AUROBINDO

Date: June 10, 2016

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

Dear Sirs,

Sub: Transcript of earnings call.

Please refer to our letter dated 30th May, 2016 with regard to presentation to the Investors/Analysts on the Audited Financial Results of the Company for the year ended 31.03.2016. A copy of the presentation was submitted to your exchange and also uploaded the presentation on our website.

We would like to inform you that the Transcript of the earnings call on 31st May, 2016 has been uploaded on the website of the Company and is available in the web link http://www.aurobindo.com/investor-relations/finance/financial-results.

Please take the information on record.

Thanking you,

Yours faithfully,
For AUROBINDO PHARMA LIMITED

B Re.

B. ADI REDDY
Company Secretary

AUROBINDO PHARMA LTD. * HYD. *

“Aurobindo Pharma Limited Q4 FY’15-16 & FY’15-16 Earning Conference Call”

May 31, 2016

MANAGEMENT: **MR. N. GOVINDARAJAN – MANAGING DIRECTOR, AUROBINDO PHARMA LIMITED**
MR. ROBERT CUNARD – CHIEF EXECUTIVE OFFICER, AUROBINDO PHARMA USA
MR. RONALD QUADREL –CHIEF EXECUTIVE OFFICER, AUROMEDICS PHARMA USA
MR. SANJEEV I DANI – CHIEF OPERATIONS OFFICER & HEAD, FORMULATIONS, AUROBINDO PHARMA LIMITED
MR. SANTHANAM SUBRAMANIAN – CHIEF FINANCIAL OFFICER, AUROBINDO PHARMA LIMITED
MS. DEEPIKA GUPTA PADHI, INVESTOR RELATIONS, AUROBINDO PHARMA LIMITED

Moderator: Ladies and Gentlemen, Good Day and Welcome to the Aurobindo Pharma Q4 FY'15-16 & Financial Year '15-16 Earning Conference Call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded. I would now like to hand the conference over to Ms. Deepika Gupta Padhi from Investor Relations. Thank you and over to you, Deepika.

Deepika G Padhi: Thank you, Karuna. Good Morning and Welcome Everyone to our Fourth Quarter Financial Year '15-16 and Full Year '15-16 Earnings Call. With me, we have our senior management team, represented by Mr. N. Govindarajan – Managing Director; Mr. Robert Cunard – CEO, Aurobindo Pharma USA; Mr. Ronald Quadrel –CEO, AuroMedics Pharma USA; Mr. Sanjeev Dani – COO & Head, Formulations and Mr. Santhanam Subramanian – CFO.

We will begin this call with the opening remarks 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 statement relating to the implementation of strategic initiatives and other affirmations on our future business development and commercial performance. While these forward-looking statement exemplify our judgment and future expectations, concerning the developments of our business, a number of risks, uncertainties and other important factors, may cause actual developments and results to differ materially from our expectations. Aurobindo Pharma undertakes no obligation to publicly revise any forward-looking statement to reflect future events or circumstances.

With that, I will now hand over the call to Mr. N. Govindarajan for his opening remarks. Over to you, sir.

N. Govindarajan: Thank you, Deepika. Good Morning, Everyone. We are here to discuss the fourth quarter and financial year '15-16 results declared by the company. We registered a double-digit growth in the revenues during the quarter and the financial year 2015-16 on account of the broad-based growth across all the businesses. Our revenues and EBITDA increased by 18.5% and 34.5% year-on-year during the quarter. The revenues and EBITDA for the financial year increased by 14.6% and 25% respectively. EBITDA margin for the quarter stands at 23.5% and 23.1% for the financial year. The profit after tax increased by 39.4% year-on-year during the quarter and 25.8% during the financial year '15-16. Consolidated net operating income is at Rs.3,746.8 crores in Q4FY'15-16 and Rs.13,896.1 crores for the financial year '15-16.

In terms of the Business Breakdown: Formulations business contributed 80% of the total gross sales; gross Formulations sales for the quarter stands at Rs.3,011 crores, registering a 19.6% growth year-on-year. The gross Formulations sales for the financial year is at Rs.11,165.7 crores, registering a 16.8% growth. API business accounted for the balance Rs.774.6 crores for the quarter and Rs.2,883.7 crores for the financial year '15-16. The API business grew by 14.5% year-on-year during the fourth quarter. In the Formulations business, the total sales from the US market stood at Rs.1,666.3 crores during the quarter and Rs.6,144 crores during the financial year '15-16. The business registered a growth of 24.3% year-on-year during the quarter and 27.2% during the financial year. The growth is on account of new launches in the Oral and Injectable segment as well as in the Natrol business.

AP USA the company marketing Oral products in USA has witnessed a double-digit growth during the financial year '15-16, this is despite the pricing pressure on the Generic business in the market. The price erosion is offset by the increase in volumes and new product launches. We launched 17 new products during the year.

Aurolife, our US manufacturing arm continue to witness increase in sales during the quarter mainly on account of change in the product mix and customer mix. The anticipated introduction of some of the newly FDA approved products and increased volumes for government is expected to keep the momentum going over the next few quarters.

AuroMedics, the company marketing the Injectable products in USA is experiencing a significant FDA activity in the review and approvals of our filed ANDAs. We expect the momentum to continue and get more approvals in the coming financial year. The company received 9 final approvals from US FDA during the quarter and a total of 20 final approvals in FY'15-16 including Ophthalmics.

