Q2 FY27 Earnings Conference Call

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Mr. Yugandhar Puvvala – CEO of Eugia Pharma Specialties Limited

Mr. Swami Iyer - CEO, Aurobindo Pharma, USA

Mr. V. Muralidharan – CEO, Europe Formulations Business

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

Mr. Varun Mali – Investor Relations and Corporate Communications

Vandit Jaswani: Ladies and gentlemen, good day and welcome to Aurobindo Pharma's Earnings Conference Call for the 2nd 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 2nd Quarter FY27 Earnings Call. I am Varun Mali from the Investor Relations and Corporate Communications team. We hope you have received the Q2 FY27 financials and the press release that was sent out yesterday. These are also available on our website.

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 a judgment and future expectations concerning the development of a business, a number of risks, uncertainties, and other important factors which may cause 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. Over to you, Sir.

S. Subramanian: Good morning, everyone. Welcome to Aurobindo Pharma Q2 FY27 earnings call. Thank you for joining us. Today, we will take you through our performance for the quarter, along with the strategic priorities that we believe will shape the Aurobindo's next phase of growth. We are working to translate the scale of the established business, strength of our development pipeline and the capacities created through recent investment into sustainable commercial growth.

Key objective highlights for the quarter: We completed the acquisition of Lannett, further strengthening our US presence and expanding our capabilities in complex and controlled

substances. The acquisition provides opportunities to enhance our product portfolio, leverage our existing commercial capabilities and drive incremental growth. The A1 Biochem acquisition makes an important step towards establishing an integrated, end-to-end small molecule CRDMO business, with capability spanning the value chain and experience of handling the development portfolio of more than 800 projects. We launched ADQUEY, our first new chemical entity / NDA product for atopic dermatitis, alongside the launch of the dedicated dermatology business and unit focused on developing and commercializing high-value dermatology products. The launch of key products such as generic Advair and the approval of generic QVAR marked the milestones in our expansion into the high-value respiratory segment, leveraging our capabilities in complex inhalation products. The Raleigh unit recently received a VAI classification, supporting the regulatory pathway for additional filings and approval in transdermal, dermal and respiratory products, and reinforcing our plans to expand in these differentiated segments.

Business performance: We are pleased to report our highest ever revenue for the quarter of 10,263 crores, representing year-on-year growth of 24%. This performance reflects contribution from our core market, successful integration and continued progress across our strategic growth priority.

Operating EBITDA was 2,156 crores, growing at 28% year-on-year with a margin of 21%, despite increase in input cost and freight rate. Our focus remains on sustained profitability through product mix improvement, manufacturing efficiencies and disciplined spending and better utilization of our assets.

Formulation generated revenue of 9,102 crores, growing 24% year-on-year and accounting for approximately 89% of the consolidated revenue. Our Formulation franchise continues to benefit from its geographical breadth, product diversity and ability to compete across a range of market segments.

API revenue stood at 1,162 crores, growing 21% year-on-year and contributing approximately 11% of the overall revenue. In addition to this direct contribution, API business supports the reliability, competitiveness and integration of our broader manufacturing model.

In the US, revenue was 4,555 crores, equivalent to USD 477 million, reflecting growth of 25% year-on-year. Our focus remains on maximizing the potential of our established portfolio, while accelerating the launch of complex and differentiated products, which are expected to contribute increasingly to our growth and product mix. During the quarter, we launched 10 products in the US, filed 7 ANDAs and received 12 final approvals.

Europe delivered revenue of €288 million, with constant currency growth of 18%. We continue to build on our established market presence, product portfolio and operating capabilities. Revenue from growth market is 1,026 crores or USD 107 million, representing year-on-year growth of 16%. Our approach is to deepen market presence, broaden access to our portfolio and sustain momentum across the priority geography. ARV formulation was $38 million during the quarter, supported by stable volume.

Profitability, investments and financial position: Gross margin for the quarter was 61.2% compared to 59.7% in the corresponding period last year, while contribution stood at 6,280 crores. We continue to focus on product mix and procurement discipline and operating efficiency as levers to strengthen profitability.

Total capital expenditure stood at 89 million, of which 47 million towards the development capabilities and 42 million towards strategic priorities respectively, thereby supporting our future growth plan.

R&D expenditure for the quarter stood at 376 crores against INR 344 crores in previous quarter. Our development investments are directed towards advancing differentiated products and building a pipeline with meaningful long-term commercial potential.

We have generated a very strong cash flow of USD 146 million during the quarter after funding strategic investments and capital allocation initiatives, and closed with a net cash position of USD 189 million. Our balance sheet provides a sound foundation to support planned investment while preserving financial flexibility.

Average finance cost of 4.9%, and profit after tax for the quarter was 1,124 crores. Going forward, our focus will be continuously improving capacity utilization, enhancing product mix, driving manufacturing efficiencies and maintaining tight working capital discipline.

Outlook: Our growth strategy is supported by key drivers, each with different distinct commercial pathways that collectively diversify our sources of growth and reduce reliance on any single product.

