Q1 FY27 Earnings Conference Call

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Mr. Swami Iyer - CEO, Aurobindo Pharma, USA

Mr. V. Muralidharan – CEO, Europe Formulations Business

Mr. S. Subramanian - CFO, Aurobindo Pharma Limited

Mr. Varun Mali – Investor Relations and Corporate Communications Team

Vandit Jaswani: Ladies and gentlemen, good day and welcome to Aurobindo Pharma's Earnings Conference Call for first quarter of FY27. Please note, all participants' lines will be in 'listen-only' mode and there will be an opportunity for you to ask questions after management's opening remarks. Should you need any assistance during the conference call, please raise your hand from the participant tab on the screen.

Please note, this conference is being recorded. I now hand over the conference to Mr. Varun Mali. Thank you and over to you, sir.

Varun Mali: Thank you, Vandit. Good morning, ladies and gentlemen, and welcome to our first quarter FY27 Earnings Call. I am Varun Mali from the Investor Relations and Corporate Communications team. We hope you have received the Q1 FY27 financials and the press release that was sent out yesterday. These are also available on our website, www.aurobindo.com.

I would now like to introduce our senior management team who is on the call with us today, represented by:

- Dr. Satakarni Makkapati – CEO, Aurobindo Biosimilars, Vaccines & Peptides Businesses and Director - Aurobindo Pharma Limited.
- Mr. Yugandhar Puvvala - CEO, Eugia Pharma Specialities Limited.
- Mr. Swami Iyer - CEO, Aurobindo Pharma, USA.
- Mr. V. Muralidharan - CEO, Europe Formulations Business.
- Mr. S. Subramanian - CFO, Aurobindo Pharma Limited.

We will begin the call with the 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 judgement and future expectations concerning the development of our business, a number of risks, uncertainties and other important factors may cause actual developments and results to vary materially from our expectations. Aurobindo Pharma undertakes no obligation to publicly revise any forward-looking statements to reflect in future events or circumstances.

With that, I will now hand over the call to our CFO for the business highlights of this quarter. Over to you, sir.

S. Subramanian: Good morning, everyone. A warm welcome to Aurobindo Pharma's Q1 FY27 Earnings Call. Thank you for taking the time to join us today to discuss the company's financial and operational performance of the first quarter of the current fiscal year. Q1 marked another quarter of disciplined execution underpinned by strong operating performance, continued strategic progress and prudent capital allocation. Our diversified business model continues to perform well despite geopolitical issues positioning us for sustainable long-term value creation.

- Our consolidated revenues increased by 16% year-on-year to Rs. 9,150 crores driven by broad-based performance across our business area.

- European growth market maintained strong momentum and our U.S. business contained a sustained growth.

- Operating EBITDA, exploring one-time impact of Rs. 43 crores towards a loss on derecognition of leased residuals, stood at Rs. 1,924 crores with a margin of 21%.

A defining milestone during the quarter was the successful completion of the Lannett acquisition following FTC approval within the stipulated timelines. Beyond adding scale, the acquisition strengthens our U.S. platform, expands our presence in complex and controlled substances, and enhances our long-term competitive position.

Further production at our China OSD facility doubled over past 12 months, making a significant milestone in the ramp-up of one of our strategic investments for sustained growth. We are pleased to report an increase in supply from China to Europe and also to the U.S. starting now.

Business highlights: Let me walk you through the key business highlights for the quarter.

- Our **formulation business** remained a primary growth driver, growing 17% year-on-year to Rs. 8,101 crores and contributing approximately 89% of the consolidated revenues, supported by growth across all key markets.

- **API business** clocked revenue Rs. 1,049 crores accounting for 11% of the overall revenues supported by our backward integration strategy.

- **U.S. revenues** grew by 8.1% year-on-year to Rs. 3,770 crores or $399 million reflecting the resilience of our base business. We launched 10 new products this quarter. Filed 9 ANDAs, received 10 final approvals, indicating strong pipeline execution and regulatory momentum.

- Our **European business** continued its strong trajectory with revenues reaching €267 million, delivering 11% year-on-year growth in constant currency terms.

- **Growth markets revenues** increased by 38% year-on-year to Rs. 1,063 crores or $113 million, supported by strong underlying performance across key markets.

- **ARV formulation** remained stable at $35 million for the quarter, driven by stable volume.

- **Our biosimilar and biological CMO strategy** continues to progress well and represent important long-term growth drivers along our base business.

Operational and Financial highlights: Gross margin remained resilient at 60.4% compared to 58.8% of Q1 FY26, benefiting from an improved business mix and operating efficiency. Our gross contribution amounted to Rs. 5,523 crores. Net CapEx for the quarter stood at $78 million. Capital expenditure remained focused mainly towards TheraNym Biologics. R&D expenses for the quarter is around Rs. 350 crores, amounting to 4% of the revenues. We expect the current rate to continue, driven by research costs towards the pipeline and the higher base of revenues. Further, since multiple clinical studies are at an advanced stage, we expect slightly lower development costs for the upcoming period.

Our balance sheet continues to remain strong with a strong net cash position of $42 million after payment of $85 million towards buyback and $247 million for Lannett acquisition, reinforcing our strong financial resilience and focus on various accretive growth opportunities while maintaining a disciplined capital structure. Our average finance cost declined to 4.8% from 5% in the previous quarter, reflecting prudent treasury management. Our net effective tax rate is 31.9% on account of not taking the tax credit on loss-making subsidiaries. However, we expect the tax rate to normalise around 28-29% by year-end. Profit after tax stood at Rs. 1,032 crores, reflecting a healthy operating leverage and efficient capital management.

