuria.

**Neha Manpuria:** Thanks for taking my question. Just wanted to get some colour on the US business. We have done very well quarter-on-quarter, particularly on the oral solid business. But that does not seem to reflect in our gross margins. I mean, gross margins were still pretty okay quarter-on-quarter. Was there any one-off in the US business also? What would be the impact of the Puerto Rico shutdown and how should we think about that for the subsequent quarters?

**Swami Iyer:** Thanks Neha. Subbu, can you talk about the gross margins?

**Santhanam Subramanian:** Yes, I will talk about the gross margins.

**Swami Iyer:** Do you want to take that first?

**Santhanam Subramanian:** No, I will do it next, after the revenue.

**Swami Iyer:** Okay. So, from the US side, there have not been any one-offs which has been negative. That is number one. Number two, in Puerto Rico again, whatever has happened, Subbu can give more colour on it. But, I think, there's been no impact right now, because we had some revenues which is marginal, and the bottom line, the profit for that is very minimal. But, Subbu can probably give more colour on that too. Otherwise, we hope to redo the facility and get back into business quickly.

**Santhanam Subramanian:** So Neha, let me address the gross margin issue which you raised. The first point, if you really see the press release, the API business has overall grown by 1.6%, but really we are grown on beta-lactam by 12.8% and the non-beta-lactam degrown by 17.3% this quarter, I'm talking about the external sales. As you are aware, the beta-lactam gross margins are lower and the non-beta-lactam gross margins are higher, so there was a product category mix within the business of API. And second, the Europe business has done extremely well. While the Europe gross margins are lower compared to the overall corporate gross margins, but they have done well, so it has slightly pulled down the. Having said that, the increase in the European business has led to increased operating leverage, which has helped in improving the overall margin of the company.

The third point is, in terms of the export benefits, PLI we are entitled for 200 crores in a year, as per the last guideline, official or unofficial I don't know. The last proposal which has been circulated, which is under discussion, every company is entitled to around 200 crores. And, we have accrued 40 crores because we have to meet certain eligibility criteria. With Revlimid coming in this quarter or next quarter we will be able to achieve that, and in the year as a whole, we are targeting to achieve 200 crores. So overall, that 0.6% drop is attributed to the drop in the export benefits; it's a timing issue. And, as I said, with the improved capacity utilisation and operating leverage, etc, we are poised to achieve the 18% EBITDA margin, and the EBITDA also will move up.

The last point which I'll talk about is Puerto Rico. In Puerto Rico we are having zero EBITDA, etc. With the shutdown and restructuring of the entire plant and other things, in the immediate term, we are likely to see our EBITDA margin improving by 0.5%. Does it answer your queries, Neha?

**Neha Manpuria:** So Sir, in Puerto Rico, what was the sales contribution to the US business? Was it 20-25 million dollars?

**Santhanam Subramanian:** Typically, they contribute anywhere between 15-20.

**Neha Manpuria:** Per quarter, or this is the annual?

**Santhanam Subramanian:** Last year as a whole, if you really see the press release which we have issued to the stock exchange, if I recollect, our contribution for last year was around 52 million dollars.

**Neha Manpuria:** Okay. And so, this sales for the time being will go to zero?

**Santhanam Subramanian:** Zero, but there is no impact on the profitability.

**Neha Manpuria:** Understood.

**Santhanam Subramanian:** ...rather the overall EBITDA margin goes up.

**Neha Manpuria:** Okay, understood. And Sir, for the injectable business, Yugandhar, could you give some colour in terms of what we are seeing there? How much of the quarter-on-quarter improvement is essentially existing business, market share gains, product disruptions? And, how sticky do you think the situation could be going forward?

**Yugandhar Puvvala:** In fact, it is general growth Neha, in terms of overall injectable business, mainly in the US, it is quite sticky. I think, general improvement. There are no one-off opportunities which has driven this number. It's a general growth across molecules, and probably driven by better market conditions and good tailwinds.