Strengthening and monetizing our US business: In the US, Lannett acquisition has broadened our presence in complex and controlled substance. The focus is now on effective integration, portfolio development and leveraging our established commercial and manufacturing capabilities to capture the value of the asset.

Expanding our differentiated product portfolio: Complex generics remain the central to our strategy of moving towards a more differentiated product. Respiratory therapy, including dry powder inhalers and metered-dose inhalers, represent an important opportunity. The recent approvals and launches demonstrate progress in this area. Our focus is on advancing regulatory milestone, converting development work into launches and building a sustainable portfolio in technically demanding category.

Biosimilars and specialty products represent important opportunities to strengthen our presence in complex and high-value segments. We remain focused on advancing our pipeline, building commercial capabilities and pursuing opportunities that offer strong market potential and attractive long-term return.
CDMO focus: The A1 Biochem acquisition marks a significant step towards building an integrated, end-to-end small molecules CRDMO business. In parallel, Lannett manufacturing capabilities, including around 70 commercial product families, provide opportunities to expand CDMO offering, deepen customer relation and diversify sources of growth. Our focus

will be on converting the development pipeline and available capacities into sustainable customer programs and commercial outlook.

Additionally, our biologics contract manufacturing business provide another avenue for growth, complementing our capabilities and broadening the overall service offering, improving utilization and leveraging integration.

Our China oral solid dosage facility is entering into a phase where execution and capacity utilization become increasingly important. As supplies to international market expand, our focus will be on customer conversion, consistent delivery and scaling production into commercially disciplined manner.

Our API and backward integration capabilities remain an important competitive advantage, strengthening the supply security, ensuring quality and cost competitiveness. We continue to leverage these capabilities to drive operational efficiencies, improve cost structures and enhance overall business competitiveness.

Capital productivity: We will continue to maintain a disciplined approach to capital allocation and balancing investments with the objective of generating sustainable cash flows and improving returns on capital employed. Strong working capital management and operating efficiency and balance sheet discipline will be a key priority. Our long-term ambition is to build a business with a higher share of differentiated products, multiple sustainable growth drivers, and then improving return profile. We believe our established scale, combined with the increasing contribution from newer businesses, will position us to deliver sustainable growth and long-term shareholder value.

FY27 guidance: For the remainder of the financial year, our focus will be on sustaining execution across our core businesses while accelerating progress across our strategic initiatives. We reiterate our FY guidance with the double-digit revenue growth, EBITDA margins north of 21% and absolute EBITDA in excess of 8,000 crore, with a potential upside from positive outperformance in our high-value strategic business areas. We remain fully confident in our ability to further expand our EBITDA margin to upwards of 22% in the coming years [FY28], supported by resilience of our core business and increasing contribution from strategic growth drivers.

Thank you. Our management colleagues will be happy to answer your questions. Thank you.

Question & Answer Session:

Vandit Jaswani: Thank you. 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 two questions and then return to the queue for more questions. Please raise your hand from the 'Participant' tab on the screen to ask questions.

The first question is from Neha. Hi Neha, are you able to hear us?

We'll go to the next. The next question is from Damayanti Kerai.

Damayanti Kerai: Yeah, hi. Good morning and thank you for the opportunity. I have two broad questions. So, sir, you mentioned in the longer term, you would like to target this 28% EBITDA margin, from 21% currently. So, can you help us understand what time frame you're talking, and what will be the key segments or growth levers which can help you reach this number?

S. Subramanian: Yeah, Damayanti, it is not 28, 22 I said.

Damayanti Kerai: Okay. But yeah, I think if you can help us understand how margin trajectory will move from here.

S. Subramanian: Yeah. One is Lannett itself, they're trying to integrate effectively and then improving the yields and the capacity utilization. Plus, other businesses like China will plan to start delivering in a big way. Plus, we are also having the biosimilars, biologics, etc., coming in the coming years. So, we will be able to do… there are multiple levers out there, and we will be able to achieve that comfortably, in my view.

Damayanti Kerai: Sure. My second question is, during the quarter, we saw very strong performance in API and Europe segments. Although other segments also did well, but these two stand out in my understanding. So again, if you help us understand what led to such strong growth? How sustainable this growth will be from an ongoing perspective?

S. Subramanian: I would request Murali to talk about it.

V. Muralidharan: Yeah, sure, Subbu, thank you for this. Thank you, Damayanti, for your compliments. Europe has been consistently delivering the promised results, and Q2 has been a very strong and robust one for us, despite the holiday month of August coming in between. And I've always mentioned, we have a very well-set team, total and thorough understanding of the market, market opportunities, and excellent support from our rear end in terms of supply chain and headroom in manufacturing capabilities and capacity. In the process, some of the opportunistic products that are needed or delivered fast by air route and things like that. So, multivariate factors contribute towards this robust performance. And what we anticipate in the upcoming quarters is, this growth will be sustained. I hope I'm clear.