Return on Capital: The investments we have made in the past decade are now approaching an important inflexion point. Many of these platforms are transitioning from an investment phase to milestone monetization phase, which we believe will progressively improve margins, cash generation and returns on capital over the coming years.

As we look ahead, our strategic focus is increasingly centred on enhancing the quality of growth rather than simply pursuing scale. Over the past several years, we have consciously allocated capital towards high-value businesses, superior margin profiles and structurally high returns on capital. Whether it is complex generics or speciality pharmaceuticals or injectables or biologics or CDMO services or backwards integration, each investment is guided by a common objective – building durable competitive advantages while steadily improving capital productivity. We believe Aurobindo is steadily transforming into a more differentiated pharmaceutical company with multiple levers, higher quality earnings and stronger free cash flows and sustained ROCE.

As we look ahead, we are encouraged by the strength of our underlying business and believe we are well positioned to deliver the next phase of profitable growth, driven by our focus on complex respiratory product portfolio of a significant number of products, including DPIs and MDIs, with multiple near-term filings, thereby improving visibility across both revenue and earnings. We continue to reiterate our FY27 guidance to double-digit revenue growth, with EBITDA margins north of 21% and absolute EBITDA in excess of 8000, with potential upside driven by positive outperformance in our high-value strategic business areas.

We now look forward to taking your questions. Our senior leadership team is very happy to provide you further insight, more details, clarification, wherever required. Thank you. Over to you, Vandit.

Vandit Jaswani: Thank you, sir. We will now open the call for Q&A session. We will wait for a few minutes until the queue assembles. We request participants to restrict to 2 questions and

then return to the queue for more questions. Please raise your hand from the participant tab on the screen to ask the question.

The first question is from Surya Patra. Hi, Surya. Can you hear us? Okay. We'll come back to you.

The next question is from Tausif Shaikh.

Tausif Shaikh: Good morning and thanks for the opportunity. My first question is related to the growth markets. We have shown a strong growth this quarter.

- Can you help us understand what is leading this growth?
- Are there any specific countries which are driving this growth?

S. Subramanian: You're asking overall or any particular geography?

Tausif Shaikh: About growth markets.

S. Subramanian: All the growth market countries are driving growth in line with the normal. There is no specific country which is growing extraordinarily like that. That is the thing. See, we are also getting into new markets like we have gone into Indonesia. We have gone into China. We have gone into; I mean Canada is doing well. So, every country is doing well. There is no specific country which is doing an extraordinary performance like that.

Tausif Shaikh: That's helpful, sir. My second question is related to Lannett, with now the acquisition been complete.

- Can you tell us what are the key products in the pipeline for the near term?
- And specifically, can you talk about our partnership with the Respirent Pharma for the inhalers?
- Where do we stand currently in terms for Advair and Spiriva? I think we have received approval for Advair as well.

Swami Iyer: Yeah. Hi, Tausif. This is Swami Iyer from Aurobindo, USA.

Now, with regard to Lannett, as regards to pipeline, we are going to launch Advair anytime in the month of August. And rest of the product, I can't really tell you, share with you on what are the products we are going to launch. That's confidential. But we do have a fair amount of products in pipeline staggered over a period of time. Is there any another question you wanted?

Tausif Shaikh: Sir, any reason for the delay of launch of Advair? I guess we have received the approval earlier this year.

Swami Iyer: So, it's not delayed. It's just that the product had to be ready. And then it had to be positioned because when you get a certain market share, it should be ready with the inventory. So, it takes a little time for build-up of the inventory before you launch.

Tausif Shaikh: That's helpful. I'll get back in the queue.

Swami Iyer: Yeah.

Vandit Jaswani: Thank you. The next question is from Damayanti Kerai.

Damayanti Kerai: Hello. Good morning and thank you for the opportunity. My question is continuing on Lannett.

- So, besides the respiratory portfolio, which is building up well for you, can you also update on the existing portfolio if you see headroom to grow it further, especially in the controlled substance product?
- And if so, what kind of upside we can see from current level as well?

Swami Iyer: So, as far as the existing products are concerned, there are a few. We call them the crown jewels because they grow well. They grow decently. And fortunately, Lannett has been able to get a fair amount of quotas for the controlled substances. We see some growth there. But controlled substance, you should be knowing that there is an overall limit on how much quota is available. If it's 10,000 kgs, 10,000 kgs is for the entire US and it's allocated between different suppliers. So, Lannett happens to be one of the suppliers. So, we should not expect any sudden jump unless somebody defaults. If some other supplier defaults, others will get it. So, Lannett had that opportunity. They have ramped up a bit. They continue to do that. That's all I can say for now, as far as, the ramp up is concerned, as far as, the increases are concerned. The market, when it expands, the quota will expand. It's not like the other products. The quotas are very limited. They are very careful because these are all controlled substances.

Damayanti Kerai: Got it. So, it's fair to assume the incremental sales for Lannett portfolio will be driven by the new launches, especially in the respiratory, right?

Swami Iyer: Yes, it will be driven by new launches, I would say. Respiratory is one of them. Certainly, I agree. And it's not as though the control substance will not go up. When we have an opportunity, it will go up. It has done in the recent past.