The Injectables business contributed significantly during the quarter, with sales of US$36.3 million registering a growth of 98% year-on-year. The total sales for the financial year '15-16 is at $95.2 million with a growth of 39%, this is on account of new product launches. We launched a total of 11 products during the year. Under the Injectables segment, including Ophthalmics, we have filed a total of 80 products as on 31st March 2016, out of which 38 are final approved and the balance are awaiting approval.

We have several complex products under development, namely Hormones, Oncology and Microsphere which we plan to start filing over the next four-to-six quarters. AuroHealth which manufactures and markets Pharma OTC products in the US continue to gain penetration into several key national retailers as well as select

regional accounts. Natrol, the acquired branded Neutraceutical entity is performing as expected.

The company as on 31st March 2016 has filed 398 ANDAs on a cumulative basis, out of which 251 ANDAs are approved including 36 tentative approvals, 21 of which are approved under PEPFAR and balance 147 ANDAs are under review.

The Unit wise filing and approvals are as follows: From Unit-3 124 filed, 112 approved, Unit-7 148 filed, 69 approved; Aurolife 26 filed, 10 approved; Unit-4 67 filed, 30 approved; Unit-12 and 6, 19 and 11 filed and approved respectively and Auronext-3 products have been filed so far. Unit-3, 7 and Aurolife manufactures Oral Non-Betalactam products; Unit-4 manufactures General Injectables and Ophthalmic products; Unit- 6 and 12 manufactures Cephalosporin and Semi-Synthetic Penicillin respectively, and Auronext which has its facility at Bhiwadi in Rajasthan manufactures Penem Injectable products.

Europe Formulations sales were at Rs.840.7 crores in Q4FY16, registering 9.3% growth year-on-year. The sales for the financial year was at 3,130.4 crores, 2% lower than the previous year. The acquired business has seen profitability during the financial year, this is on account of increased focus, product pruning and cost efficiency.

Emerging markets Formulations sales were at Rs.175.6 crores during the fourth quarter with a growth of 24.7%, the annual sales is Rs.691.4 crores with 21.5% growth.

ARV Formulations sales registered growth of 23% year-on-year during the quarter and 24.5% during the year at Rs.328.4 crores and Rs.1199.9 crores respectively.

In terms of Segmental Classification: US Formulations contributed 44% of the overall revenues in FY'15-16 Vs 40% in FY'14-1. Share of EU Formulations decreased to 22% in FY'15-16 from 26% in FY'14-15 while the share of the emerging markets remain the same at 55%. ARV segment sales represent 9% of the total sales in FY'15-16. API business contributed 20% of the total revenues in FY'15-16.

Our EBITDA before FOREX for the quarter is at Rs.882.3 crores representing the operating margin of 23.5% for the quarter, up from 20.7% in the corresponding period last year. The operating margin for the financial year '15-16 stands at Rs.3,205.6 crores resulting into the operating margin of 23.1%. R&D expenses of the company increased by 38% during the year at Rs.477 crores which is 3.4% of the sales. The company generated FOREX gain of Rs.4.6 crores during the quarter and loss of Rs.66 crores for the financial year '15-16. The closing rupee versus US dollar rate was

Rs.66.5 in March 2016 and Rs.62.5 in March '15. Capex (net of proceeds) for the year is around US$212 million including intangibles. The effective tax rate for the financial year is at 27.3% of PBT. The net debt stood at US$584 million on 31st March 2016 compared to US$639 million as on 31st March 2015. The majority of the company's debt is denominated in foreign currency. The cash and bank balance is at US$127 million.

The board declared an interim dividend of Rs.0.7 per equity share of Re.1. The total interim dividend for the financial year aggregates to Rs.2.5 per equity share of Re.1. This is all from our end and we are happy to take your questions now.

Moderator: Thank you very much, sir. Ladies and Gentlemen, we will now begin the Question-and-Answer Session. First question is from the line of Chunky Shah of Credit Suisse. Please go ahead.

Chunky Shah: First one is on Valcyte. So what is the extent of price erosion that we are seeing in the market? Given that Hetero has a head start over us, what is the market share that you are targeting?

Robert Cunard: Valcyte, we started to ship that product at the very beginning of first fiscal quarter of this year. So we did not have any impact in the fourth quarter. We did have nice initial penetration in terms of market share where we have double digit market share and that continues to grow. The price erosion we saw is just about in line with what you would expect with kind of a fourth competitor coming into the space. So that product you will see first effects once again in our first quarter and we will continue to see that grow through the year.

Chunky Shah: So about 80-85% price erosion or lower than that?

Robert Cunard: Lower than that.

Chunky Shah: Whether the full benefit of products like Eptifibatide, Abilify and Raloxifene which is partnered with Prasco visible in 4Q'16 or you expect further ramp up in those products in the first quarter?

Robert Cunard: I will comment on the Raloxifene and the Aripiprazole. Aripiprazole that again was kind of phased in, we had initial sales in the third quarter and continue to the fourth and we had a key customer that was ramping up in the fourth quarter. So near the end of the quarter we are probably at the run rate where we expect that is going to be and that will continue through the first quarter of this year. So it is not fully recognized in the fourth quarter. With Raloxifene our partnership has been going very well, they were able to maintain a significant share in that marketplace and we think that will be a little bit more beneficial to us in the early part of this fiscal year.

Ronald Quadrel: From the Eptifibatide product, we launched that at the end of third quarter last year and we had a very nice fourth quarter. Part of the reason was that Merck was on shortage and Teva which was the other injectable generic approved had not really launched all strengths of the product. Since then Merck has come back into the market but we have been able to secure significant Group Purchasing Organization contracts allowing us to have the major market share right now which we feel we should be able to maintain throughout the year.