Damayanti Kerai: Yeah. And were the supplies from, say, China facility and Vizag also were big contributors towards this performance?

V. Muralidharan: It has started contributing. Actually, China, we started delivering first of the products about 15 months ago, but now it has started gaining momentum. We have got upwards of around 15 products coming out of our China facility. And of course, Vizag also will start delivering more and more products now, if you are referring to Vizag injectables. At the same time, our Vizag Unit 15, which is a Europe-focused manufacturing unit for us, is one of the principal suppliers and the contributors to our European sales.

Damayanti Kerai: Great. And are we reaching breakeven for, say, China facility?

S. Subramanian: We'll be achieving the breakeven this quarter, Damayanti.

Damayanti Kerai: Okay. So, we are almost there. Okay.

S. Subramanian: Yeah.

Vandit Jaswani: Thank you. The next question is from Tausif Shaikh.

Tausif Shaikh: Good morning. Thanks for the opportunity, and congrats on a good set of numbers. My first question is related to the EBITDA margin, which has seen a sequential improvement despite the integration of Lannett. With the margin is lower compared to our company's profile. Can you share some insight on the same, whether this quarter reflects some of the cost rationalization benefit, and how would be the upcoming quarters related to Lannett?

S. Subramanian: So, we had an increase in the raw material procurement cost due to the Gulf issue, but still the overall impact of the cost has not gone into the consumption. It will be happening in the coming quarter also. But the overall performance has been improved because of the improvement in the operating leverage across the units. And as you rightly see, the Europe unit is doing well, and the US and other units are also doing well. And even Lannett also started improving. And probably Swami can talk about it in detail at this, when the time comes.

Tausif Shaikh: Does this quarter reflect any of the cost rationalization benefit which you have done for Lannett?

Swami Iyer: Tausif, first and foremost, I want to tell you, I want to correct your impression that Lannett pulls down the EBITDA. Lannett is, by Aurobindo's standard, it is doing well. I mean, overall, whatever kind of EBITDA we have, we are very close to it. That's what I would say.

Yes, the second question that you asked about SG&A rationalization, I mean, the cost rationalization, yes, we do have impact of that. It is reflected in our quarterly results to the extent it is applicable for the quarter, and we will continue to benefit from that kind of rationalization. And this is a long-term approach that we are adopting. It will be in different phases. We have reached certain cost targets that we want to rationalize, and we'll continue to do so.

Tausif Shaikh: That is helpful. My second question, on the recently launched specialty product ADQUEY, how much investment we have done before the launch, and have we set up any field force for the same?

Swami Iyer: Yes, we have set up field force for the ADQUEY launch, and they are all in place. We had them in place in September prior to the launch. And I cannot discuss about the number of people that we have, but we have adequate number of people. We are very upbeat about the product, at least what we have seen. It has been launched in the month of October. We believe that this is quite encouraging, and the infrastructure is all built up for a successful launch and continuation of the way it is going, it will continue to do well.

Tausif Shaikh: That is helpful. I will get back in the queue.

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

Shrikant Akolkar: Hi, good morning. I have two questions. Firstly, on the Raleigh unit, which got clearance. So, just want to know how many complex products do you see getting launched? And we also have partner inhaler assets. If you can provide some update on that.

Swami Iyer: Yeah, on the Raleigh, there are two kinds of products that we have, one on the dermal side, and we also have on the inhalation side. You may be also aware that we've got approval for the inhalation product. That is one we will be launching once we are ready. And we also have a few products that's lined up, whether they are in the stages of filing or it has been filed. So, we expect those also to be added up. I will not be able to disclose how many products, but we have adequate number of products to keep the facility busy.

Apart from this, we also have the derma product that we will be launching from that place. We already have one product, which is a relatively smaller product, but we'll also have additional products that is coming out from there. And you also may be aware that we have certain derma facility, R&D facility in India. So, that would also contribute a few products for manufacture there.

Shrikant Akolkar: Understood. And on the partnered inhaler assets?

Swami Iyer: So, partnered inhaler assets, we already have one partnered inhalation asset, which has been commercially launched in this quarter, the quarter that we are discussing. It was just the beginning, and as we go along, we expect higher volumes and better business in that. That is on track and it is in line with our expectation. We expect it to do better than our expectation. Given the circumstance today, we believe that we have opportunities that we will be able to enhance our footprint in that.

In addition to this, we are also looking at all options because we are very upbeat on this segment. We are upbeat on this particular kind of product. So, we are discussing with various partners, including a major pharmaceutical company. And we have the major pharmaceutical company, actually we have already partnered with them, and we expect the product in the future. Apart from that, we are also talking to other players for partnering or in-licensing few other products. So, in the next few years, we would see a lot of focus on inhalation, and this would help us take us to the next level in terms of product offering and opportunities in terms of business.

Shrikant Akolkar: A small follow-up there. Is it possible for you to comment on the potential size of these products that we are discussing, broad number?