**Neha Manpuria:** And, do we expect to see incremental benefit in the short-term because of the Pfizer plant damages?

**Yugandhar Puvvala:** I don't think so, because it is mainly the damages to the warehouse and not the manufacturing facility. So, in general what we will see is, probably there will be 1-2 months of delay in supplies from Pfizer. To that extent, we might get some small business gains. But, we don't expect things changing significantly. We do have overlapping portfolio between that particular plant and with us, but only thing is, we have not seen anything which is significant.

**Neha Manpuria:** Got it. Thank you so much.



**Moderator:** Thank you. The next question is from Shyam.

**Shyam:** Good morning and thank you for taking my question. So, just first one on the US run rate quarterly. So, we have reached 400 million, I think, after maybe 2 years plus. I just want to understand how the base business performance will likely continue, or what's the outlook for the base business for the US? If you could also talk about pricing erosion? We've been hearing commentaries about improving pricing erosion. So, how should it pan out for the remainder of the year? And also, in terms of whatever you can share on Revlimid? Thank you Subbu Sir for giving the separate margin guidance, that's helpful. But just, how should we look at that as an opportunity as well for us?

**Swami Iyer:** Subbu, I can take this question. First, let me take the two questions. Thanks Shyam. First, let me address your question on the growth in the US. We had a volume-led strategy in the US, and we have delivered strong underlying growth for our business by leveraging our global scale. You know, we have large manufacturing facilities, and this comes in very useful. The demand for our portfolio products is quite sturdy, and we had strong growth in volumes in this quarter. We are building our strong track record and we are well-positioned for a stronger year across a broad range of products.

**Shyam:** Swami Sir, so all the dollar revenue growth, let's assume, is it coming from volume and the price is stable? How do you classify the pricing part?

**Swami Iyer:** Let me go to the second point you raised, about the prices. I would say, the prices are stable now. We have seen continuation of that. We saw some during the last quarter, and this Q1 has been somewhat similar.

**Shyam:** And the outlook Swami Sir, do you think it will now last for the remainder of the year? And, what's driving this stability?

**Swami Iyer:** So, I did mention about the outlook. I said that we are building on our strong track record, and we are progressing well with our pipeline. And then, we have also augmented a bit with some NDA purchases. We believe that we would have a decent growth going forward.

**Shyam:** Got it Sir. Helpful. Subbu Sir, on the Revlimid?

**Santhanam Subramanian:** I think Yugandhar is the best person to answer.

**Yugandhar Puvvala:** Yeah, I think Shyam, let me put it this way. We treat Revlimid as a one off opportunity. I will answer that as well. See, at an overall level in US, we have from 70-80, to this quarter we have touched 90. And overall, Eugia as a global entity, we have touched 122 million. So, our endeavour is to make it 100 million plus for US, and the overall to 130. So that takes us to almost 500-million-dollar entity; that's our endeavour for this year, that is excluding Revlimid. And Revlimid, whatever comes, we will launch it from 1<sup>st</sup> of October, that's the settlement date. So, we will treat that as one-off opportunity, and whatever comes, it comes.

**Santhanam Subramanian:** I just want to add one point. Whatever Yugandhar said, 500 million, you need to look at it against 411 million dollars which the Eugia business achieved on a pro forma basis last year.

**Shyam:** Sure. Subbu Sir, thanks for that, and Yugandhar. So, the second piece of my question which I was coming to is, the Eugia global sales has done better. I know 10 million has increased in US, but I remember it was 100 million overall, or 110 million last quarter, maybe I'm wrong. So, that has moved to this 120. Revlimid we don't have elsewhere in the world, right? We are only in US? Can you clarify that?