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

Rakesh Jhunjhunwala You have some 398 filings and 251 approved. I would like to know how many have been launched on the approved and how many still remain to be launched and when will they be launched?

Robert Cunard: Right now, in terms of recent approvals, we have 7-products that remain to be launched and those were essentially fourth quarter approvals and just due to timing and preparation of inventory and preparing for customer requirements, those will be launched in the early part of the fiscal year. In terms of the total portfolio of our 251 approved, 215 are final approved that can be launched. As of now we have around 160 products in the market as some products over the years have been discontinued due to limited market or negative pricing scenario. Right now, like I said, the key wins in the near-term of these 7 products that we are carrying forward that will be launched in the first quarter as we carry over from last year.

Rakesh Jhunjhunwala Some of these 7-products are key products?

Robert Cunard: Yes, they are, these include products like Celecoxib, Tramadol ER which are key products and hence the reason why we are preparing, we are making sure we are building inventory and we are going to have an effective launch with those.

Rakesh Jhunjhunwala My second question is about the European acquisition and the American acquisition. How profitable is the European acquisition?

Sanjeev I Dani: I will answer on Europe. For the last three quarters, we have turned PAT positive and a whole year basis also we remain in a positive territory and this is because of the streamlining of the structure and processes, going forward we see the India transferred products will contribute to better margins.

Rakesh Jhunjhunwala What kind of margin are you looking at?

Sanjeev I Dani: Right now, we have just turned PAT-positive and I think our long-term guidance when we made acquisition was that, by FY'18 we will have high single digit percentage profitability.

N. Govindarajan: We are right now slightly ahead of that particular commitment i.e. three-year turnaround stand.

Rakesh Jhunjhunwala But that drives down your overall margins at the end of the business around €400 million?

N. Govindarajan: It would improve, your observation is right, and what Sanjeev said is exactly whatever three-year plan we are sticking to

Rakesh Jhunjhunwala Why do you not give us the margins independent of Europe because otherwise we do not get idea still we were 23.5% margins, and Europe is a significant part of your business, so your margins ex-euro was higher?

N. Govindarajan: Rakeshji, from the day one when we had acquired itself like it was having €20 million of loss, we brought it down to less than €10 million what was the first year of commitment. Second year we were supposed to be EBITDA-neutral whereas we are even PAT-positive. So what we are saying is like we understand that whatever margins which might be lesser here will affect the overall business, but we are absolutely aware of it and we had a clear plan and we are in fact ahead of the plan is what I am trying to tell you, Mr. Rakesh.

Rakesh Jhunjhunwala What about Natrol?

N. Govindarajan: Natrol in fact the EBITDA is better than even company's average EBITDA.

Rakesh Jhunjhunwala What is the volume?

N. Govindarajan: The volume is we had around 14-15% growth year-on-year on the top line. When we took over it was around 96 million net revenue, we closed somewhere around $ 110-111 million the last year.

Rakesh Jhunjhunwala Our R&D expense is about Rs.467 crores. Now, a lot of the companies are including the litigation expenditure in R&D. We do not incur much litigation expenditure?

N. Govindarajan: Our strategy has been a bit conservative because of which our litigation cost should not be very high.

Rakesh Jhunjhunwala What do you guide R&D expense in future?

N. Govindarajan: The last quarter itself it was around 4%, so we expect it to be around 4-4.5% is what I would say for the current year.

Rakesh Jhunjhunwala Any guidance of capital expenditure?

N. Govindarajan: Capital expenditure should be around Rs.1200 crores.

Rakesh Jhunjhunwala Again this year?

N. Govindarajan: Yes, because next year it will come down to Rs.500 crores as we have been maintaining.

Moderator: Thank you. The next question is from the line of Bharat Celly from Research Delta Advisors. Please go ahead.

Bharat Celly: We have seen quarter-on-quarter increase in other expenses. Can you please tell the reason for that?

Santhanam Subramanian: We had increase of between Rs.110 crores precisely between last quarter to this quarter and this is basically contributed by increased R&D expenditure, we had 3.2% last quarter and this quarter it is 4.2% i.e. an increase in R&D cost by about Rs.40 crores plus we also had improved turnover which has increased the carriage and outward cost and apart from that we had selling expenses which has also contributed around Rs.20 crores above and also we had some liquidated damages, penalties, etc., So overall this is a way it has gone up.

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

Ranjit Kapadia: My question relates to Natrol. If you again just throw some light on market share in the Neutraceutical segment, the new products which have been introduced after the acquisition and the future plan for this Natrol business? Material cost during the quarter was flat at 43.4% and this is despite of the high margin Injectable business. Can you throw some light on that please?

N. Govindarajan: Let me take the last question first; material cost, when you blend the API business as well as the Finished Dosage business and whenever API business is slightly higher for the particular quarter and as you would appreciate the material cost in API would always be higher than the Formulations, because of which the material cost is flat, otherwise if you really gone on the apple-to-apple comparison, the material cost would have reduced because of the higher Injectable as well. That is the answer for the material cost. On the Natrol, there are three large products where there are significant market share we have. In fact, the leading product is Melatonin where we are the

leaders in the market in terms of market share. As far as the new products are concerned, we have introduced few products in the last three quarters, the first year itself we will not be focusing on the market share for those new products because it has to ramp up over a period of time, Ranjeet bhai.