Swami Iyer: Yeah, I mean, broad number, it will be in billions. The market is in billions. So, what is our potential is on how much we are able to grab it. It is several billions, I would say. It is only one product that we have partnered. It's a fairly significant value product, and we believe that even a decent market share would give us a fair amount of value.

Shrikant Akolkar: Understood. And the second question is on the Pen-G plant. So, just want to understand if there is any change in the pricing. Plus, the anti-dumping duty. Is there any discussion happening with the government? And at the plant level, what are the utilization levels? And are we getting any gross margin benefit yet because of the Pen-G? Thank you.

S. Subramanian: Okay. The first point, in terms of the pricing, yes, we understand the 6-APA prices have gone up. Some 10, 15 days back, it has gone up. But the impact of it will come to India because the existing stocks have to be liquidated, and it will start reflecting now, maybe in another 15, 20 days' time. That is first point.

The second point which you asked is the anti-dumping thing. Yes, we have filed the anti-dumping, and the notifications have been issued by the government. And as and when there's any further development, you come to know of it because this will be in the public domain. Right?

The third point which you've asked is in terms of the gross margin. In fact, in terms of the Pen-G, the yields are really good, and we have improved significantly, and we expect to be a positive EBITDA. Already we are in a positive EBITDA, but it's a very low number, but it is expected to go up in the coming quarters in a significant manner. I'm talking about without taking into account the PLI benefit. Once the PLI benefit comes out, it will have an impact on us.

The fourth question which you've asked is in terms of the capacity. So, we have the capability to ramp to produce 15,000 tons. There is no issue at all. But however, we have been producing around 10,000 tons only because we have the Indian demand of around 9,000 tons. And plus, we are also trying to do exports. Plus, we are also trying to do the capital consumption and then convert it into other products in the family, like bulk in terms of Formulation, everything; we are trying to do that. Hopefully, probably in six months' time, this will go aggressively. Because we have filed it, we are expecting some regulatory approvals and other things.

Shrikant Akolkar: That's true. With your permission, last question. In TheraNym, beyond MSD, are we seeing any interest from other companies?

Dr. Satakarni Makkapati: What is that?

Shrikant Akolkar: So, at the CDMO unit, Biologics CDMO unit, are we getting, are we seeing any interest from companies other than the current partnership, which is with MSD?

Dr. Satakarni Makkapati: Technically, see, I have told that we are a pure-play contract manufacturing organization at this stage, and not a contract development and manufacturing organization in Biologics. So, the entire business model, Shrikant, is built around one anchor customer. So, while there have been, there has been some interest from a couple of parties, we wanted to be rooted with one anchor customer, build the capability and credibility, see how it goes, and then expand on the business model sometime in the 2030s. But at this stage, the short answer is the TheraNym product Schedules 1, 2, and 3 that we have signed with MSD is all centered around one anchor customer.

Shrikant Akolkar: Understood. Thank you so much for responding to my questions.

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

Bino Pathiparampil: Hi, good morning and good evening, and congrats for a great set of numbers. A quick question on the US for the quarter. Have we got any significant benefit from gAdvair launch in the quarter?

Swami Iyer: Bino, this gAdvair has been launched somewhere in the middle of the quarter, and it does take time for the momentum to pick up. So, to your question, short answer is, not the full benefit in this quarter that we are discussing. Going forward, you would see higher benefits.

Bino Pathiparampil: Got it. And we had this shared exclusivity in Pomalidomide. Has that been a significant contributor in Q2?

Swami Iyer: I am sorry, shared exclusive in what?

Bino Pathiparampil: In Pomalidomide.

Swami Iyer: Yeah, Yugandhar can answer that.

Yugandhar Puvvala: Yes, it is. It is shared exclusivity between multiple players. It is FTF for a lot of people. Yeah, it's a decent product, but it is not that great out-of-the-sky opportunity. Yes, we got a decent share, and it is doing pretty well.

Bino Pathiparampil: Okay. And it's a decent contributor in Q2, I suppose.

Yugandhar Puvvala: Yes.

Bino Pathiparampil: Okay. And finally, on this Pen-G plant, is it reasonably up to reasonable expectations in terms of operating leverage, etc., or are we expecting some more operating leverage to play out?

S. Subramanian: I think it all depends upon how fast… I mean, depending upon the policy initiatives by the government. And apart from that, we are also doing on our own how to expand the market also, export market, and also other products also. I mean, in terms of the forward integration, we are trying to do that. And that's the way we are planning to do that. Probably, if we are able to achieve around 12,000 tons by next year, I mean, it's a great achievement.

Bino Pathiparampil: Understood. Thank you. I'll join back in the queue.

Vandit Jaswani: Thank you. The next question is from Tushar Manudhane.

Tushar Manudhane: Am I audible?

Vandit Jaswani: Yes, Tushar.

Tushar Manudhane: Sir, while you have given guidance for FY27, while not exactly into quantifying numbers, but, if you could also share the outlook for FY28, now that we are already into November?