**Yugandhar Puvvala:** Revlimid we do have elsewhere, but the only thing is, US pricing dynamics are different from the rest of the world. We have launched Revlimid in Europe last year itself, but the pricing dynamics in Europe are completely different, and in the US, like you know, it is completely different. So, the opportunity in US is much bigger than the rest of the world. Revlimid it is there all across. Wherever there is a patent expiry, we did launch. But, in case of US, it is percentage-based settlements for various generic companies. So, we'll be launching based on our settlement date with the innovator.

**Shyam:** Yugandhar Sir, my question was on the non-US global Eugia. How has that grown quarter-on-quarter, that was the question.

**Yugandhar Puvvala:** Yeah, you're bang on. That's because, we used to be in the midst of around 100 to 110 for the last few quarters. That has gone up to 122 now. And, our endeavour is to grow that business to 130 plus starting from next quarter; that's our endeavour. So that, we wanted to grow that business. That is what Subbu said, that excluding Revlimid, last year sales at pro forma level was 411, and our endeavour is to make it 500 plus for this year.

**Shyam:** Got it Sir. Thank you and all the best.

**Moderator:** Thank you. The next question is from Kunal Dhamesha.

**Kunal:** Hi, thank you for the opportunity. So, first one on the Eugia business. When you say restructuring, is it that the out-of-US piece is still not included in the entity, and hence we are putting it as a pro forma and we are trying to bring it together.

**Santhanam Subramanian:** No, US entity has been fully under the Eugia as part of carveout w.e.f. 1<sup>st</sup> April 2022. There are some small markets, I mean, like in Canada, we are in the process of moving because there was a lot depending upon the regulatory approvals for moving the products from Aurobindo to Eugia. So, those are all the small markets. The major markets have been achieved. Europe has been achieved, US has been achieved, which is around 93% which has already been achieved. Probably 4-5% is what is pending, which we will complete, I think over the next 3-4 months' time.

**Kunal:** Okay sure. So then, the entire injectable and speciality business globally it should come under that bucket?

**Santhanam Subramanian:** Already it is, more or less, 95% is already forming part of the Eugia balance sheet.

**Kunal:** Okay perfect. And then, we had this guidance of USD 650-700 million, and we are seeing USD 500 million for this year. So, are we still sticking to USD 650-700? And now that within this 500 we have excluded Revlimid, so within that 650-700 also we'll be excluding Revlimid? How do we think about it?

**Yugandhar Puvvala:** In fact Kunal, I stopped giving that guidance that was given 2 years back, and we said based on the current market conditions, we will see how the business actually grows. But, that 600 and 650, we stopped giving that guidance. So, first thing is, we will treat these as two different things. One is, how do we grow the base business. That is the 500, how we can go to 550 and all, plus Revlimid. Put together, it might be 600-650, it might happen. But only thing is, at this juncture we stopped giving that guidance.

**Kunal:** Okay. And then just on the US Generics. I think we have grown sequentially by almost around 9% at least in the INR terms. I think you have said the price erosion has been kind of flat. Would that be the same assumption you would be making when you will be giving the 18% EBITDA margin guidance for the full year?

**Yugandhar Puvvala:** I think I'll ask Swami also to respond to this. But what we have seen, at least in the last quarter is almost negligible price erosion. So we expect probably the next 2-3 quarters to span out the similar way for the overall injectable and specialty business. And Swami, in case, if you want to just talk about the other business?

**Swami Iyer:** Yeah, sure. The price erosion, like I said, has levelled off and it's stable now, the price are stable. And we think that this would continue, given all the supply disruptions and the customers wanting stable supply of the product, we believe that this would continue. As far as the gross margin or the EBITDA is concerned, I think Subu can answer that better about what exactly is factored in.

**Santhanam Subramanian:** Kunal, we have given very clear clarity. As of date, it is 16.8%, right. With the export benefits etc. coming back. It's a timing issue, which I said, which will add to another 0.5%, and I also said Puerto Rico will add another 0.5%. So, if you really see the adjusted EBITDA, it's already 17.8%. Actions have been taken already. And going forward, if the price remaining flat and we are able to improve the operating leverage etc., we will certainly cross that 18% benchmark, which we have put a target on ourselves, even though we are not given it as a guidance, we will certainly be able to achieve it. It's our strong belief.