Ranjit Kapadia: In Natrol, any guideline of what the growth rate would be in this business?

N. Govindarajan: We still expect to maintain at least 15% growth rate year-on-year and we expect a bottom line to be growing slightly faster than the top line.

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

Girish Bakhru: First on AuroMedics, what would be the sales increase from 23 million last quarter, how much we have done this quarter?

Ronald Quadrel: It was 36.3 million this quarter.

Girish Bakhru: So this would be largely result of Eptifibatide is that correct?

Ronald Quadrel: From new product launches of which obviously Eptifibatide is the largest product.

Girish Bakhru: Do you see Merck coming back in time in near future or this high market share should continue for a couple of quarters?

Ronald Quadrel: Merck never really left the market; they were supplying on a limited basis, they have come back into the market although they have not come back with all their presentations. So we do see us being able to maintain a significant share of the market going forward.

Girish Bakhru: On Nexium, I know you had indicated that there is a litigation that you want to resolve before you get in the market, where exactly do you see the timeline can be pushed in FY'17, is it very back ended and do you think market will still be very attractive?

Robert Cunard: Yes, we see that in the second half of the fiscal year, although we have seen some additional competitors come in, we think the market will be a little softer than what we see right now, but we do expect the Generic conversion rate to continue through the year. So it is still a very large product, should be attractive for us in the second half of this year.

Girish Bakhru: I know you had commented 28 launches this year of 58 approvals (49 final approvals) and there are some 7 that you probably would launch very soon. Of those which you have not launched, like you had mentioned esomeprazole last time which would be a

good opportunity, are there like material products where you would probably get in later in time provided your prioritization exercise is over and there is more capacity in the system?

Robert Cunard: We think there are some very attractive products and hence we are proceeding very cautiously to make sure we build the inventory and we can satisfy the customer requirements immediately upon targeting the share we want and the key customers we want to penetrate. I mentioned earlier some of the key wins are the Tramadol Extended Release, Celecoxib still an attractive product as well as we get a full quarter effect of Valganciclovir and then this year I would expect 30-40 additional approvals that we will be launching as well.

Girish Bakhru: Just on again a very broad level, Govind, just given that you are almost inching close to a billion dollar revenue in US, most companies have struggled post that number and you had a phenomenal year in terms of approvals, do you think there would be a pressure in the system or do you think the growth rate will continue in the US?

N. Govindarajan: I put it this way, Girish, I think we are aware of this aspect which once you cross the threshold where the growth rate is concerned, but for us luckily even though there are certain price erosion concerns which in fact, Bob can explain it better, we still believe we will grow because of the new product approvals in the Oral plus the growth in Aurolife and AuroMedics where the real growth is yet to start. Natrol is also growing well. I think we would be able to maintain the growth momentum is what we believe, Girish. Bob, do you want to touch upon in terms of the specific on the Oral?

Robert Cunard: I think on the Oral side, once again, we had another year if you look at fiscal ’15 Vs ’16 of increased penetration with our existing portfolio. So if you look at our overall base business it was down about 3% but price erosion was offset by volume gains in the market place and we continue to leverage that and as we indicated we did not have a significant impact in the fourth quarter from new product launches, so we see a lot of momentum there. It is a large number particularly with consolidating customer base. Again, I think the diversification across our business units gives us a nice portfolio offering to our customers of the combination of Injectables, OTC as well as our traditional Rx. We are still very bullish on our growth opportunities.

Girish Bakhru: Any major facility which you see will have a FDA inspection this year?

N. Govindarajan: Girish, I will put it this way; any given quarter there would be a facility inspection, in fact, this quarter we expect at least two inspections at the API facility level

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

Shyam Srinivasan: Just on the CAPEX of the US$212 million for the full year, you mentioned it includes some intangibles as well. Can you just split that out please?

Santhanam Subramanian: The intangible additions is around $18 million and the balance is around $194 million taking capex (net of proceeds) to around $212 million.

Shyam Srinivasan: Just in terms of the guidance, sir, I think you said Rs.1,200 crores this year and going down to Rs.500 crores, is that right?

N. Govindarajan: That is right.

Shyam Srinivasan: Second question is on any capital raise that are potentially in the pipeline or do you think you are comfortable at this point of time?

N. Govindarajan: At this juncture, we are not planning any QIP which we had spelled out even during the last time. So if at all any capital raise happens, it would be more for strategic purpose, not for supporting the CAPEX or any of our regular requirement.

Shyam Srinivasan: Enabling resolution if you can just remind us how much was that?

Santhanam Subramanian: Enabling resolution last time we put it around 600 million.

Shyam Srinivasan: Any specific plans in terms of debt repayment?

N. Govindarajan: This year itself we had some positive cash and next year it would be still better with the growth being maintained, but in fact, I would say the subsequent year when the CAPEX comes down to Rs.500 crores, predominantly whatever positive cash is available would be going for debt reduction.

Moderator: Thank you. The next question is from the line of Chunky Shah from Credit Suisse. Please go ahead.

Chunky Shah: I wanted to ask what is the base price erosion in 4Q'16 and has it gone up due to the impact of channel consolidation? My second question is on the launches. You guided that out of the approvals that we have got in FY'16 you would be launching 7 very soon. But if you look at the total approvals I think only about 40% is where of the FY'16 approvals have been launched, so that is still about 20-odd products which from the FY'16 approvals have not been launched. So timelines for that? Having said that what would be the total overall FY'17 launches that we are planning?