S. Subramanian: I think we can say, FY28 should be far better than FY27 because of the various initiatives and full year benefit of Lannett. Also, China will be moving up. And Biosimilar will also be there. So, with this we expect FY28 will be better than FY27.

Tushar Manudhane: So, China OpEx loss should be how much for first half 27?

S. Subramanian: I think the first half OpEx loss is around, I think, 3 to 4 million, I think so. And in the last quarter, it is around a million.

Tushar Manudhane: Got it, sir. And secondly, on the Raleigh facility, if you could share, let's say, the capacity for the inhaler products and what kind of scale-up of capacity, given the number of products that are getting approved, if you could throw some light over there.

S. Subramanian: Sorry, Tushar, can you repeat, if you don't mind?

Tushar Manudhane: So, with respect to the Raleigh facility, the inhaler facility, just to understand the capacity, current capacity utilization and subsequently plan to scale up the capacity.

Swami Iyer: Yeah. Tushar, for the Raleigh facility, right now the capacity utilization is nominal. It's very low because we have not started the MDI product manufacturing yet; we are still in the preparatory stage. And as far as the derma is concerned, we have just one product. It's a smaller product. It does not have that kind of volume. We are looking for the future. I think in the next 6 months it will be better, 6 to 9 months. From there on I think the capacity will pick up.

Tushar Manudhane: Got it, sir. That's it from my side. Thank you.

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

Neha Manpuria: Hi, am I audible now?

Vandit Jaswani: Yeah.

Neha Manpuria: Thank you so much. Swami sir, just on Lannett, if you could give us more color on how the utilization, I remember when we acquired it, utilization were fairly low. I can see that there has been traction in IQVIA and some of the Lannett products. So, if you could give us some color in terms of how we are tracking on utilization, Lannett. And, Swami sir, did I hear correctly that you want to leverage the Lannett capacity for CDMO as well?

S. Subramanian: Lannett is already doing the CDMO, but Swami can answer that.

Swami Iyer: Yeah. Thanks, Neha. I think last time also you had raised this question. The Lannett facility is underutilized. We had mentioned this when we bought it, it was underutilized. And one of our goals is also to utilize it to the extent we can and take the benefit out of it. These things take time. Regulatory-wise, we have to do filing, we have to get products, and it takes time. So, it is going to take time. That is one.

Number two, Lannett by itself is profitable at the current level, and its profit will adequately, by any circumstances, I would say, because they have decent products, they have niche products, and they are doing well. Now, we are highly encouraged with the 1st Quarter performance, which kind of exceeded our expectation across multiple operating metrics. When we talk about the utilization, we are looking at some of the CDMO opportunities, but we don't want to get into some kind of arrangement where we don't make adequate money, adequate margins on it. But we are cautiously optimistic that we'll get few opportunities there, in addition to some of the products that we will be bringing on board, which are all progressing very well. The integration is progressing extremely well, and we believe this will give meaningful momentum to support our long-term growth of US business. We are very upbeat at this point of time with what we have seen. That is all I can say. I am happy to answer any specific questions you have.

Neha Manpuria: Okay. So, just to be clear, sir, the CDMO, Lannett is already doing some, and you would be opportunistic about how you choose to add products there.

Swami Iyer: Exactly. So, Lannett had taken on some CDMO opportunities, and they are there. It's marginal. It's is probably 10 to 15% of what their total capacity or the utilization. But we are looking for opportunities. In fact, we are discussing. Even yesterday, we had taken up this issue. We had discussed with some partners. So, this is an ongoing process. I do not want to jump into something, take on just because we are getting in volume because we are not in that situation. We are quite happily situated as far as the existing products are concerned, and we are doing well. And, if I look at all the operating metrics, they are all doing very well. I don't want to bring in something just to increase the capacity utilization. That will come. That will follow anytime.

Neha Manpuria: Understood. And given that we have had Advair, and I think we will have the gQVAR launch, generic launch soon, I think we also had a few more products in the Aurobindo pipeline. I think you mentioned one large product, and from what I remember, Lannett was also supposed to file for another large product just before it filed for bankruptcy. What is the status on the Lannett pipeline for respiratory? When should we see those filing and monetization, both for the large Aurobindo product, as well as the, I think it was gSpiriva for Lannett?

Swami Iyer: Yeah. So, I think you asked me multiple questions to answer. It is going to take some time. But let us split it into three different questions. One is, our own products, in-house products that we are developing for inhalation, let's say. So, we've already got approval for one product, one of the MDI products. That is in full swing. Preparations are on for manufacturing those products and we've already started looking for selling those products,

that particular product. Apart from that, we have at least four products that we are looking at for the inhalation in the under development. And some of them… they are all in various stages. Obviously, I cannot disclose that. And we are fairly upbeat about the inhalation space, like I was mentioning earlier, because we have got, on one hand, what North Carolina site is developing. On the other hand, I also mentioned that we have entered into a partnership with a pharma major. Plus, we also have the product gAdvair that we have launched. And finally, I also want to tell you that we are talking to other partners around the globe for bringing on additional products in the inhalation space. And in some cases, we are in fairly advanced stage of discussion. We believe that this is going to be a major segment that we will be able to exploit in future in terms of business.

