Q1 FY26 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. Santhanam Subramanian - Chief Financial Officer, Aurobindo Pharma Limited

Mr. Varun Mali - Investor Relations & Corporate Communications, Aurobindo Pharma Limited

Varun Mali: Good morning, everyone. Welcome to our first quarter's FY26 Earnings Call. I am Varun Mali from the Investor Relations and the Corporate Communications team. We hope you have received the Q1 FY26 financials and the press release that was sent out yesterday. These are also available on our website.

I would now like to introduce you to our senior management on the call today –

- Dr. Satakarni Makkapati, CEO - Aurobindo Biosimilars, Vaccines, Peptides, Business 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 Formulation 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 a future business, business development and commercial performance. While these forward-looking statements exemplify judgment and future expectations concerning the development of our business, a number of risks, uncertainties and other important factors 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 highlights. Over to you, Sir.

Santhanam Subramanian: Good morning, everyone. A very warm welcome to Aurobindo Pharma's Q1 FY26 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. Let me begin with a brief summary of our performance.

- Our consolidated revenues grew by 4% year-on-year to ₹ 7,868 crores, reflecting a steady start to FY26. This growth was driven primarily by continued momentum in our European and growth market operations, along with incremental contributions from our ARV segment. Our U.S. formulation base business remained stable and resilient.

- EBITDA for the quarter was ₹ 1,603 crores with a margin of 20.4%. At the EBITDA level, Q1 FY26 includes a substantially lower contribution from gRevlimid compared to both Q4 FY25 and Q1 FY26. Q1 FY26 was lower by about ₹ 150 crores versus Q1 FY25 and ₹550 crores versus Q4 FY25. Ex-Revlimid growth in EBITDA is 12% year-on-year.

- In another major development, we are pleased to share that we have secured the renewal of consent to operate as well as the wastewater disposal clearance from the Andhra Pradesh Pollution Control Board for our Pen-G manufacturing plant. The facility successfully resumed operations on early hours of 1st July. We continue to scale

up the operations and have achieved encouraging yields and are confident of sustaining the momentum.

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

Overall formulations business witnessed a year-on-year growth of 7% with revenues reaching ₹6,953 crores, contributing approximately 88% of the total consolidated revenues. This growth was led by strong performance in Europe and key emerging markets. API business accounted for 12% of the overall revenues, declining 16% year-on-year to ₹916 crores, impacted by geopolitical challenges, business mix and the pricing pressures.

U.S. Formulations: U.S. revenues experienced a year-on-year decline of 4% to 408 million, primarily attributable to a significant reduction in the transient product sale gRevlimid, a temporary moderation in customer demand due to seasonal dynamics, de-stocking effects of the last quarter inventory due to anticipated tariffs.

Despite lower gRevlimid, overall sales were partially offset by steady demand in our overall base business and a series of new product launches during the quarter. Also, our U.S. injectable sales increased quarter-on-quarter by 11%. We launched 15 new products in the U.S. this quarter, filed 4 ANDAs, received 14 approvals.

European Formulation: Our European business continued its strong trajectory, delivering 9% year-on-year revenue growth. Revenues reached €241 million this quarter compared to €221 million in Q1 last year. With this consistent performance across all European major markets, we will cross the milestone of €1 billion in annual revenues for the region by the end of FY26.

Growth Markets: Revenues increased by 9% year-on-year to ₹772 crores or $90 million, supported by strong underlying performance across key countries.

ARV Formulation: ARV revenue delivered a strong 55% year-on-year increase, reaching ₹355 crores or $41 million. These were primarily driven by volume uptick and new tender wins in several geographies, which we expect to sustain in the near term.

***Operational and Financial Highlights*:**
Gross margins remained stable for the quarter at 58.8% compared to 59.4% in Q1 supported by softer raw material prices and better product and business mix. Our contribution amounted to ₹4,629 crores. R&D expenditure was ₹367 crores, representing 4.7% of the revenue. This continues to reflect our ongoing commitment to innovation and to build a robust pipeline, especially in complex generics and specialty therapeutics.

Net CapEx for the quarter stood at $73 million, aligned with our investment priorities in expanding manufacturing footprint, enhancing compliance and automation.

We generated a net cash inflow of $98 million during the quarter, improving our net cash position, including investments to $140 million as of June 30, 2025, up from $42 million as of March 31, 2025.