**Kunal:** Sure. And the last one, Sir, from my side on the PLI scheme. I believe that our PLI capacity for Pen G is roughly half of the India usage. But if I have to kind of put it relative to let's say, the global consumption, where that would feature?

**Santhanam Subramanian:** Everything will go to India etc., we do not know. And second, the plant which we are putting up is predominantly for Indian market and the rest of the world market as on date, because we are not going to wait for the necessary regulatory approval from the various regulatory agencies. So what we are trying to look at is the Indian capacity.

Even though there is no authentic information, estimated around 20,000 and we have put a capacity of 15,000 and out of that our consumption will be around 40% to 45%. This is what.

**Kunal:** Okay.

**Santhanam Subramanian:** But also we said, it'll take some time to ramp up properly because it is not that you put the button, next day all the material 15,000 tons will come like that. So we will gradually ramp it up by which probably next year, mid of this, maybe by October-November, we'll get the full ramp up etc. So it's too early to talk about that. We have to first integrate the entire processes and establish the yields and other things. So, as I said, probably we'll get a clarity in the month of February.

**Kunal:** Sure, Sir. Thank you. I have more questions. I'll get back in queue.

**Moderator:** Thank you. The next question is from Surya Patra.

**Surya Patra:** Thanks for taking my question. First question on the overall injection business. So, I think we are seeing this quarter as the strongest quarter so far, and generally first quarter is a relatively lean quarter compared to other quarters. So, are we or is it fair to believe that the ramp up subsequently in the subsequent quarter, what we are likely to see that will lead to a kind of a meaningful strong double-digit growth for the injectable business? If yes, then what is driving this, Sir? Is it new product launch or it is the price improvement situation or it is the one time kind of supply benefit that you might be getting? What is the outlook here in the injectable business?

**Yugandhar Puvvala:** Surya, I think I explained this previously. It's a decent start for the year and we expect that it will ramp up further. And if you just see like  $122 \times 4$ , it should be 488. But we are saying we wanted to hit 500 plus for this year; that's our endeavour. But it has nothing to do with current shortages. It is a general growth in volumes and H2 launches and the launches for this year. So, it's a general overall performance of the business, but has nothing to do with the current shortages in the US market.

**Surya Patra:** Sir, any pipeline related confidence that you are having for your expectations? If yes, then if you can share the key product opportunities that you are targeting apart from rev limit, let's say.

**Yugandhar Puvvala:** There are no blockbusters. In fact, we have been doing and we expect that we will continue to do well on new product approvals and launches. And we wanted to maintain the 20 plus launches track record for Eugia business. So it will be a timing issue in terms of when each product ramps up. But it will be a general overall trend, no blockbusters.

**Surya Patra:** Sir, just on the Revlimid because what we have witnessed for a couple of your Indian competitors. So, the volume share what they have grabbed is kind of a decent number - more than 5%, multiple players have grabbed it. So, when you are launching relatively lately and that is also a kind of volume limited, so what is the pricing scenario that you do anticipate once you launch in the third wave, let's say. And what would be your volume expectations, Sir?

**Yugandhar Puvvala:** I think you answered the question in terms of volume expectations, Surya, we are not supposed to tell what exactly is the volume settlement. So, obviously we are in the third wave. We are expected to be much lower than the other players who have launched in the early settlement regime. But we expect the pricing to be stable because you know it very well, it is a limited volume and that limited volume I can only supply to probably one or two customers. So we expect the pricing to be stable till the end of 2025.

**Surya Patra:** And the supply would be evenly distributed, Sir?

**Yugandhar Puvvala:** Yeah. It is depending on how the settlement terms are and what is the volume percentage, and based on that we will accordingly distribute that.