Robert Cunard: Again, on the erosion factor, when we look at the full fiscal year on our base business is about 3% and for the fourth quarter it was less than that. So, we did see some price erosion on key molecules and some of these in the past where we have taken some

price hike and then we saw additional people enter the space and that price return back to kind of the pre-increase levels. But again, we saw a lot of volume offsets in the base business and we continue to see a full year effect from that. We do have some additional products outside of those key 7 were kind of just fourth quarter carry forwards and some of those we are looking at committing volume before we enter the market, so for example, an extended Phenytoin which is a very sensitive product and we want to make sure we have a committed customer and also we are making sure that as we introduce those products, we are not doing anything to jeopardize our production of existing molecules and making sure that we maintain our service levels to our customers. In addition to some of these carryforward products as I mentioned, we anticipate we will have an additional 30-40 launches for the year in terms of new approvals, assuming that FDA continues on their pace and remain true with final approvals in some of the targeted action dates we have received to this point.

Chunky Shah: So all those 30-40-approvals you are planning to launch as well depending on the capacity or the readiness?

Robert Cunard: That is correct, as we talked in the past, every product stands on its own, so we have been evaluating those, prioritizing and we are working closely with our customers to identify the best opportunities and put those at the front of the line, if you will, and bringing those into the marketplace. But our intention is to always continue to fill out the full portfolio as we see that breadth of line is a key part of our value offering to our customers. Going back to your question about the customer consolidation as well, obviously, that continues, we always prefer to have a greater number of customers that we are dealing with, but to this point the consolidation has not been overly detrimental to us.

Chunky Shah: Just on the 3% number that you have given on the base price erosion that is net of volume increases or it is only the pricing impact?

Robert Cunard: That is net of volume as well.

Chunky Shah: So pricing could be high single digit sort of a number?

Robert Cunard: Yes, it is a mix, when you look at product-to-product, like I said, we have two or three products that were real outliers in terms of the price erosion we expected as we have seen them go up in the past and now they have come back down but overall I would say it is in the single digits.

Moderator: Thank you. The next question is from the line of Abhinav Ganeshan from Canara Bank Securities. Please go ahead.

Abhinav Ganeshan: How are we going to maintain our Aripiprazole going forward? The numbers have looked decent but are we expecting something better in the next quarter or so?

Robert Cunard: Again, in the fourth quarter we had a key customer that was coming online and we did not see the full quarter effect of that. So we do feel we have some additional volume gains as we move forward. It is an evolving market, so there could be some additional price changes but at this point in time we think it continues to be a strong product and a key one for us.

Abhinav Ganeshan: On Nexium, do we expect Q2 or Q3 launch if you could give some color on that, it would be helpful?

Robert Cunard: That should be in the second half of the year, so will not be in Q2.

Abhinav Ganeshan: Can you just give me how many filings are done from Unit-7, because that appears to be your backbone, so is there any incremental filings done from that place?

N. Govindarajan: We have done 10 incremental filings from Unit 7. As of now 148 has been filed and 69 has been approved including 15 tentative approvals.

Moderator: Thank you. The next question is from the line of Ashish Rathi from Infina Finance. Please go ahead.

Ashish Rathi: Could you just update us on the recent inspections done in the past 12-months which all have received EIR?

N. Govindarajan: Deepika, can you spell out in terms of the inspections which has happened so then I can update on the EIR?

Deepika G Padhi: Unit-3 happened in January.

N. Govindarajan: We have received the EIR for that.

Deepika G Padhi Unit-7

N. Govindarajan: EIR has been received for the audit happened in March15.

Deepika G Padhi: Then Unit-4 happened in September 2014.

N. Govindarajan: EIR received.

Deepika G Padhi: Unit-12 in July ’15?

N. Govindarajan: That EIR is pending.

Deepika G Padhi: Auronext.

N. Govindarajan: Auronext EIR received.

Deepika G Padhi: So these are the key Formulations unit. On the API, Unit-11.

N. Govindarajan: EIR received.

Deepika G Padhi: Unit-8 which happened in April '14.

N. Govindarajan: EIR received.

Deepika G Padhi: Silicon.

N. Govindarajan: Silicon EIR received.

Deepika G Padhi: These are the key ones.

Ashish Rathi: Did you say Unit-4 the Injectable facility has been inspected and received EIR in the last 12-months?

Deepika G Padhi: Not last 12-months, it happened in September '14.

Ronald Quadrel: That is correct, it was September '14, and we are expecting an inspection within the next 12-months.

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

Prakash Agarwal: Sir, just trying and understanding this US QoQ growth 4% in dollar terms, so given the product approvals and launches, actually the key ones seeing a full quarter impact, are you really happy, so this number was below our expectation, so if you could help us understand what really happened especially you mentioned that the price erosion was less than 3% for the quarter?

Robert Cunard: We always look to be growing and we always want more. Once again really we are taking the decision to maintain our customer service levels and not compromise any existing products with new product introduction. A couple of those new product introductions we would like to have in the quarter, again, Valgancyclovir is one, we got on the last day of March, so obviously, we were not able to monetize that in the quarter. So there could have been some more and as indicated we feel that rolls into

the first quarter, we continue from there but we are still very confident with the strength of the base business and our penetration with our customers and how we can leverage and moving forward.

Prakash Agarwal: Basically I was trying to understand which are the key products launched during the quarter which booked revenues because we had a very steady 3Q as well, just trying to understand the incremental sales, so which were the key products which led to incremental sales?