Our Finance costs declined to 4.9% from 5.5% in the previous quarter, benefiting from prudent treasury management. PAT for the quarter was ₹824 crores. Gross Debt reduced to $884 million, down from $930 million at the end of March'25, reflecting ongoing deleveraging and disciplined capital allocation.

New Projects:
Further, the following areas where CapEx has been done and where revenues have been delayed include the following-

1. In Biosimilars, the approvals have started coming in from EU. We expect revenue to start from Q3-Q4 with well above the company average EBITDA margins.

2. Approximately $145 million invested in China facility, which has commenced production from Q4 FY25 and invoicing started in Q1 FY26. This facility with an initial capacity of 2 billion units + is ramping up as expected and will begin contributing to revenue in the coming quarters and expected to break even at EBITDA level by Q3 FY26.

3. Approximately $70 million in two U.S. facilities, Dayton, will start producing from Q2-Q3 FY26. Waiting for approval from the regulatory authorities.

4. The PLI project where all the approvals have been received and the plant has commenced the production since 1st July. Production is going well and yields are improving. We are confident of generating healthy EBITDA from Q3 onwards.

5. On Eugia-V Vizag plant, we expect to file more than 20 products in the U.S. and Europe from this site over the next two years. On Eugia-III, we have invited the USFDA for re-inspection.

6. Approximately $30 million spent in Biologics CMO, balance $100 million plus expected to be invested between now and March'27.

To reiterate, the company is not expecting any further greenfield CapEx investments in the near to mid-term. We will be focusing on maintenance and replacement CapEx and capacity enhancements in the existing facilities. The company has a net cash position of $140 million as of June'25.

Outlook: Looking ahead, we remain optimistic about sustaining our growth momentum. Our confidence is supported by expected volume expansion, continued product launches and a stable pricing environment, especially in the U.S. and Europe. Ramping up of commercial operations at new manufacturing sites would further support both topline growth and margin improvement in the upcoming quarters.

We are confident of achieving our internal target margin of 20%-21% range in FY26.

Lastly, our recent strategic U.S. acquisition will help us to continue the growth momentum in the medium term.

We now look forward to taking your questions. Our senior leadership team is happy to provide further insights, more details and clarifications wherever needed. Thank you.

Question & Answer Session

Moderator: Thank you, Sir. We will now open the call for Q&A session. We will wait for few minutes until the queue assembles. We request participants to restrict to 2 questions and then return to the queue for more questions. Requesting you to identify yourself and your company name. Please raise your hand from the 'Participant' tab on the screen to ask a question. The first question is from Damayanti Kerai.

Damayanti Kerai: Hi. Good Morning, everyone. This is Damayanti from HSBC Securities. Sir, my first question is on gRevlimid. So, just to clarify, this ₹150 crores less number and then ₹550 crores less number versus Q4 is at the EBITDA level, right?

S. Subramanian: You can take that is at the topline level. EBITDA you can work it out yourself, you must be knowing, I am sure.

Damayanti Kerai: Okay, so this is at the revenue level, okay. That was good. My question is, on gRevlimid definitely pricing pressure has intensified and some of your peers have also mentioned this. So, from an opportunity perspective, do you think you can still make some reasonable sales from this product in FY26 or this is an opportunity which is broadly gone now?

Yugandhar Puvvala: Yeah. Damayanti, in fact, I think we mentioned this in the last call as well. Most of our Revlimid settlement quantities, we have sold it. We have nothing more to sell other than a minimal this thing [remaining quantity]. So, the price impact will not have any bearing on our future revenues. But at the same time, we don't expect significant sales coming from gRevlimid because we already sold off.

Damayanti Kerai: Okay, so it's already exhausted the volume allotment which you have got and nothing much to look ahead.

Yugandhar Puvvala: That's right.

Damayanti Kerai: Okay. My second question is, Sir, if you can explain what has happened in the API and do you think it's a temporary phenomenon and you can see recovery ahead?

S. Subramanian: API, the turnover has dropped because of the mainly because of the pricing pressures. Otherwise, I think over a period of time it will start recovering because it cannot sustain for a long time, right. That is the main reason.

Damayanti Kerai: Okay. And my last question is, you are maintaining your EBITDA guidance for the year. So, basically which will be the key drivers which makes you confident that you can achieve your earlier guidance?