**Surya Patra:** Sir, my next question is on the European business. So, here also we are seeing a kind of a best ever quarter. What is driving this and what is the outlook that one should really have? And Sir, currently, what is the share of injectable business in the overall European business? And going ahead what it could be? Because that was our aspiration to achieve a kind of a sizable share of revenue coming from the injectable even in case of a European business. If you can give some sense about it Sir, that would be fine.

**Sanjeev Dani:** So Surya, basically I mentioned this earlier in the call that because of our very broad product portfolio and even expanding and excellent customer coverage, we have gained the market share because some of the competitors have been in shortages. So that we are the preferred partner for pharmacy as well as the hospitals. So that is the first driver. Second is that going forward, we have this transfer of products manufacturing to India source that is driving the margins and making us more competitive enabling to increase our market share. And we are having more than 200 products under development or already filed. As and when they are launched, we will be gaining in the product portfolio. We don't normally give guidance but we have said earlier that we'll grow faster than the market, about 5% to 8% growth on year-on-year. That is what we are expecting at a constant currency basis. And as far as the injectable is concerned Yugandhar, you want to answer? But it is EUR 18 to 20 million per quarter right now and for Vizag plant, over to you Yugandhar.

**Yugandhar Puvvala:** Surya, you're right. Future growth will come from Europe. But currently we are not that big. Out of the overall \$500 million what we are aspiring to do for this year probably like Europe will be \$60 to \$70 million and that is what we want to take it up to \$100 million plus. But US continues to be the big brother and US will contribute to significant sales for Eugia.

**Surya Patra:** And Sir, with the improved European performance this quarter, the best ever quarter, could you give some sense what is the kind of overall margin that we should be tracking here?

**Santhanam Subramanian:** We have reached mid-teens in EBITDA percentage to net sale.

**Surya Patra:** Okay. So that's a marked improvement compared to the last full year number, right Sir?

**Santhanam Subramanian:** Yeah, that's right.

**Surya Patra:** Okay. Thank you, Sir. Thanks a lot. Wish you all the best.

**Moderator:** Thank you. The next question is from Nitin.

**Nitin:** Thank you for taking my question. My question is on Capex. Barring PLI Capex, can you just help us what are the major Capex, timing of the major Capex getting commercialized over the next 12 to 18 months?

**Santhanam Subramanian:** No, apart from the PLI, we are putting some forward derivative plants linking to the Pen G plant, right? Those all may not be a very significant, maybe around 150-200 crores like that two, three plants we are putting it so that we will also be able to effectively utilize the Pen G. Apart from that, the China plant also we have done it and the exhibit batches are getting filed and as you know that European inspection is also over. So those is expected to start if not earlier, at least by April 24 we should start for the Europe business. Like that we are working on that. All these things we are working on that.

**Nitin:** And Sir, the Chinese plant is largely meant for European supplies or are we looking at a captive Chinese market also?

**Santhanam Subramanian:** No, no, we are working for all markets. Except we have the unit 15 which is dedicated Europe plant in India. I think China plant is for the China market, Europe market. And if possible, the US market also we may do that.

**Nitin:** And Yugandhar, on the injectable business. What opportunities do you see for extending our injectable pipeline to the ROW markets?

**Yugandhar Puvvala:** We keep extending it. In fact, we do have decent size of business in ROW markets and also growth markets, and we are present in multiple markets but obviously not at the scale. The scale is there in six European countries, Canada, Brazil and Colombia and South Africa. But rest of the markets also we do supply and we do have filings. But the scaling up, I think what we wanted to do is once the restructuring happens, then we will also put significant efforts in scaling up rest of the world markets.

**Nitin:** Lastly, on the biologics. You've indicated that we spent almost USD 280 million in the biologics business. In terms of the return on this investment, what kind of timelines do we see? What should we keep in mind?