Robert Cunard: In the fourth quarter, new product introductions had a very negligible impact.

Prakash Agarwal: Could you name the launches for 4Q?

Robert Cunard: Methadone was our most notable that came out of our Aurolife unit, the controlled substance and once again really the key ones were the continuations from Q3. As indicated, fourth quarter new products were very-very minimal.

Prakash Agarwal: But on a QoQ front, we do expect with large hitters coming during this quarter, we do expect a better QoQ run rate going forward, is that correct understanding?

Robert Cunard: We are always planning for growth and again we feel a lot of these key products we get into the market place in the first quarter.

Prakash Agarwal: On the acquisition plans, we had earlier mentioned given the Teva-Allergan deal, there would be some assets for divestment. Since this divestment is likely to get over by July, so are we still looking at those kind of assets which fits our strategy?

N. Govindarajan: We do not want to comment on anything specific at this juncture, anything which fits our strategy we will always evaluate that.

Prakash Agarwal: Actually the billion dollar base, so we have an excellent set of filings and approval plan for this year and we could comfortably grow 15-20%, but I am trying to understand a bigger picture '18-19 how would that look, is there any number I think you shared fiscal '18 aspiration?

N. Govindarajan: We have not shared any specific aspiration at this juncture. So far we had mentioned that we would like to maintain the momentum of growth and we are able to maintain. So that is what we would like to continue, Prakash.

Prakash Agarwal: This is organically I mean this kind of run rate?

N. Govindarajan: When we give any aspirations at this juncture we do not include anything inorganic because we do not keep looking at everything which is available, so it has to be

strategic to us and when we look at it, it would be more incidental addition rather than keeping inorganic as part of our strategy.

Prakash Agarwal: Just clarification; you did mention 49 final approval, of which 28 has been launched during the year and 7 are to be launched this quarter, is that right?

Robert Cunard: That is correct.

Prakash Agarwal: There is one product Raloxifene this is marketed by some third-party. Any rationale doing that?

Robert Cunard: Basically it is a third-party that had a presence in the marketplace and we are able to leverage their existing presence in the marketplace with our introduction and once again allows us to focus our resources on the best opportunities and take advantage of their existing share.

Prakash Agarwal: So net realization in that case would be higher than what we originally anticipated?

Robert Cunard: Yes.

Moderator: Thank you. The next question is from the line of Jigar Valia from OHM Group. Please go ahead.

Jigar Valia: Can you give some color in terms of ex-Europe, what would be company level EBITDA margins…ballpark would be suffice?

Sanjeev Dani: It is in a single digit level.

Jigar Valia: If you can reiterate in terms of what are the filing plans for this year across the organization?

N. Govindarajan: Our focus has shifted as you would know, we are not chasing numbers per se, but I can tell you. Ron, just correct me if I am wrong, the Oncology, Hormones filing would start and there would be at least good number of filings from that front, apart from continuing our Oral as well as the Injectable filing rates I would say. Ron, would you agree with that?

Ronald Quadrel: Yes, probably four to five quarters from filing on Oncology and Hormones, but our rate of filing on the Injectables for the Aurobindo products manufactured by Aurobindo is going to be about the same as it was last year.

Jigar Valia: Orals would be in double-digit filings?

N. Govindarajan: Yes, it would be double-digit.

Moderator: Thank you. The next question is from the line of Prashant Nair from Citigroup. Please go ahead.

Prashant Nair: Sir, can you give more details on where your CAPEX would be going, what kind of capacities you are building for which markets, etc?

N. Govindarajan: First and foremost is to get the European facility up and running which would facilitate us to start transferring certain products from current units into that unit, there are two things which would happen – One is the existing products getting transferred and Sanjeev's plan of getting the current Europe manufactured products to be shifted there, which would facilitate the profitability of the European business; Second is we are debottlenecking some capacities in Unit-7 which are more product-specific for certain products which we are bringing in. Some capital expenditure is going on in Injectable as well, not a major one again in terms of more of our capability addition is what I would say. Apart from that the Naidupet facility is also getting ready, in fact, faster than what we wanted earlier because that would facilitate us to again start filing from that of facility as well as transfer some existing products which would allow us to have the SEZ benefit which right now we are only getting partial from Unit-7.

Prashant Nair: This facility is for Oral Solids?

N. Govindarajan: This will be Oral Solids, more focused towards US, Prashant.

Prashant Nair: Secondly, given what you have mentioned on which facilities were inspected and you have received EIR, just making sure I got it right, so there is only one facility Unit-12 which currently has not received any EIR post inspection, is that right?

N. Govindarajan: That is right, sir. For Unit 7 we received the EIR for the March 15 audit.

Moderator: Thank you. The next question is from the line of Megha Hariramani from Pi Square Investments. Please go ahead.

Megha Hariramani: Can you just tell me what is the market size we are targeting on those 7-products that we are planning to launch this quarter?

Robert Cunard: I would say it is around US$ 1.9 billion.

Moderator: Thank you. The next question is from the line of Sumit Singhania from Nirmal Bang. Please go ahead.

Sumit Singhania: How many products have been transferred to India from the Europe manufacturing side? Last quarter it was around 28-odd products. What is the target forward?

Sanjeev I Dani: It is now 32-products.

Moderator: Thank you. The next question is from the line of Ashish Kumar from Bank of America. Please go ahead.

Manoj: This is Manoj on behalf of Ashish. Just would like to understand the competitive landscape on Rosuvastatin and how do we see this opportunity panning out for us?