S. Subramanian: Yeah, because despite low gRevlimid we have been able to maintain. This is the numbers of the last quarter [Q1 FY26], is helping me to retain that confidence.

Damayanti Kerai: Okay, Sir. I'll get back in the queue.

Moderator: The next question is from Tushar Manudhane.

Tushar Manudhane: Yeah, thanks for the opportunity. Sir, with respect to the, let's say, operational losses for various plants, if I have to club together for FY26, if you can share that number? And subsequently, how to think about that number for FY27, considering any new plant that might come up in FY27?

S. Subramanian: See, last year, we have incurred losses predominantly, as you know, in Pen-G, Qule and other things, right. And as I explained in the script itself, I said, we are expecting good EBITDA starting Q3 onwards. So, the losses will come down. So, that's the main thing. Out of the total, Pen-G was the biggest loss last year and hopefully that will not get continued.

Tushar Manudhane: So, this year how much that number for this like first two quarters given that the scale up probably will have benefits coming from second half?

S. Subramanian: See, last quarter was a very low number, around less than ₹50 crores. But one good thing is we started the production, we had a good production in, I mean, even though the plant has really the first output came sometime in the second fortnight of July, we had a good ramp up. And what is very encouraging is the yields are improving day by day and hopefully it will get stabilized in the month of August and September. So, that is the reason we think by Q3 onwards we'll be able to do well. That's the main reason.

Tushar Manudhane: And, Sir, just to add to that, like how much PLI income to consider for this year?

S. Subramanian: I think we will be expecting anywhere between 7,000-8,000 tonnes production. That means at least we can take more than half of it, maybe around ₹150 crores. I mean, but the clear numbers, etc, will be known in the next quarter because the key thing is we need to sustain these yield improvements, which has happened in the last 3-4 days in this month of August and September. Then that will give you a very clear indication in the next quarter.

Tushar Manudhane: Understood, Sir. And just one more from my side. So, maybe the basis contract the gRevlimid business is no more. So, any which case increased competition and all, so beyond contract will we be able to sell or it's like because of the contract we will not sell itself and so the other guys have their share and subsequently the pricing still remains steady. How to think about gRevlimid as a product?

Yugandhar Puvvala: So, Tushar, in general, the entire market will open up from 1st February, 2026. And we are getting prepared to take more market shares starting from February'2026. So, even though like we will have limited sales of gRevlimid for next 1-2 quarters, but we expect Q4 because the entire market will open up and we have capacities to take the market share. So, it will be an open market game at that point of time.

Tushar Manudhane: Got it, Sir. This is helpful. I have more questions, I will join back the queue.

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

Tarang Agarwal: Hi, good morning. One on the API business you spoke about pricing pressure. I mean, this pricing pressure is on account of domestic supply being more aggressive or is it because of imports or is it because of both?

S. Subramanian: Because of both.

Tarang Agarwal: Okay. Because a 16% decline is something, to the best of my knowledge, I've never seen in this business in the last multiple quarters.

S. Subramanian: Well, it may be a 16% on the topline, it may not be that much percentage in terms of the volume. Plus, you know, this quarter is always a summer quarter, so the offtake is also very low across India.

Tarang Agarwal: Got it, okay. Second question is on Eugia. I mean, if you could give us the U.S. sales numbers of Eugia for Q4 and Q1; Q4 of FY25 and Q1 of FY26.

S. Subramanian: So, we are not giving that number separately, Tarang.

Yugandhar Puvvala: But in general, Tarang, we already mentioned that the regular injectable sales is growing and we have shown a growth of 11%.

Tarang Agarwal: This 11% is on a year-on-year basis, correct?

S. Subramanian: Quarter-on-quarter.

Yugandhar Puvvala: It is year-on-year as well as quarter-on-quarter, it is almost similar number.

Tarang Agarwal: Okay. And the European exposure of Eugia or ROW exposure of Eugia continues to be in the ballpark of $35-$40 million a quarter?

Yugandhar Puvvala: Yeah, it is. It's a split of, you can say that it's around $50 million there, then Europe is $100 million and the growth markets like Canada, Brazil continues to grow. So, overall, we are trying to shift the balance of sales. It's around 70-30. We are planning to shift it to 60-40 and we are hopeful of doing that.