Damayanti Kerai: Sure. My second question is:

- If you can update us on the PEN-G plant supplies and whether you have got any clarity from the government on PLI benefits for this year? And also, in terms of progress for external sales of PEN-G from your sides?

S. Subramanian: So, the PEN-G plant, we have been continuously achieving a capacity of around more than 800 tonnes to 900 tonnes is the range we have been producing. The India market, if you really see, it is around 800 to 900 tonnes [per month] and we have been producing that and which has been effectively converted into 6-APA and ultimately converted into Amoxi. We have been doing very well on the Amoxi in the last 2-3 months. We have been

able to produce 6-APA also effectively and our yield is also coming out very nicely in line with our expectations.

Regarding the PLI incentive government, we have filed the application and they will make the payment in the month of September or March, whatever be the policy of the government, they will pay. There is no issue on that.

Damayanti Kerai: And regarding supply to the external partners?

S. Subramanian: We have been supplying external, whoever is asking, we have been supplying PEN-G, we have been supplying external parties. We have been supplying to some of the big corporates in India. And 6-APA also we have been supplying wherever they have been asking us we have been supplying. And if you really see the import data also, the level of imports of 6-APA has come down very drastically compared to what it used to be in October to December. And these are all mostly on account of the advanced supply mechanism, I mean re-exporting or exporting, whatever may be the word, that is the main thing. So, there is no issue and we have been going on.

Damayanti Kerai: Also, subbu sir, this year we have this minimum import price benefit, which is in place. But when we look at beyond this, what kind of clarity we have on the pricing part, which can safeguard against cheaper import? If I say a year after.

S. Subramanian: What we are trying to do is, irrespective of the MIP or the PLI incentive, we have been working towards achieving the self-reliance on the cost structure and ensuring that we are making profit irrespective of the price, etc. That is what we have been working on. The MIP, I mean, we have not achieved yet, we will be reaching very soon. Maybe by the end of the year, we will achieve that status. And if MIP or the PLI comes, that will be seen at that particular point of time with respect to the market prices.

Damayanti Kerai: Okay. Thank you. I'll get back in the queue.

S. Subramanian: Yeah. Okay.

Vandit Jaswani: Thank you. The next question is from Neha Manpuria.

Neha Manpuria: Yeah, thanks for taking my question. Swami sir, on Lannett, from what I understand, there is a facility in the US which is operating at fairly low utilizations. So, given that there is not as much scope to improve, let's say, increased market share in controlled substances,

- How do we plan to essentially improve utilisation in that plant? That's the first question.
- And second question, you know, to Subbu sir, for Lannett, what sort of synergy should we look at in terms of timing of synergies, let's say, over the next 2 years? And, you know, what would you think, you know, does Lannett get to where our US business margins are?

S. Subramanian: Both will be answered by Swami.

Swami Iyer: Yeah. So, thanks, Neha. So, let me take both the questions.

First and foremost, Lannett has a fair amount of unutilized capacity, which we think is a big plus, because we can use this capacity to bring in products in the US that we could not do earlier. One is the controlled substances itself, some of the products that we can bring in, plus it opens up a lot of markets for us, including the government market. We've also made a plan. For the next 12 months we have created a strategic plan. I can't share too much of details on that. But essentially, what we are doing is we are trying to bring in products from our portfolio as site transfer that we are not commercialised or we have not been able to ramp up or which is required for the government business in the US. So, there's a plan for it. People are already working on it. The integration is in full, you know, it's in full speed. It's going on. So, we think that some of these products would be transferred and that would enhance the capacity. We have got a staggered approach. In 12 months, what kind of numbers we are going to have in terms of monthly output and over 3-year period what we are going to do. We feel very optimistic about it having seen this opportunity. The team is very good. They have well-trained manpower. They have very good machinery. So, we think we are in good shape there.

Swami Iyer: So, you also talked about the synergies. So, there are a number of synergies that we can talk about. I can talk about it for the whole call. But let's talk about the top ones. First, let's talk about the SGA synergies, SGA racialization. So, when we bought Lannett, prior to 29th of June, that's the date we closed. Prior to that date, they had X number of employees. On 29th June, it was X minus probably 40 or 30 employees. The idea was to reduce the manpower where we have got overlap, especially where it's very expensive. So, we had substantial, we foresee substantial savings in that.

Apart from that, there are a number of other advantages that we get. One is when we start using the facility, there's an operational leverage by better spread of overhead. Then if you talk about the procurement synergy, you know, Aurobindo is a fairly large player globally. We get vendor synergy, vendor procurement benefits. So, you get synergy through that. This will enhance our margins overall. Plus, we see a lot of other benefits in terms of cost saving, in terms of expanded markets. And very important, which has not been highlighted much so far is the strategic partnerships that we get. We do get a number of partnerships and this is a good opportunity for us to enhance that kind of partnership.

Neha Manpuria: And Swami sir, by what time do you think Lannett gets to Aurobindo margins, you know, would that be, would that require this facility ramp up that you're talking about? So, would that take like two years, three years?

Swami Iyer: I think it may not require that kind of time frame. I told you that we already had fair amount of SGA synergies in dollar terms, it was a decent value. And we are also looking at some of the procurements that is going to be additional benefit. But we will immediately see some amount of increase in the capacity utilization. So that will also add up. I think we will see some benefit going forward in the next nine months also.

Neha Manpuria: Okay. And Swami sir, what is the utilization currently at Lannett and how much do we plan to take it to let us say in the 12-month strategic plan that you have?