**Satakarni Makkapati:** Nitin, can you repeat the question? You are not audible.

**Nitin:** On the biosimilars, as we talked about, you spent \$280 million in both Capex as well as revenue expenditure. In terms of return on this investment, what kind of time frame should we start looking at when this investment begins to yield results for us?

**Satakarni Makkapati:** As you know that we have completed the licensure clinical trials for three programs, and we are expecting to have the launches in several markets starting next year. In fact, we could have one launch for an oncology biosimilar in the Indian market this year. But next year, FY25, would see a state of launches, which we expect to start bringing in the revenues for this biosimilars business.

**Nitin:** Do you have a broad indicative number over a period of time that we can aspire to get into the business?

**Satakarni Makkapati:** No. To be very honest, I stay away from giving any guidance on the revenue projections for biosimilars business because the landscape, the marketplace is evolving fast. But we have our own internal projections. We have a healthy product portfolio spread across oncology and immunology segments. We expect by 2028 we would have at least four oncology products in Europe and at least two oncology products launched in the US. So we expect an overall product portfolio of around six to seven products in the regulated markets and exactly the same number, or maybe one or two more in the immunology segment in the ROW markets. So, yeah, I mean, we have internal projections. It will be a healthy one, but I stay away from giving projections which are far ahead from now, which is at least 4 or 5 years ahead from now, Nitin.

**Nitin:** Which is fair. So, lastly, on the pneumococcal vaccine, any update on that, Sir?

**Satakarni Makkapati:** So, as I have provided guidance in the last earnings call, we received an SEC - Subject Expert Committee recommendation for manufacturing and marketing the 15-valent pneumococcal conjugate vaccine. I also told you that we have an ongoing two plus one dosing trial in about 550 children, where we completed a three plus zero trial already. So, at this point, we have applied for a manufacturing license. We are still hoping to conclude the documentation formalities. Usually, it takes anywhere between 3 to 6 months. It's been 4 months now. So, we are expecting to obtain manufacturing license sometime. But having said that, we are reprioritizing on certain things in the pneumococcal conjugate vaccine business.

As you can see, the national tender which forms the core of the market, that window has passed for the year. the next tender is expected only in May and June next year. We are not pretty interested in the retail business, which forms a very minor segment of the market in India. So our target is to essentially make a vaccine for WHO markets. With the ongoing two plus one trial, we will add more safety database and we still need about another thousand subjects of safety database to really make the solid transition from making it an India only or India centric vaccine to a larger marketplace, which is a WHO market vaccine, or the Gavi vaccine, which covers about 70 plus countries. So that journey is ongoing. While we strive to get the manufacturing license essentially this year, because the national tender phase has passed and we are not keen to bring it into retail segment at this point, the window of opportunity for the next two quarters to bring this product into the market has more or less passed.

**Nitin:** Thank you very much.

**Moderator:** Thank you. The next question is from Bino.

**Bino:** Hi, good morning. A couple of questions from my side. One, on a couple of products in the US on which you have approval. One is generic Opsumit and another generic Myrbetriq. Are these products likely to be launched this financial or next financial year?

**Swami Iyer:** Okay, so your question was on two products. One was Opsumit, right?

**Bino:** Yeah, Opsumit, that is Macitentan.

**Swami Iyer:** So, that's a tentative approval, it is under settlement. The launch would take some time.

**Bino:** Okay. Could you confirm if it's next financial year?

**Swami Iyer:** Next financial year? You mean 2024-2025?

**Bino:** Yeah.

**Swami Iyer:** No, we don't believe so. It could be sometime later.

**Bino:** Okay. And Myrbetriq, which is Mirabegron.

**Swami Iyer:** Yeah, that's an OTC product, I believe.

**Yugandhar Puvvala:** Mirabegron also will have a subsequent launch. I don't think it will happen anytime soon, Swami.

**Swami Iyer:** Yeah.

**Bino:** Okay. Second, I just want to understand this final thought process regarding this Eugia restructuring. Is it like separately listing or you plan to spin it out? What's the ultimate thought process there?