Tarang Agarwal: Got it. The third question is on TheraNym. Doctor, just wanted to check, I mean, I think the initial estimate of capacity creation was about ₹1,000 crores, which was later appended to about ₹1,500 crores. I think Subbu Sir did call out in his opening comments of some outlay already being done, if you could just rehash in terms of what's happening there and in terms of are you seeing incremental demand in that business?

Dr. Satakarni Makkapati: Good morning, Tarang. TheraNym, as you know, we initially started the project with two 15-kL mammalian cell culture bioreactor lines and the CapEx guidance was around ₹1,000 crores to complete the project and fully commission it.

In the CMO space, what we are trying to do is that we are working towards strengthening our collaboration with MSD. This means that or this translates into addition of the need to add two more 15-kL bioreactor manufacturing lines and it's associated purification and utility capacities. These lines will also come into full operation somewhere in 2028. So, the additional CapEx guidance that we provided of around ₹350-₹400 crores essentially is to enhance capacities and strengthen our collaboration with MSD. If that answers your question, Tarang.

Tarang Agarwal: It does, it does. That's quite helpful. Sir, just a couple of more. One, on the free cash generation, last two quarters consistently almost about $100 million of free cash generation for the business on each quarter basis. Is that the trend that we should work with or some working capital expansion should probably...I mean, the place where I'm trying to get at is the business now at a point of time where $400-$450 million of regular free cash generation is something that's visible for you? That's one.

And second on Lannett, if you could just walk us through the transaction and why it would take about 8-12 months for the transaction to achieve closure? Thanks. Those two from mine.

S. Subramanian: Yeah, I'll answer the first one and Swami will answer the second one. In terms of the free cashflow, I mean, we have reduced the working capital considerably and that is what's helping. Apart from that, overall CapEx has come down in the last two quarters. Like this quarter, the overall CapEx is around $73 million, including the new market, PLI; everything put together compared to earlier trend of around more than $100 million. So, that is also helping. So, there is a working capital improvement taking place and there is a reduction in the CapEx. That is the reason why it is there. We will strive, we will endeavour to achieve a cash generation of $100 million quarter on quarter, I mean, subject to any strategic expenditure being incurred.

Tarang Agarwal: Sure.

Swami Iyer: Okay. So, on the Lannett acquisition, this is subject to FTC approval. Obviously, there will be a lot of back and forth. We have given 9 months as a matter of abundant caution, it could be earlier. But, obviously, we will do whatever we can to expedite this. If it gets clearance earlier, obviously the integration would happen earlier.

Tarang Agarwal: Sir, just wanted to understand, I mean, how difficult or how soon can you integrate this business? What are the synergies that you're looking between both the setup and some metrics on the broader market in which the target is operating?

Swami Iyer: Sure. So, we believe that integration is very easy because we have similar kind of products, only they are in ADHD segment. They are mostly into controlled substances and even the other product that they have, We believe that those are very close to what we have. What they have, one other advantage is they had a strong BD team, which we have started working on now, and they also have a bit of in-licensing. That is going to be clearly one synergy.

The other synergy, they have got 70 plus active products and many of them are in controlled substances. They're all in niche area where the products are in short supply. We believe, based on what we have seen quarter on quarter trend, that there could be good potential for an upside in this business. They have been consistently able to get a quota, they have been consistently able to utilize a quota, which is very important, and the market pricing is pretty stable.

We also think there are some synergies in terms of rationalization of some of the resources that would immediately, some of these could be low-hanging fruit.

And another factor is that they have a good CMO business with a few countries with approval in some of the other markets, which we think we will be able to tap better because we have got good presence in those markets. And we are understanding is that some of the products that is being manufactured there at Lannett could have a good potential in one of our neighbouring countries and also we can spread out a little beyond that because they do have the regulatory approach for those countries.

They also have manufacturing capability for oral solids, liquids and potent substances. The manufacturing capacity is not fully utilized, they utilize only to the extent of ballpark around 40%, which gives us around 60%. Aurobindo has a large portfolio, we can quickly leverage our large portfolio to bring in some more products, which are in demand in the U.S., especially for the government market and that could be an immediate gainer.

Lannett has also discontinued some of the products. We think there is scope for, with our procurement practices, with our ability, we believe that we can revive those products, especially for the government markets.