Swami Iyer: So, we have about 40 percent utilization and then we plan to take it to a decent level. And firstly, I think I would not like to disclose the percentage, but we are taking it up to a decent level, you know, in the next few months.

Neha Manpuria: Okay, thank you so much Sir.

Swami Iyer: This is a 12-month plan. Yeah.

Neha Manpuria: This is very helpful. Thank you so much.

Vandit Jaswani: Thank you. The next question is from Bino.

Bino: Hi, good morning. Can I have an update on the biosimilar pipeline, especially biosimilar Xolair filing in the US?

Satakarni Makkapati: Hello Bino. So, on the US side of biosimilar filing, we are continuing to engage with the FDA on our planned first three filings this year, which underpins the at least three products in the US aspiration that I laid out in some of the previous earnings calls by 2030. So, the US filing this year is imminent. One quarter here and there, we expect the first filings to happen, and we are actively engaging with the agency.

To answer your part one of the question on the updates, this quarter we completed a successful ANVISA inspection, securing GMP certification for both our drug substance and drug product facilities. The timing of the certification is particularly meaningful because we currently have a couple of oncology biosimilars under active review with ANVISA in Brazil. I think one of them is under expedited review by a new task force initiative launched by ANVISA.

So, the GMP certification is therefore a key input to the ANVISA's marketing authorization process. But having said that, as I mentioned in the last quarter, we already have a head start in the LATAM market with commercial supplies of three of our oncology biosimilars already underway in Mexico. So, I think we are already getting some traction there.

With respect to other updates, we filed BP-16, Denosumab. As I mentioned in the last quarter, we are gearing up to file a couple of products. Denosumab, both Filvizy biosimilar to Prolia and Fugevy biosimilar to Xgeva, both of them have been filed with CHMP or the European Medicines Agency. This will position us to address both osteoporosis and oncology supportive care segments.

Likewise, I also gave guidance last quarter about Omalizumab. Omalizumab filing is on track. We announced a successful phase three result some time back. The filing is on track for Q3 with European Medicines Agency. The US filing may happen a quarter here and there.

So, broadly, to summarize this, my guidance for a broader seven to eight products in EU, UK, Canada by 28-29 is on track with four approvals already received.

On the US side, the two or three product filings this year is imminent, which means that the guidance that I provided earlier about at least three products in the US by 2030, we are truly on track with it. I hope that answers your question.

Bino: Yes, very much. Thank you very much. And the second question is around the biologic manufacturing with Merck. Do you still, would you be able to give some sense of the kind of revenue ramp up we can expect in FY28, 29, two years?

Satakarni Makkapati: I would give you some colour about where we are right now. So, as you know, with our disclosure, unit one was inaugurated on 3rd June, 2026. And we remain on track to begin qualification activities of the facility and the equipment by November 2026.

So, that is in line with the guidance I have been providing over a couple of quarters. The validation batches for the customer for the anchor product in unit one of TheraNym are scheduled in 2027, after which the customer will file the product from the site in the target markets. So, I expect steady revenue stream beginning 2028, as I anticipate some stockpiling requirements to be paid ahead of the launch for the customer.

Now, we have milestone payments on the revenues that we generate. So, 2027, when we conclude our validation batches, we do our engineering and validation batches, there will be a flow of revenues. But I see a steady state revenue flow to happen once the customer starts to stockpile the product. And to be honest, I see that to be from 2028. So, in the nutshell, you can expect a steady revenue stream from 2028, depending on the stockpiling efforts of the customer. That is with the TheraNym unit one.

TheraNym unit two, which is part of the product schedule 3 that I announced in April, where we are going to set up a pure-play drug substance manufacturing facility, which we call it as TheraNym unit two. That would be commissioned by end 2029, provided I get all the statutory clearances and environmental clearance to begin construction this October. So, 2029 end will be when the facility will be available for qualification, means a two-year horizon, 2030 will be the PPQ batches, the validation batches, revenues will start. But again, 2031, I expect after the filings, the customer to bid the stockpiling effort to happen for the commercial launch, which means 2031 will be when the unit two will start to generate the revenues.

So, in a nutshell, the structure for TheraNym is designed specifically to de-risk the CapEx ramp with contracted volumes from unit one, providing revenue visibility from 2028 onwards, before the full capital cycle of unit two completes and unit two will start generating revenues from 2031. I hope that answers your question.

Bino: Yes, very much. Thank you. Thank you very much for the explanation.

Satakarni Makkapati: Thank you.

Vandit Jaswani: Thank you. The next question is from Shrikant Akolkar.

Shrikant Akolkar: Hi, good morning and thanks for the opportunity. I have a question on the CRO business. So, we have recently acquired a small CRO business. Can you provide some

thoughts that led to this acquisition and how much of the scalability that you can bring in this business?

S. Subramanian: Shrikant, see, we recently bought this A1 Biochem. A1 Biochem as on date is having a turnover of around 100 crores, right? See, the A1 Biochem has started that journey in the year 2015. So, in 10 years, they established the entire credibility and they developed the business, everything. It's only a CRO. Now, they have a capacity limitation to enhance further. That's the reason why they joined us. And we are already having enough experience in the API. And what we thought is, by acquiring the CRO and along with our existing plant, etc., which we can organize it, we can make it into an integrated CRDMO. And that is what we are working on. The A1 Biochem is already having customers, more than 50 customers, and they've executed more than 800 projects in the last 12 years. So, these are all some of the things which will complement, which our capabilities will complement with the existing CRO capabilities. This will do.