Neha Manpuria: Understood. Thank you so much, sir.

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

Kunal Randeria: Hi, good morning. So, just carrying forward on Lannett, I believe Lannett is marketing insulin glargine in US. So, has it started?

Swami Iyer: Kunal, I did not get that product. What is that?

Kunal Randeria: Insulin glargine. So, Lannett is in partnership with a company to market insulin glargine in the US.

Swami Iyer: So, Kunal, Aurobindo part of the Lannett, is not marketing the insulin, nor does it have plans of launching it anytime soon. If you are talking about the older Lannett, and they have got the name like Lanex for that company. So, I don't want to confuse these two things. So, Lanex is not part of Aurobindo. Lannett is part of Aurobindo, and Lannett is not marketing this, nor has plans to do it anytime soon.

Kunal Randeria: Got it. Got it. As a second question, on ADQUEY. So, this non-steroidal topical market is somewhere around 1 billion dollars. So, I am just wondering at what rate is this market growing at, and any kind of peak sales that you are targeting? And what would be the economics with Otsuka?

Swami Iyer: So, you know, we have launched this product in the month of October. We have a plan for it. We have created the infrastructure. These are brands, these are long-drawn products, and this is our first NDA. So, we are also experiencing this. We had some plans, we had expectations for this product. I think at this point, we are in line. It's very encouraging what we are doing. But you must understand that these are all very long-term things because we have to establish the market for it. That is one. And we also have to look for expanding market access and physician adoption. That will take time. But long term, this is an opportunity, and we are very confident about this.

Kunal Randeria: Sure, sir. But can you share…

Swami Iyer: With regard to the market share, I think we should wait and watch because we have just launched it. It may be a good idea for us to discuss a little later, maybe after a few quarters.

Kunal Randeria: Sure, sir. But can you share what rate is the underlying market growing at?

Swami Iyer: So, I am not able to tell you that immediately as far as the market growth is concerned. But my understanding is that it may be around 20% possibly. That is one view. I don't want to be overly optimistic, but somewhere around 20% is what my understanding is.

Kunal Randeria: Got it. That's helpful. And just one more, if I can. Earlier this fiscal, you launched Trastuzumab, Bevacizumab in UK. So, just wondering, you know, how is the traction so far in the products, given the fact that there would have been several players already in the market? So, how do you see it shaping up?

V. Muralidharan: If I can answer? Yeah, in the UK, these products have been commercialized. In NHS UK, the acceptance level is fairly high, I would say, because we got some repeat orders as well. So, slowly but steadily, we are establishing the initial set of Biosimilars in the UK market.

Kunal Randeria: But any meaningful contribution in the quarter so far, or it is still some distance away?

V. Muralidharan: I would not say it is substantial, but it is encouraging.

Kunal Randeria: Okay. Got it, sir. Thank you, and all the best.

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

Tarang Agrawal: Hi. A couple of questions on the financials, and one on North America, one on Europe. So, sir, if you look at the conversion cost of the business, excluding R&D, year-on-year, it has grown meaningfully. Any factors that you might want to call out? And how should we see this?

S. Subramanian: In the US business?

Tarang Agrawal: No, overall. I would not have data on the US business. Overall, if I look at...

S. Subramanian: No, I think overall, if you really see, this quarter, particularly if you take this quarter, if you see, all the businesses have grown really well. It is… You are talking about the business revenue or the expenses?

Tarang Agrawal: Expenses, sir, excluding R&D.

S. Subramanian: Oh, expenses. Okay.

Tarang Agrawal: Excluding R&D and excluding COGS, raw material costs.

S. Subramanian: Okay. I'm sorry. So, in the overall analysis, if you really see this quarter where the Lannett has been included, which will be around 200 crores, right? Plus, apart from that, there is a growth taking place everywhere. And that is also adding to that. If you really see last quarter, we were around 2,150. This quarter, around 2,400, because there is an increased freight cost and other things, apart from that Lannett has been included. Plus, our R&D cost has gone up by about 30 to 40 crores compared to the last quarter. So, if you take all this into account, probably going forward with this current economic scenario, we should be around 2,450 crores, type.

Tarang Agrawal: Okay. Got it. So, there's no one-offs that have to be called out here.

S. Subramanian: There is no one-offs.

Tarang Agrawal: Yeah. I understand, sir. So, now, should we look at organic CapEx for the business now going forward, H2 and maybe perhaps an insight into FY28?

S. Subramanian: So, organic CapEx, if you really see, we did the development expenditure, which is the maintenance and the development expenditure, if I'm right, is around 50 million. And we expect around 200 million will be the run rates for the year, and we'll continue to do that.

Tarang Agrawal: But sir, if I look at H1 alone, H1 alone is about 1,600 crores.

S. Subramanian: No, that includes the strategic capital expenditure for the Biologics and also some of the product development, which are doing intangible asset for the partners' products, global pharma major, all these things.