Last but not the least, they have a very good workforce in the manufacturing. They all have a very long tenure and the wage level, everything is very comparable or better. So, that gives us a good feel about the whole acquisition. Net-net, we are very upbeat about this.

Tarang Agarwal: Wonderful, Sir. Thank you and all the best.

Swami Iyer: Thank you.

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

Surya Patra: Yeah. Thanks for the opportunity, Sir. My first question on the U.S. business, you have commented about destocking impact, what is the nature of this destocking, Sir? Is it anything relating to tariff-related preparation or can you clarify this?

Swami Iyer: Yeah, Surya, what Subbu had alluded to was primarily, the tariffs were supposed to go into effect from April 1. If you see, there was a huge surge, much more than the normal quarter surge in the quarter ending March. We believe that some of the wholesalers have stocked up the product in anticipation. They were also asking us to keep more inventory and they themselves seemed to have stocked up. We have not seen a decline in the demand of the oral solids in the U.S. nor have we seen any loss of awards, any major award. So, it is our understanding that this is primarily because the wholesalers have stocked up during the last quarter and they are winding down those positions.

Surya Patra: Okay. So, it is a quarter-specific issue then, I believe.

Swami Iyer: Yes, not just that. For Q1, this has been a fairly good quarter, especially on the total volume that has been sold from the wholesalers. Typically, Q1 is a non-seasonal quarter but it has been a fairly decent quarter, I would say.

Surya Patra: Sure, Sir. My second point is about the Pen-G plant, Sir. So, now having resumed our operation there, what is the kind of visibility that we are having in terms of the ramp-up? And also, in the previous quarter that we had indicated about the MIP, the Minimum Import Price, so what is the update on that front, whether that is a kind of necessity given the current situation? And what is your risk assessment about that relating to the Pen-G, if you can?

S. Subramanian: So, in terms of the Pen-G production, as I said, the production is improving in the last 3-4 days and the yields are improving. We believe, I mean, we are pretty confident this going will be very good in the coming 2 months and we will be able to do very well in the Q3, that is what we believe.

And in terms of the MIP, I am not sure we can talk about it in detail because there are lot of things that are happening. So, probably we may be able to talk about it in the next call.

Surya Patra: Okay, Sir. My last question is about the European business. Sir, obviously that we have been seeing very strong performance consistently since last few quarters and you have already guided about a kind of strong growth in the FY26. So, my point was about the margin performance there. Sir, with the new capacity addition, what is the kind of outsourcing that we are dependent on external resources for European operation now? And what it is likely to improve to by the end of this year? And hence what margin performance one should anticipate for the European markets.

V. Muralidharan: Yeah, from the market perspective I can handle this, then on the plant related, Subbu, I would suggest you to do that. Surya, first of all pleasure speaking to you, good morning and thank you for your compliments for the European business.

Yes, we have been demonstrating the sustained momentum since last several quarters and happy to be also posting a strong number this quarter. And coming to the third party

sourcing versus in-house, we are steadily moving the products in-house as much as possible. Of course, there are certain small volumes or some technologies which we cannot handle, so this continue to come from the third party suppliers. But as far as the margins are concerned, where you would have known several, a few quarters ago where we were in the mid-teens, but now we are going strongly much above to the high teens and touching the 20 mark very soon. So this is on the margin perspective.

S. Subramanian: Yeah, so in terms of the production, I'm sure you must be knowing, we have been having a capacity around three to four billion tablets now, as explained in the last or previous call. We have ramped up the capacity further and that has helped in terms of supplying more material and that is also one of the reasons the European team was able to take the sales to greater heights, right? And we will continue to do that and in terms of the margin also, because of the in-house production and we were able to increase the margin percentage also.

And your last question was in terms of percentage, we were somewhere around 50-50 or slightly above in favor of the captive consumption.

Surya Patra: Okay, so just whether the injectables have seen any ramp up in Europe?

Yugandhar Puvvala: Yes, in fact, we have been growing at a rate of 20 percent for European market because we find a lot of shortages happening in Europe and Murali's team could take full advantage of the market situation there. So now like what's happening is, our capacity versus demand, the demand is outstripping the capacity. So in fact, we have taken a decision to add two more lines, oncology lines to take care of the European requirements. I'm quite positive that Europe has continued to grow.