And third thing is, it also comes with the attractive valuation. And we expedited the access to capabilities compared to the greenfield investment. If we take a greenfield investment to come to this level, I think to start up, it will take five years. Now, we are ahead by five years in the whole process. Now, having said that, now it's our job to take it forward with, accelerate the entire process. That's what we are working on.

The closing has not happened. Closing is expected to happen in the next 1 or 2 months' time. After that, we will start looking into what to do next on this.

Shrikant Akolkar: And the students of that 100 crore revenue, do you think there is meaningful upside to that going forward?

S. Subramanian: I think at least, see the existing promoter, who is going to be the CEO of the new company. And he has a very big vision of taking it to at least three to five X in over a period of three to five years.

Shrikant Akolkar: Understood. So then second question, we have presence in Canada and China. So, we can talk about what's our plan in the Canadian market, which seems to have turned kind of attractive. And in China, where we have a formulation play and a facility. So, if you can update on that.

S. Subramanian: So, the China plant, we are having a capacity of more than 2 billion tablets. And last year, we did around something like 500 million plus. And already we are seeing in this quarter, we have already doubled that. So, our objective is to go beyond 2 billion, probably by end of the year or mid of the next year. That is what our plan is like. And we are also having, in Canada also, we have got a, I mean, we have been supplying material like what we have been doing it for Europe, wherein we reduce the third party dependency to own captive supply of material to Europe, which has helped us in improving the overall revenue for the Europe. Like that, we are also trying to do for Canada.

Shrikant Akolkar: Okay. And sir, last question, Lannett had two products, respiratory products, Spiriva and Flovent, under development a few years back. Is there any development on those two filings so far?

S. Subramanian: I think they are working. Yeah.

Swami Iyer: Yeah. No, no, please go ahead.

Swami Iyer: Yeah! So it's still ongoing. It's an ongoing development. Okay.

Shrikant Akolkar: Okay. Thank you so much for your response. Yeah.

Vandit Jaswani: Thank you. The next question is from Abdul Kader. Yeah.

Abdul Kader: Hi, sir. Thank you for the opportunity. My first question is to Satakarni Sir. So just wanted to understand, with the three products, what do we have in Europe and one in UK, how has our experience been in terms of grabbing market share and how has the overall competitive landscape been into this particular geography?

Satakarni Makkapati: Hey, so this is our first two quarters of commercial supplies and commercial stage operations. So, I would describe our progress as a modest steady and a measured start, which is exactly how we intend to approach the transition from a development and clinical stage biosimilars company to a commercial one, rather than trying to scale across every market simultaneously. But having said that, on direct commercialization, we have begun catering to the UK and EU through our own Aurobindo Europe's well-oiled infrastructure there, while the Nordics and Baltics are being served through our partner Orion, who also have started to pick our product.

So, there is a distinct commercial channel in these territories. What is also an important development for you to note, Abdul, would be our STADA partnership is about to open a further commercialization channel in Europe. We expect a duplicate marketing authorization for an oncology product to be approved very soon, after which we will see commercialization running through STADA as well in its designated territories alongside our own Aurobindo Europe regions.

So, in the nutshell, very early stage around two quarters of supplies across the UK, EU, Nordics and Baltics, we will effectively have three commercial routes to market running in parallel, ourselves, directly and through Orion and STADA in their respective territories. What is also worth noting is that most oncology biosimilars, this is answering your part two of the question, most oncology biosimilars in Europe are sold through tenders rather than the open retail channels. And only my next two products, Denosumab and Omalizumab are primarily retail products, but the products that have been approved so far are tender-based products.

And what you must also know is, the tender participation does not translate into supply on the same timeline. So there is a natural lag between entering a tender cycle and actually shipping a product. So I expect all of these to tie in very well after at least two to three quarters from now. We already see our own Aurobindo Europe picking up the product. Likewise, I see our partners picking up the product. So two to three quarters time, we will see how the European presence is shaping up. Right now, it is slightly early for me, but I would

like to give you a colour of what I think my commercial channels will be in Europe going forward, Abdul.

Abdul Kader: Sir, very clear. Thank you. And next one on Eugia. So sir, if you can highlight, how the injectable revenue trajectory has been. And one final one, if I may, and with China and now Lannett coming in, understand we have a guidance, but there has been subsequent OPEX rise as well. So at the China plant and Lannett, what are the kind of margins we are kind of building in when we are talking about the guidance which we have just given on the call? Thank you.

Yugandhar Puvvala: Let me take the Eugia part. This year has been a steady growth, but it is not going to be double digit. It will be single digit because of lack of new approvals, both from unit, mainly from unit three. And we are working with various consultants to do the remediation of unit three. So it is a, this year we expect that the single digit growth will continue. And we will clock around 500 million plus revenue for the year.

Abdul Kader: Got it. And so, part one of the question on the margin front from China and Lannett.

S. Subramanian: So the margin front from China, last year we had a loss of around 7 million EBITDA. This year we should be doing better than, I mean, we should be doing positive. That is what I can tell at this stage.

Abdul Kader: All right, sir. Thank you.

Vandit Jaswani: Thank you. The next question is from Shyam Srinivasan.

Shyam Srinivasan: Good morning. Thank you for taking my question. Just on Europe, you know, again, a pretty good set of performance, constant currency, 11%. So if you could just outline what's happening in the Europe business and, you know, is there any updated guidance for fiscal 27?