Tarang Agrawal: I understand.

S. Subramanian: If you really see what is going into the regular routine expenditure, I mean, maintenance expenditure or sustainable expenditure, it's around 50 million per quarter.

Tarang Agrawal: Got it. Got it. On the US, a lot has been discussed on the respiratory business. Just without getting into specific products, between your own pipeline, between your pipeline that you've probably gotten from Lannett and your partnership, which year do you think will be an inflection year for the respiratory business?

Swami Iyer: Tarang, if you talk about inflection, you know, we already launched a good product. So, this is the beginning, and we are getting good experience out of this. And we are very encouraged, quite encouraged with what we see in the market with this product. I think going forward, we will see that in numbers too. Apart from that, in about next few months, we will also have our own in-house product. So, these two are in the short-to-medium term, I would say.

Anything beyond that, I would look at it beyond 12 to 18 months, because they are all in development stage. Some of them, we need to have the LOE. So, the LOE event has to happen.

So, I think that would take time. So, I think these are a couple of products. Probably, one other product we may be able to launch. So, if you see, in a staggered basis for a period of next one and a half, two years, I think we will have a decent amount of product. But the other major product may go beyond 18 months, basically because of LOE requirement.

Tarang Agrawal: I understand, sir. So, I understand. So, I mean, we are in mid-27 today about. So maybe, two years out, maybe mid-29-ish would be a good time to really have a scaled-up part of this business. Would that be a fair way to look at it between three or four products that you are targeting?

Swami Iyer: Yeah, if circumstances work out, yes, that is a possibility. Like I said, even when you talk about a loss of exclusivity somewhere, it's not clear-cut. Sometimes it changes a bit here and there. So, I think what you said may not be very far off, it maybe somewhere close to that.

Tarang Agrawal: Got it. And on Europe, if I want to sort of get a sense of… you know, extremely firm performance, and I think it's been a trend for now 8 to 10 quarters, the business has come to a base of about 285 million euros on a quarterly basis. So, you know, we don't see this kind of traction on such a high base. So, do you think we're probably approaching some element of maturity in this business, and we should probably temper down our expectations from this business going forward? Basically, I'm trying to get a sense on, you know, how well penetrated are we? What is the aspiration for this 285 million number that you're looking at? Some broad brushes would also help. Thanks.

V. Muralidharan: Actually, Tarang, you alongside the other investor friends on this call, being one of the encouraging guys, which has energized the Europe team to perform and deliver better quarter-on-quarter. I can recall hardly 7-8 quarters ago, when we were touching the 200 million mark, you have always commented, is it sustainable? Now, we are almost touching the 300 million mark. So, what I would like to say is, there is plenty more to achieve. There is no such thing as saturation or the level being achieved, because this is arising out of our base business, which is quite strong, in which we are showing a growth ahead of the industry growth rate.

In addition, there are launches, lots of exclusivity launches, as well as late-to-launch products that are getting launched. This is on the generic side. Then there is plenty more to achieve on our CuraTeQ and Eugia launches that will be happening in the coming year and years. So, that means, we will be definitely sustaining this double-digit growth, at the same time, achieving further numbers. So, this is the broad outlook, this is what I would like to say. If there are any other specific questions, I can take.

But in the meantime, also, I would like to share with you, given our European footprint, in a couple of countries, we have already started climbing one or two positions above, which is a new reward for our sustained efforts. And also, as you are aware, in Portugal, we are the market leaders with a stranglehold on the market share. So, all these are collectively contributing to our sustained performance, Tarang.

Tarang Agrawal: Got it. And if I can butt in one last question, because you called out Eugia. Yugandhar sir, if we could give an update on Eugia? Are we on track to achieve a 10% dollar growth in FY27? And if you could give us a broad sense on what's the composition of the business between US, Europe and ROW, that'd be helpful. Thanks.

Yugandhar Puvvala: Yeah, Tarang, the good thing is the business is doing well, and we are growing at a double-digit, every quarter. And now we are back to full production capacities across plants. And so, like, I'm confident that whatever guidance we have given in the past, it is still on track.

And coming to the composition of the business, a few years back, we used to be US-heavy, with almost a 70:30 ratio; US is 70 and rest of the world is 30. That business dynamics have changed. Now, like, all other geographies are growing. Now, the business tilt is now US is 55 and rest of the world, including Europe, is 45. So, it is pretty balanced now. And going forward into FY28, FY29, I feel it'll be 50:50. So, that business dynamics, across the world, we are growing.

Tarang Agrawal: Got it. Thank you. Thank you so much. All the best, guys.

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

Shyam Srinivasan: Yeah, good morning. Thank you for taking my question. Sir, have we called out Lannett's contribution for the quarter?

Swami Iyer: No, Shyam, I don't believe it's a policy to do that.

Shyam Srinivasan: Sir, but, sir, let me interrupt. It's first quarter with Lannett. So, I would urge, if you could? 20% QoQ growth, when we have gone from 400 million to 477. Should I use the old number to 40 million divided by 4, 50 million, say? Give us some range.