Surya Patra: Okay, okay, sure sir. Yeah, thank you. Wish you all the best.

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

Neha Manpuria: Yeah, thanks for taking my question. You know, two questions on the U.S. business. Swami Sir, if I look at the oral solid business, could you quantify how much would be this de-stocking impact just to understand, you know, how the business is done both from a year-on-year and a quarter-on-quarter perspective?

Swami Iyer: You know, it's hard to quantify exactly that kind of amount but what I'm saying is, in terms of total demand for the U.S., it has been pretty stable and we have got our awards intact barring few losses and few gains. So overall, I think we are in good shape there. I am not exactly sure on how much. My guess would be, it could be anywhere between half a month to one month. That's my guess because if the wholesalers have stocked it, they would have stocked it for at least 15 days to one month for the tariffs. That's only my guess. I can't say precisely.

Neha Manpuria: Understood. And then I'm just wondering about the, you know, U.S. business decline quarter-on-quarter and, you know, Yugandhar Sir's comment that the injectable business seems to be improving. If it's just 15 days of, you know, 15 days or one month of de-stocking, you know, the entire, you know, 550 crores decline quarter-on-

quarter is just Revlimid? I mean, if I were to look at the last quarter injectable base or Eugia base that we used to mention, it seems like the ex-Revlimid business isn't actually showing as much improvement or, you know, normalcy as, you know, what we seem to be leading. So what am I missing here in the U.S. business?

S. Subramanian: Neha, you cannot do that. No, U.S. business is not only the solid orals and injectables. We have the branded injectable. We have the OTC from direct dispatches from India, which is a significant amount. So it's a combination of everything. So if you say if you deduct it and then is it because of the oral, etc., it is not like that. It's a combination of many things. Okay?

Neha Manpuria: No, sir. What I'm trying to understand is that, you know, how far are we from the injectable business getting back to, you know, the pre-disruption levels? You know, is it 20 percent lower, 30 percent lower? That's what I'm trying to understand.

Yugandhar Puvvala: Let me just clarify a few things. Yes, the G-Revlimid was much higher in Q4. Your assumption is to some extent right. Second thing is we are back to pre-disruption levels with respect to injectable business. I'm very, very confident. My entire injectable business is growing and all the production facilities are back and running and Eugia 3 is back. So we are very, very confident that we have come back to the pre-disruption levels.

Neha Manpuria: Understood. And my last question is on Lanett. Lannett also had a very good portfolio that they were planning to file. I think you also alluded in your presentation in Lannett that, you know, there are some NCE minus 1 opportunities. Are these opportunities still valid, you know, once we finish integration, you know, the acquisition of Lannett? And also will there, do you think, given the portfolio overlap based on IQVIA data that we have with Lannett, there would be direct means that could be required to get FTC approval in your view?

Swami Iyer: First things first, on the pipeline, we not only get the products in commercial stage, we also get the products in pipeline. There are some good pipeline products.

That's what I would like to say. At this point of time, we are quite excited about what they have in pipeline, at least a few products. Now, as far as the FTC is concerned, FTC has to review this, the sheer volume of work that they have to do, because I've been there, you know, it's a big company, we have to submit all the data about all the products and they would take time reviewing it. So, it could take time, but we feel optimistic that we should be getting it and getting for the entire portfolio of commercial products in the pipeline, barring few where there could be conflicts. So overall, we, like I said before, we are quite upbeat on what we will, what we are likely to get here.

Moderator: Understood. Thank you so much, sir. Next question is from Bino.

Bino: Hi. Good morning and good evening. First question, Subbu Sir, our gross margin is holding up at about 59%. You mentioned that Revlimid was down Q-O-Q by about, I think $17 million and there was pricing pressure in the APIs as well. So, what's helping us hold up the gross margin at 59%, which is comparable QOQ?

S. Subramanian: As explained in the original script itself, no, it is a combination of multiple things. There is a positive favourable mix in terms of the businesses when, for example, when the API business percentage of revenue share goes down, automatically, it increases the weighted average because the API does not give the margin same as the company average margin like that and we also had good, Eugia done well, plus we also, the existing product profile also good in the solid orals. So it's a combination of multiple things, Bino.

Bino: Okay. And second, what are the Pen-G prices in the market today? And what is your latest estimate about your profitability levels? At what price you would be profitable?