V. Murlidharan: Yeah, good morning, Shyam and all. Thank you for your complimentary words. Yeah, yes, the Q1 has been a very strong start for us for the financial year. And as we have taken up as a mission to grow our base business of 1 billion, which we crossed last year, obviously, we wanted to do a double digit growth and we are tracking to that extent. And upcoming quarters, I do see further growth based on the new launches that are happening. Some of them are loss of exclusivity launches. Some of them are new to Aurobindo, late to launch products. So this will augment our further revenue growth ambition.

And FY27, definitely we are expecting to close with a double digit growth over the previous year. And on the EBITDA side also, we are increasing our position.

Shyam Srinivasan: Sir, we have reached 20% or north of 20% for Europe EBITDA?

V. Murlidharan: Yes, we have. Maybe Subbu can add colour.

S. Subramanian: Yeah, yeah, we have achieved the 20%. If you recollect, Shyam, we have been a single digit some three, four years back and Murali and the team as well as the accelerated captive supply and other things, cost reduction programs, etc. done by the team, we have achieved 20%.

Shyam Srinivasan: Got it. So second question on Lannett, if you could break it down from a quarterly perspective, should I assume 60 million quarterly revenue before the launches start kicking in at some point of time and 10% EBITDA? I am just throwing it in there.

Swami Iyer: No, EBITDA will be much higher. Even earlier EBITDA was higher. The net sale 60 million, that is what we would like to see at least without the other product. We feel a little upbeat about this, but you know, there is a process that is ongoing. We have to racialize something, we will have to add something. At the end of the day, we have to value. We believe sooner or later we will get there in a medium term, get there and do better than that.

Shyam Srinivasan: Helpful. Sir, just if I can squeeze in my last question to Dr. Satakarni. Dr. Satakarni, our commercialization of the CDMO, CMO project is later. But if you could just comment without on the industry, because we have seen, you know, a big uptick in quarterly trajectory for some of the CDMO companies this quarter. So, maybe from a more a customer angle or from what you're picking up from the marketplace. Is there something that is changing on the ground?

Satakarni Makkapati: How do I answer that question Shyam, you always come up with some very interesting questions.

So, see first thing that I wanted to reiterate from my last call and the previous call is that TheraNym is not a CDMO. TheraNym is a pure play contract manufacturing organization. Do I want it to be a CDMO after a while? Probably yes, but today it is a CMO. Now why there is an uptick in CDMO businesses now because there is a realization in the Indian industry that the biologics CDMOs are probably a way to differentiate going forward. So, you see most of them entering into antibody drug conjugates, offering contract development at a very early level, etc.

Where TheraNym differentiates itself or where we try to differentiate TheraNym is that we wanted to get into the global supply chain of an anchor company like MSD that serves the human health right from day one, which means that I want to be part of the commercial supply chain. That's a big ask because that's a big leap getting into commercial supplies of the products that are already in the market means the credibility is going to be very high for this CMO. Once we achieve that, then for me to backward integrate the CMO into contract development where technically the margins will be also slightly higher in contract development than in contract manufacturing is going to be easy.

The current uptick in the market that you are seeing is something different to what I'm doing, which is primarily contract development. I don't think there are any peers in India who do contract manufacturing of a commercial human health product into regulated markets. So, I'm very careful of my words. Most of them are technically contract development and maybe early-stage contract manufacturing companies. So, what we are doing is slightly different. But you will see a lot more emphasis on biologics and biologics associated products like the

antibody drug conjugates, etc. A more investment into contract development and contract development organizations in India going forward, Shyam. So that's a trend that I'm also picking, but I don't know why, but that's a trend that I am picking.

Shyam Srinivasan: Thank you, thank you and all the best.

Vandit Jaswani: Thank you. The next question is from Kunal Dhamesha.

Kunal Dhamesha: Hey hi, thank you for taking my question.

First question on R&D expenses. It seems considerably lower below 300 crores for this quarter. Our usual average is around 350 crores plus. So, is there a lumpiness and what's the overall guidance for FY27 for R&D?

S. Subramanian: So, the R&D expenditure if you take for Q1 FY26, it was 367 crores, 365 crores or something, right. And the R&D expenditure for this quarter is around 344 crores. So, there is a drop of around 20 crores which is because some of the Phase 3 clinical has been completed, which Dr. Satakarni has explained earlier also.

And this year it will be somewhere around Rs. 1,450 to 1,500, that's the maximum we have seen. Because most of the products he has completed and he is in the filing and then implementation stage.

Satakarni Makkapati: So just to add more colour on that, Kunal, that if you remember Subbu's guidance a year ago, around 35-36% of the R&D expenditure of entire Aurobindo was into biosimilars. And majority of it was to support the Phase 3 comparative efficacy studies. Now with all the 7 wave-one programs that we started in ’21-22, all of them, I mean, most of them have completed their Phase 3 studies with the exception of one product that will complete next year. So, naturally the expenditure in R&D towards the comparative efficacy studies, towards the clinical studies has come down. And that's the delta that you are seeing.

Kunal Dhamesha: Subbu sir, I can't, you know, just, you know, reconciliate the numbers. Your press release is saying that EBITDA before R&D of around 2,204 crores and EBITDA post R&D of 1,924 crore. So, it shows around 284 crores of R&D, right. So, is there any other amount that is capitalized?