N. Govindarajan: Yes, there are nine companies which has got tentative approvals apart from Watson/Actavis already launched. If you look at the number as on 31st December 2015, it is still around US$ 6.23 billion. We expect it to be definitely competitive with most of these players coming into the market, but we would like to capture as much as possible because we are also backward-integrated in this product, Manoj.

Manoj: Because what I have been hearing from the market that a lot of people are finding it difficult to scale up and there may not be as many players as the guys who have received the tentative approval. So in that scenario, are we ready to take the advantage the way like we have done with the say marked out Rosuvastatin when the opportunity came to us?

N. Govindarajan: I wish it is such an opportunity but from a perspective of manufacturing and launching the product we are ready, Manoj, that much I would say, because manufacturing is going on for the finished dosage as well, so we will be ready for the launch, we do not see any issues on that at all.

Manoj: How do you see the Injectable portfolio business panning out over the next 3-5-years?

Ronald Quadrel: We have a lot of the products that are currently with FDA; we have about 27-28-products under FDA for review, we are going to file another 20-products this year and our pipeline is fairly well loaded over the next 3-4-years. As Govind said earlier, we had 39% year-on-year growth from fiscal year ’15 to fiscal year ’16, we expect that growth to continue at least over the next three or four years. So this business where it is right now at $95 million will grow significantly over the next several years and in addition, once the Oncology and the Hormonal products come in, followed by the Liposomal products, several years out we will see even more significant growth.

Manoj: Basically, on the Meropenem, we do understand the opportunity in the US. But when you look at outside US, maybe other parts of Europe and overall, how do you see the scope for Meropenem and when do we expect the launch because since I think the facility is inspected and we have already got the EIR for the same?

N. Govindarajan: Yes, that is true, in fact, we have already launched the product in Brazil and Mexico. As far as Europe is concerned… Sanjeev, please correct me if I am wrong, we are expecting the approval any time, because from our end I think the inspection is over even for Europe and we are awaiting the approval any time. As far as the US is concerned, in fact, Ron, you have any comment on the approval timeline?

Ronald Quadrel: I am expecting approval within the next two months in the US.

Manoj: To take this question forward, how big is the market for Europe with regard to Meropenem?

Sanjeev I Dani: Actually, we would be selectively participating, so it depends on the type of a channel the participation but starting point would be UK.

Moderator: Thank you. The next question is from the line of Sangam Iyer from Subhkam Ventures. Please go ahead.

Sangam Iyer: Given the tough part of consolidating the European business, etc., is behind us and now we are also expecting to a high value product launches in FY'17, how should be the margins for both the businesses and the consolidated overall business looking like going forward?

N. Govindarajan: We always maintained that we would like to first reach consistent level of 22% which we have now reached. From now on our focus would be for further improvement. The improvement in Europe would improve the bottom line and with the Injectable growth as well as growth across the various other verticals, the margin over a period should improve, but we do not give a specific projection. I am not saying it should improve by next quarter or next year, I am saying over a period definitely it should improve further.

Sangam Iyer: Including R&D spends at around 4.5%, would a benchmark of say maybe around 25-odd levels at the base is something that is achievable maybe as an exit rate for FY'17 given that the launches and everything would be in place?

N. Govindarajan: First of all, yes, we are aware that R&D expenses would increase, because once we started working on the differentiated portfolio, we have been mentioning to the investing community as well, so everybody is aware of that part of it, whatever improvement in margins I am talking about is in spite of that increase in R&D expenditure. But again I am telling you that I am not talking about a specific timeline of next quarter or next year, I am talking about overall as we progress it should improve.

Moderator: Thank you. The next question is from the line of Neha Manpuria from JP Morgan. Please go ahead.

Neha Manpuria: Sir, did I hear correctly that our European margins are mid-single digit EBITDA level?

Sanjeev I Dani: Yes, on a quarterly basis.

Neha Manpuria: Is this a one quarter phenomena because in the last quarter you mentioned that that is the level that we plan to achieve by FY'18 sort of mid to high single digit, so what has changed in the quarter, I am trying to understand if that EBITDA is sustainable?

Sanjeev I Dani: It has improved over the last three quarters as you have noticed that actually we turn positive in the Q2 of last year, then it has remained in a positive territory and we expect that actually the full impact of the India transfer products to happen in this current year. So we think that we are ahead of the guidance that we had given earlier but we expect high single digit percentage margin going forward in the next two years. So it will be a still further improvement.

Neha Manpuria: So is fair to assume that the high single digit will likely happen in FY'17 itself rather than FY'18?

Sanjeev I Dani: I do not think we are preponing guidance.

Neha Manpuria: How should we look at net debt reduction – do we have a target in mind in terms of what is the leverage that we are comfortable with or how much net debt we are planning to reduce over the next year?

N. Govindarajan: Instead of looking at the next year, I would say like the significant reduction would happen the subsequent year when our CAPEX also are coming down to Rs.500 crores and when the improved margins would also be there.

Neha Manpuria: So essentially I should assume our leverage improving in FY'18 onwards. But FY'17 would be similar to the level that we are currently at?

N. Govindarajan: There would be some debt reduction, but significant would happen in the subsequent year.

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

Girish Bakhru: Just on the Liposomal and Microsphere products, is there any product requiring clinical trial or these are Simple BE studies that you are doing?

Ronald Quadrel: All four of the products will require bioequivalence testing.

Girish Bakhru: But no clinical trials?