S. Subramanian: I think the current market price is anywhere north of $20 [per kg]. We'll be profitable somewhere around, I mean, we'll be breakeven somewhere around maybe a couple of dollars plus or minus like that, depending upon the yield in that particular month or the quarter.

Bino: Okay, understood. And last one question, for being eligible to get the PLI payment, is there a minimum level of production that we need to have in a year?

S. Subramanian: No, there is no minimum level of production. Whatever you produce, you will get a percentage on that, you will get the PLI incentive.

Bino: Understood! Thank you very much. I'll join back in the queue.

Moderator: Next question is from Shyam Srinivasan.

Shyam Srinivasan: Yeah, good morning. Thank you for taking my question. Just the first one on the biosimilar launches in Europe, Dr. Satakarni, if you could just highlight what are the things that we need to keep in mind? I think the presentation talks about Q3, Q4. So the kind of infrastructure, the kind of preparation, maybe initial market shares that we are targeting. So if you could help us outlay the commercial strategy.

Dr. Satakarni Makkapati: Shyam, so to answer your question, we started making the manufacturing quantities for commercial supplies. In fact, we made one supply as well to meet the requirement in the UK market. So the first six months leading up to March would essentially be meeting the launch quantities, enabling our commercial operations teams and our partners to park the launch quantities in the markets they desire to. So I don't have a number guidance for the first six months. It will be a very small single digit commercial revenues trickling in. The focus for us right now is to ensure that we have adequate supplies, the supply chain is sorted out. Our QP testing services that we are stabilizing in Europe through CRO partners and through our own setup in Malta, they function seamlessly in releasing and testing biosimilars, which is required in Europe. You need a qualified personnel [QP] testing. So all this will take about a couple of quarters to stabilize.

As you know that we have four product approvals that we received from Europe, three with the European medicine agency and Bevqolva (tratsuzumab) with MHRA. So all 4 products, we are ready to supply these products into the European market. I hope to stabilize

everything from supply chain to closing out on a couple of distribution deals that I am focusing on in Europe right now in the markets that we are not directly present. So in the markets that Aurobindo is directly present, Aurobindo will handle the commercialization of these products.

In the markets that we are not strong in, we have a few partners. For example, in Nordics, we have Orion Pharma. In some other markets, I cannot disclose their names, but we are working on closing a few deals. So I see by the April quarter next, we would have fairly stabilized our commercial supplies and we will have some plans laid out for how much we will be able to sell in these markets for the year. Shyam, that answers your question.

Shyam Srinivasan: Yeah. Thank you, Dr. Satakarni. Just if you could give us, like your credit for the first European launch at your earlier shop. So you know, in the last whatever, you know, five, six, maybe even a decade of doing this, what are some of the big differences you see? Is profitability in Europe for biosimilars distinctly different now and lower perhaps? So, if you could comment on profitability as well.

Dr. Satakarni Makkapati: It is a very subjective question. I have been asked this question on multiple occasions. From my first launch in Europe way back, the India's first launch in Europe way back in 2012 to now, absolutely, there is a big difference in the pricing erosion that we are witnessing, which affects the profitability margins. But what needs to be also understood is that the European landscape is extremely distinct in a manner that, there are few countries which are extremely tender-driven or solely tender-driven, if I may use that word. And there are a few countries where the retail prices are still very exciting, where you can still make a good 85, 80% gross margins. And there will be countries where you will make probably around 15 to 20%.

So you need to look at Europe as a whole and see if a company is putting out a product at a COGS and a transfer price to its partners, where it can still make an overall margin of, say, 40 to 60%, then I believe that they are still in the game. But having said that, in the last decade or so, you definitely have seen in the chronic segment. When I say chronic segment, essentially, like immunology, rheumatoid arthritis, etc., you are seeing a major drop, a major erosion in the prices. From my Hospira days when we launched Infliximab, the price erosion that I see now is very high. But still in the oncology segment, not the supportive oncology segment, the oncology segment, I still see the price erosions not reflecting to the extent what you see in the chronic segment. But having said that, Europe has a distinct flavour now with the price erosions that you are seeing and any company, any biosimilar developer and manufacturer who wants to be serious in their European business needs to at least prepare them for an overall 50% margin from the entire European market. There will be some countries that will give you 70-80%. There will be some countries that will give you 10-15%. As long as you keep your COGS in a manner that you have an overall margin of around 50%, you are good, which also means that you need to have a good and strong commercial positioning in Europe, across Europe, to make that happen. I hope that answers your question, Shyam.