S. Subramanian: No. It is, you have not taken that 43 crores you have to add it because you are seeing it from the total, you know, you have to take the operating EBITDA, which is the total 1,924 crores.

Kunal Dhamesha: Which is what I have taken, right? So, EBITDA before R&D….

S. Subramanian: I will help you. I will help you after the call I will help you the working.

Kunal Dhamesha: Okay. Sure.

And second question on Pen-G, last quarter also, you know, we were at more or less 800 to 900 tons kind of production, right. So, what is kind of, you know, stopping us from ramping up more? And I assume that 45% of that 15,000 tons was our internal requirement, which would mean that currently of 800 to 900, 70-80% is being utilized for ourselves. Is it true understanding?

S. Subramanian: So, there are 2-3 actions. One, as I told you, you know, the imports during the period of October to December or January was very high, that is getting consumed. So, we'll be able to supply more material. That is one point.

Second point is if you really see the Indian demand, Indian demand is somewhere around 9,000 to 10,000 tons. The balance 5,000 tons is going towards the exports. So, what we are trying to do is, so we are trying to supply to the Indian demand on the 6-APA, which we will do that. And after that also, we will be supplying to the overseas market. So, there is no question of production limitation. The production can be easily 15,000 and the yields are very good, what is the demand overall market, which is expected to go around 11,000 to 12,000 tons.

Kunal Dhamesha: Sure. And, you know, lastly, on this STADA agreement that we did for two biosimilars for Europe, is there any upfront payment that we would have received from STADA?

Satakarni Makkapati: Kunal, we haven't, we haven't disclosed that. But the agreement is structured in a manner that all the regulatory costs of filing for a duplicate MA will be taken care of by STADA. I will not be able to disclose beyond that, Kunal.

Kunal Dhamesha: And so, let us say whatever that amount is, how has that been accounted for?

Satakarni Makkapati: Which one?

Kunal Dhamesha: The upfront payment we would have received from STADA?

Satakarni Makkapati: No, no. So, once we file for a duplicate MA, it will be reimbursed.

Kunal Dhamesha: And then that would be part of revenue?

Satakarni Makkapati: Subbu?

Santanam Subramanian: It has not been received, Kunal. As and when it is received, we will see the nature of the invoice, the nature of the agreement, etc. in consultation with the auditors we are doing. But as of date, it is not there in the June quarter.

Kunal Dhamesha: Sure. Thank you and all the best.

S. Subramanian: Thank you.

Vandit Jaswani: Thank you. The next question is from Tarang Agrawal.

Tarang Agrawal: Hi, good morning. Am I audible?

Vandit Jaswani: Yes.

Tarang Agrawal: Okay. So, I have 3-4 questions, starting with US on shoring. You know, given the policy narrative that's getting stated in the US, just wanted to check how Aurobindo is positioned. You know, and as I understand, you know, unit economics, basically CAPEX and conversion costs don't support the economic rationale to manufacture in US, especially given the depressed generic pricing environment and the onerous working capital requirements to

operate in the market. But even then, it seems like it's going to be a requirement. So how are you looking at it? And how will you navigate through this?

Swami Iyer: Tarang, there are two questions in what you mentioned just now.

First is, how are we navigating it? If this becomes mandatory for us to do it, I believe that if somebody is prepared to handle it, Aurobindo is the one, because we already have a manufacturing facility in the form of Lannett, and that we can manufacture up to 350 million at ease, without too much of CAPEX. And we can probably go a little beyond that. Plus, we also have the Aurolife unit, which can be substantially higher than this 350 I'm talking about. So, we would be able to meet a significant portion of our demand through these two facilities if we have to do it. And of course, we can do expansion, we have scope for it. Then we also have another facility in reserve that can be quickly brought online for manufacture. So, with this, we can meet any exigencies that arises for any kind of product in the US. That's one part of it, meeting the demand. Tomorrow, if it is made, we are compelled to do it, we can definitely do it. That's number one.

Number two, with regard to your question about cost effectiveness of doing it in the US, this is going to be a level playing ground. If I have a product 'X' and that has to be manufactured in the US, my competitor also has to manufacture it in the US. Today, it may be a dollar, it may cost $4. If it costs $4, there will not be supply unless you get that money plus whatever margins you have to get. So, it's a level playing ground. Today, if I do a product that's manufactured, imported from India and I manufacture in the US, I will be out of the market because in India, it will be a lot cheaper. It's simple math.

Tarang Agrawal: Got it. And are the regulators amenable to these kinds of requirements or to include these requirements in the policy? Because what we understand while details are soft, but what we understand is there's a blanket requirement. I mean, if it's a level playing field, it makes sense. But if it's not, then how do you navigate?

Swami Iyer: Look, if it is not a level playing field, how else can it be? You can't say that these medicines are to be made in the US and the product which costs you $2 has to be sold at $1. Who would do it? It's a capitalist society. I mean, anyone will do it if he recovers the cost first, the other one is he gets some margin. Otherwise, nobody would do it. So, the government is fully aware of it, government will be. Whatever they want to do, ultimately, it's going to be more expensive. If they can give some form of subsidy, they can give cheaper land, they can give, you know, a lot of other breaks. But that's all not going to make up for the cost of labour, cost of setting up the facility, the timelines it takes. It takes a very long time to set up a facility. That's why for us, the Lannett acquisition, we have probably leapfrogged about five years in terms of capacity, 5-7 years. So that's how it is. So, the facility to set it up, to get the regulatory authorities to approve it, first of all, to get a building permit, it could take a substantial amount of time. And then we talk about the FDA and if it's a DA product, get DA approval. We're talking about close to, you know, half a decade or more.