Ronald Quadrel: Its bioequivalence trials.

Girish Bakhru: In those situations also, you expect R&D would not increase materially, right?

Ronald Quadrel: Each one of those products runs about $6 million a product that is for the whole project from Formulations development all the way through the bioequivalence study.

N. Govindarajan: But the important thing to observe here is, Girish, all the four products would not happen simultaneously. So to that extent, yes, when you are talking about the increase it is also including let us say one product per year.

Girish Bakhru: Just on overall litigation strategy, I know you commented that you do not have much litigation cost which is possibly also one reason why R&D generally is low. In future, would you change that situation and you would probably litigate end-to-end the product and probably not look for patent expiry or a settlement early on?

N. Govindarajan: I think our strategy has not changed at this juncture, Girish, I am not ruling out for the future, but as of this year the strategy is the same like what we have maintained so far.

Girish Bakhru: Do you see Sevelamer this FY'17?

N. Govindarajan: We expect it to happen this year.

Girish Bakhru: This is carbonate, right?

N. Govindarajan: That is right.

Moderator: Thank you. The next question is from the line of (Chunky Shah) from Credit Suisse. Please go ahead.

Anubhav: This is Anubhav here. One is you have shown a very solid performance on the Injectable business on AuroMedics. But if I back out AuroMedics and Natrol, for the Oral Solid business, quarter-on-quarter there is a decline in sales of about 6% which I am presuming is driven by channel consolidation impact. But the number seemed large given that we should have had some incremental benefit from Abilify and Raloxifene. I appreciate that you have mentioned that more benefit will come in the following quarter from Abilify. But would you say that the impact on Oral Solid business from the channel consolidation was as high as 10% in this quarter?

Robert Cunard: Not for the AP USA business, the weakness that we saw in the quarter was in our third-party again and some of the partnerships in this which is outside of the Raloxifene partnership. So some of the private label programs that we have were a

little bit softer. So again, on our core business that we control we had strong growth and we did not see significant impact of the consolidation around that.

Anubhav: Just to understand this, because your third-party business, my understanding is about $150 million a year, so that is about let us say roughly $35 million. Do you mean that the third-party business would have contracted by almost say 20%?

N. Govindarajan: I think you cannot take it that way for a simple reason that any third-party business cannot be measured on a quarter-to-quarter basis, you have to take it as a full year only, because if you remember even last year one of the quarter there were some softness in third-party sales and subsequently it recovered. So you need to measure that on an annualized basis rather than looking at quarter-to-quarter basis.

Anubhav: Govind, can you help us explain how this business work, in the sense that you get annual order from the let us say customer or do you get a quarterly order from the customer?

N. Govindarajan: There are annual forecast and confirmed orders for 90 to 120 days depending on the customer. Because it is not only one customer, there are a few customers, so it is around 90-days to let us say 120-days of firm orders. Sometimes, what happens is that they might shift the orders between quarter-to-quarter also.

Anubhav: Second question is you mentioned about seven launches in this first quarter. But can you just indicate roughly in terms of direction that how many launches you are planning for this year which will of course include the 20-odd products that we have not launched what we got approval last year and plus more approvals that we get this year, last year we had about 28 launches, do you expect to launch more products this year?

Robert Cunard: Yes, we expect the approvals and the launches will be greater in this year.

Anubhav: In Europe business, when you talk about margins have improved now to mid-single-digit versus second quarter where we were close to EBITDA breakeven, our fixed cost in the system would not have changed at all this year and our constant currency number per quarter has improved from 106 to 130 now, so all of that gross profit has just come to EBITDA. Is that the simple way to understand?

Sanjeev I Dani: No-no, in fact, the fixed costs have been reduced and that is what I was saying earlier that streamlining of structure and the improvement in process have led to this improvement in the net margin and in fact going forward because of the India transfer product fully kicking in, we will expect further improvement.

Anubhav: Just one clarity; when you say the fixed costs have reduced, because in the past you mentioned that most of the improvement in margins were driven by product rationalization where some of the loss-making products you have reduced?

Sanjeev I Dani: That was there in the previous quarters, but now actually we have seen some of the integration of the management and even better delivery of products and reducing penalties, those kind of improvement and efficiencies have also kicked in.

Anubhav: One more clarification on the European business; quarter-on-quarter we have seen 5% increase in constant currency for the European business. Any particular geography that you want to highlight because for the European business it is a very good increase in the sales growth?

Sanjeev I Dani: We have done better in France and UK particularly.

Moderator: Thank you. The next question is from the line of Nishid Shah from Ambika Fincap. Please go ahead.

Nishid Shah: Vancomycin when do you expect a launch?

Ronald Quadrel: We are expecting a launch of Vancomycin in the mid-Q3 of this fiscal year.

Nishid Shah: Do you see price erosions in the base business in Injectables also?

Ronald Quadrel: Not really, most of our products that we had on board for last several years, the price erosion remains fairly stable.

Moderator: Thank you. Ladies and Gentlemen, that was the last question. I would now like to hand over the conference to Deepika Gupta Padhi for her closing comments. Over to you, ma'am.

Deepika Gupta Padhi: Thank you, all for joining us on the call. If you have any questions unanswered, please feel free to get in touch with investor relations. The transcript of this call will be uploaded on our website, www.aurobindo.com

Moderator: Thank you very much, ma'am. Ladies and Gentlemen, on behalf of Aurobindo Pharma, that concludes this conference call. Thank you for joining us and you may now disconnect your lines.