**Santhanam Subramanian:** I think this will get evolved over a period of time. Depending upon the interest levels and other things, it will get evolved. We will certainly keep the market informed as and when some concrete things happen.

**Bino:** And finally, you mentioned about one biosimilar launch in India this year or next year. How are you going to sell that in India?

**Satakarni Makkapati:** So we are looking at co-marketing opportunities. We are, in fact also looking inward and trying to see whether we can directly get into domestic marketing ourselves. But the initial first year of sales would technically come from the co-marketing endeavour in India while we will also attempt to establish our own domestic marketing footprint for the oncology and immunology biosimilars in India. I can provide you more



guidance a quarter or two quarters from now about our plans to commercialize biosimilars in the domestic market.

**Bino:** Got it. Thank you.

**Swami Iyer:** Just to clarify, just as Yugandhar said, Mirabegron is also not likely to be launched now.

**Bino:** Understood. Thank you very much.

**Moderator:** Thank you. The next question is from Tarang Agarwal.

**Tarang Agrawal:** Yeah, hi. Three questions from me. Congratulations on a strong set of numbers across businesses. One on Eugia and two on Europe. On Eugia Sir, could you give us a sense on what your volume share in that business is in the US? And how has that moved maybe, over last year or over the previous quarter?

**Yugandhar Puvvala:** I think we are growing by around 10% volume. And we have reached to 6<sup>th</sup> position in US in the injectable segment. We used to be around 9. Then we reached 7. Now we are, as per latest figures, we reached 6<sup>th</sup>. So, as I said, it is a general portfolio growth, and the volumes are also growing.

**Tarang Agarwal:** Okay. That's helpful. Thank you. On Europe, congrats on getting north of EUR 200 million. How should we see this moving forward? Should we be able to maintain this level? Or we could see some glitches going forward?

**Sanjeev Dani:** Yeah, you can expect. I mean, we have not given specific number but around this, depending on the seasonality because Europe does have a purchase pattern in terms of season, holiday season etc. So, I think within plus or minus 5% of this range should be retained.

**Tarang Agarwal:** And Sir second question. Given the nuances of the market, what would be the drivers of improvement of margins in the business? I mean, is there a potential to improve gross margins from where they are currently? Or perhaps gross margins might remain where they are and we will probably see the benefits of operating leverage to drive EBITDA margins moving forward?

**Sanjeev Dani:** You're talking about Europe?

**Tarang Agarwal:** Europe.

**Sanjeev Dani:** So there are two parts to this. First is that the gross margin also is fluctuating because of the mix of the country. Because there are different business model where there are higher gross price and then we give discount and then we achieve the net sale. But there are certain tenders where there is a straightaway sale is the price is quoted. So actually, the gross margin in both the businesses will be different. So it is slightly fluctuating plus/minus 2-

3% of gross margin will be affected. But overall, you are right. We are looking at operating leverage because of our broad product portfolio, which is expanding. At the same time, we have a very good positioning with the customer. So when there are gaps in the market from competition, we should be in a better position to capitalize on that. Having said that, we also have some shortages. But I think overall, we have managed better than the competitors. So going forward, I would look at operating leverage much better than just gross margin expansion.

**Tarang Agarwal:** Thank you.

**Moderator:** Thank you. As there are no further questions from the participants, I now hand the conference over to management for closing comments.

**Deepti Thakur:** Thank you all for joining us on the call today. If you have any of your questions unanswered, please feel free to keep in touch with the investor relations team. The transcript of this call will be uploaded on our website [www.aurobindo.com](http://www.aurobindo.com) in due course. Thank you and have a great day.

**Moderator:** On behalf of Aurobindo Pharma, that concludes this conference. Thank you for joining us and you may now disconnect your lines and exit the webinar. Thank you.

**(END OF TRANSCRIPT)**