Tarang Agrawal: Got it. That's quite helpful, sir.

Second on Europe, as I understand, and congratulations again for the 11% constant currency growth. But as I understand, the 'flu season in Europe was quite weak in Q1. So, given that

Aurobindo has a broad basket in antibiotics, has that impacted the business negatively? Or there has been limited impact?

V. Muralidharan: Yeah, Tarang, let me take this, Murali here again.

Yeah, because Q1, you know, we have seen a very, you know, hot spell months over here. But the flu season or the antibiotic season by itself is more prevalent or more defined during the upcoming months, September-October onwards. And of course, we do have our range of antibiotics and including for EMA, we are one of the trusted partners. We do have regular calls with them. They expect us to stock hold this product or even supply to some of the Aurobindo non-footprint countries and which we have readily responded to. So, to answer your question, the upcoming months will see higher sales for antibiotics.

But as you're able to see in the Q1 net revenue itself, based on our broad portfolio of products being effectively commercialized, we are already demonstrating this double-digit growth.

Tarang Agrawal: Got it. And the last question on biosimilars. Satakarni sir, you know, we see addition of, you know, BP 58/27/25 in your presentation. And then there is a host of products in the following page. How should we see the development of these products? Because unlike your current strategy, which is largely centred around, you know, Second or even Third wave molecules, barring Xolair, the upcoming list seems to be, you know, a host of products which are more closer in the first wave.

So, just trying to understand how should we see the development of these products, especially, you know, you've got a portfolio of products where a large part of, a reasonable part of R&D spends is behind you. You are in the process of monetizing those products for the next 2-3 years. So, just trying to understand, but, you know, waiting too much to monetize would probably then lead you to fall behind on the list of products that you're looking to develop. So how should we look at it? Thanks.

Satakarni Makkapati: Hi, Tarang. So, our next wave products are in active development, Tarang. So, there is nothing called a 'wait and watch' approach. In fact, you will see one product moving into clinical studies, pivotal clinical studies, which are now only Phase 1 PK/PD studies towards the end of this year. And with one more also, a post 2030 asset, also entering into clinical studies early next year. So, the next wave of products are being developed.

But what needs to be noted is there are two shifts that are happening in parallel across biologics right now. And we are positioning for both. For example, some of them may not be new products per se. The next product that goes into clinical study is a subcutaneous formulation. So, you can see of an existing product, the originator biologics right now are moving from IV to subcutaneous administration to cut infusion time and improve patient convenience.

So, the BP58 is a Trastuzumab SC, which is the clearest oncology precedent for a subcutaneous route of administration. And it is on track to enter clinical studies in 2026. Much ahead of the patent cliff, I think the patent cliff if I remember it right, is 2029.

So, some of our next wave products are those with a device combination, because that is one major shift that is happening. The other one is subcutaneous. And also, a combination of new products, which will go off the patent from 2032 onwards.

So, to answer your question, we hope to be in wave one for the next wave of products, especially with the regulatory landscape now changing that we are getting waivers on some of the Phase 3 efficacy studies in Europe. In US, it is still a draft guideline. But we managed to position our case for one of our products recently and got a Phase 3 waiver. So, there is no wait and watch. 'The first wave is very subjective. Any biosimilar that you pick today, there are 8 to 10 players. So let us see how it evolves. But the intent is that, Tarang.

Tarang Agrawal: Okay. Thanks. Thank you, sir.

Vandit Jaswani: Thank you. The next question is from Jigar Valia.

Jigar Valia: Morning. Thank you. My first question is for Dr. Makkapati. Sir, we are struggling to put numbers to our CDMO business sales and margins. So, if you can just spare a minute of your time and help us understand where does the revenue start and how the full scale numbers look like, say, net by '28, '29 or '30. And what margins and some colour. You give a lot of qualitative aspects, but just if you can help us.

Satakarni Makkapati: So, as I told you, the Unit 1 revenues will begin from 2028 if the stockpiling is what the customer wants. And likewise, 2031 from Unit 2. So put together, Unit 1 and Unit 2, 2032, you should be looking at around US$150 to $200 million as a good case for the contract manufacturing business between Unit 1 and Unit 2. And the margins in this business typically are around, the EBITDA margins will be around 35 to 50%. Now, this depends again on the product mix that we are going to work towards. And importantly, we still do not know which sort of products will go into Unit 2. Unit 1, we have fairly good visibility. Unit 2 is still three years away. But in all, I expect it to be a $150-200 million revenue guidance from 2032 onwards between both Unit 1 and Unit 2, if that helps you.

Jigar Valia: Very helpful, sir. Thank you. My second question is for Subbu sir. Congratulations on the great numbers. And should we start clocking 2200 crores a quarter run rate from next quarter?

S. Subramanian: We should be looking at it. But let us wait how the geopolitical situation in the Middle East is getting over. But that is what our objective and that is what our target is actually.

Jigar Valia: Got it. Congratulations and thank you once again.

S. Subramanian: Thank you.

Vandit Jaswani: Thank you.

Thank you very much to the Aurobindo's management team, ladies and gentlemen. On behalf of Aurobindo Pharma, that concludes today's conference.

Thank you for joining us. And you may now disconnect your lines and exit the webinar.

Thank you.

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