Swami Iyer: So, you know, Shyam, I mentioned it in the beginning that the performance for this quarter has exceeded our expectation in terms of numbers too. And somebody asked me about the EBITDA, and EBITDA is either in line with overall EBITDA or better. So, that's all I can tell you. You can draw your conclusions. Look, this is how it is, but we are telling you that it has done well, and you can do the math.

Shyam Srinivasan: Got it, sir. So, that gives us some sense of what the non-Lannett US business has done, right? Even that seems to have grown. That's the point I was trying to arrive at.

Swami Iyer: Yeah.

S. Subramanian: Yeah, absolutely.

Shyam Srinivasan: Yeah. Perfect. Thank you. Second question is on, Dr. Satakarni, all the Biosimilar developments that have been happening over the last two, three months, right? We have had Sandoz talk about its Bio100 at its Capital Market Day. Then we had recently

Fresenius tie up with WuXi Biologics. So, you're a keen observer of what industry is doing. And maybe the angle for Aurobindo, how does it fit in for us, right? They're talking about 100 biosimilars, Fresenius 37. So, just want to get your thoughts.

Dr. Satakarni Makkapati: So, I mean, I read the Sandoz's Bio100 ambition and recent news about Fresenius Kabi signing up for 37 biosimilars with WuXi Biologics. I mean, this is in general good news for the category. Loss of exclusivity over the next decade is a large opportunity for Biosimilars. And a company of Sandoz's ambition and scale and Fresenius Kabi, what it shows is that they're putting serious capital behind it, both in manufacturing, development and commercial infrastructure. So, what is the takeaway message there is, it confirms that Biosimilars are a durable, growing and differentiating business, especially for some of these generics players who wanted to improve their margin base points. It also shows, on the flip side, what the ambition costs. 100 products or 37 products by 2040 is a long horizon plan built on years of sustained investment, right? I mean, Sandoz probably made somatropin way back in 90s, I guess.

So, to come back to your question, whether Aurobindo or players like Aurobindo, Indian players, can expand? I think yes. But by not copying that model or ambition. Indian companies have real strengths. We have some cost-efficient development these days, a growing scientific maturity that we are seeing in the last 5-6 years, with regulatory approvals coming across Europe and US. And with regulators waiving efficacy trials, companies that have already demonstrated that they can deliver a product that can withstand the scrutiny of EMA, for example, European Medicines Agency, day in and day out, can stand to benefit from it.

But the practical answer for Aurobindo would be that we have to be selective with it, when we develop, and how do we expand our reach through partners, and that is how we are building the business, right? I mean, in Europe, we have our own presence in 9+1, 10 countries. Then we have Orion as a partner in Nordics. Then we signed for a couple of products with STADA last time. And beyond that, what we are doing personally is that we are differentiating in formats such as subcutaneous and device combinations, where the economics can probably help us compete with the tier 1 players.

So, what is becoming evident Shyam, in the nutshell is, with the ambition that Sandoz, Fresenius Kabi, etc., are showing in biosimilars, there is a clear tier one player base that is already forming between Sandoz, Fresenius Kabi, Celltrion, etc.. So, as for doing every Biosimilar, I do not think we can match their aspiration and ambition, or we should even attempt to, we should not even attempt to match their aspiration and ambition. And also, not every loss of exclusivity also turns into a viable Biosimilar market. Some molecules are very complex to make, some serve a very small patient population, and some carry patient or manufacturing barriers that can change the economics.

So, our approach at Aurobindo and CuraTeQ is very deliberate, a careful selection of our portfolio, which is chosen to advance our interests and support our territory players who can market this and sustain us in the market over a longer life cycle. Where a molecule falls outside our pipeline, but, for example, it suits a territory to serve, we are open to in-licensing it.

So, essentially, we cannot be a Sandoz or a Fresenius Kabi in terms of having those many molecules, but we will be very selective about the choices we make, Shyam. Even I am following the industry trend carefully. In the nutshell, what it tells me is the Biosimilar business is going to be a durable differentiator and a growing business for generics companies. Now, how many of these players will really make a serious attempt to differentiate themselves over the next 10 years? Only time will tell. Maybe 2030, '31 will provide a good makeup of how many Indian companies will be probably in that league. If that answers your question, it is a very subjective question.

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

Vandit Jaswani: Thank you. I now hand over the call to Mr. Varun Mali for closing remarks.

Varun Mali: Thank you, Vandit. Thank you, everyone, for joining us on the call today. I also take this opportunity to wish all of you a very Happy Diwali on behalf of Aurobindo Pharma. If you have any of your questions unanswered, please feel free to get in touch with the Investor Relations team. The transcript of this call will be uploaded on our website, www.aurobindo.com, in due course. Thank you once again, and have a great day ahead.

Vandit Jaswani: Thank you very much to 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 line and exit the webinar. Thank you.

END OF TRANSCRIPT