Shyam Srinivasan: Yeah, thank you. Thank you, Dr. Satakarni. My second question is…

V. Muralidharan: Dr. Satakarni, maybe I can contribute here in addition to the eloquent reply what you gave. For example, countries like France, the generic substitutability trend is increasing, where it was hardly one or two products earlier, now, as many as nine products are in the list of generic substitutability and similar trend is to be expected in certain other countries as well, meaning there will be a higher volume uptake as we launch some of our products. So this is a positive trend for us, which we would like to encash on.

Shyam Srinivasan: Helpful! Thank you. Just my last two questions. I will keep it very brief. First one, our experiences of this Lannett with the FTC vis-à-vis the Sandoz acquisition that did not go through, Subbu sir or Swami sir, anything, what gives you confidence that we can get through this FTC bar this time around versus that failed episode? And second question is, just a data point on the opening remarks. You said, 12% growth excluding gRevlimid. Is it US? Is it overall company? With the numbers you have shared, I am not able to come up with that number. So if you could help us. Thank you.

Swami Iyer: Yeah. First, I will take the question on FTC, Subbu. So on the FTC, we do not have any of the critical products that we think will have a conflict where we would be reluctant to look at it or we do not expect that many products where we would have this issue. We think it will be a smaller list based on our understanding, based on the advice that we have received and we think we should not have a problem with that kind of smaller list. What we are focused on, are some of the products where we think it will go through without any much difficulty. Obviously, it is a decision of FTC, but that is what gives us the confidence that the main product should be intact. So we have a little more flexibility in this.

S. Subramanian: So Shyam, you talked about the 12%, it is year on year.

Shyam Srinivasan: Sir, which geography? Is it US? Is it overall?

S. Subramanian: No, no. It is overall. Overall, I am saying. Overall, group as a whole.

Shyam Srinivasan: Okay, sir. And US would be what? Sorry.

S. Subramanian: US, we are not given any specific number directly. We never used to give, but this is the overall Aurobindo as a whole on consol basis.

Shyam Srinivasan: Okay, sir. Thank you. All the best.

Moderator: Next question is from Srikanth.

Srikanth: Hi, good morning. Thanks for the opportunity. I have three questions. First question is on our annual guidance.

S. Subramanian: I think Srikanth, my request to you is, since there are three, four people are still waiting, can you restrict to two questions?

Srikanth: Sure sir. No problem. So firstly on the annual guidance, last quarter, we talked about single digit growth. However, with the PEN-G restarting and you are giving

encouraging comments on the project, do you see any requirement to upgrade our annual guidance?

S. Subramanian: No, I told you no, I will be able to give a better picture in the November quarter. After that, it is your call what you want to do.

Srikanth: Okay. And sir, what are the utilization levels at PEN-G unit currently?

S. Subramanian: PEN-G unit currently, we are doing around 50 to 60%. We are trying to improve the yields. That is our primary objective to cut down the losses so that better yield will cut down the losses. And once we stabilize that in the next two months, we will scale it up.

Srikanth: Okay. And now that you are restricting, so just one more question. So on the controlled substance business, we have seen some struggle by some of the Indian companies. Now, if you can update what is happening in the controlled substance market and how do you see the kind of growth that can happen in the market and where do we stand to benefit from this opportunity? Thank you.

Swami Iyer: So actually Shrikanth, I didn't understand your question. What about the Indian companies? What did you mention?

Srikanth: So in the past, we have seen some of Indian companies getting in controlled substance market in the US. However, there have been some challenges and therefore, some companies we have been shutting down their manufacturing units in the US. So now, if you can tell…….

Swami Iyer: Understood! Understood! Yeah, okay. So controlled substances are primarily put in two buckets. One is opioids. The other one is the non-opioids. Okay. So what we are looking at right now from opioids have some problems, opioids have some legal issues and they also have a lot of other issues, many number of players in that market. Net-net, you know, if you take opioids, it's not so easy. It's got a good market. If you've got the market share but otherwise that can be challenging. Now what we are looking at right now, the controlled substance as far as Lannett is concerned, is mostly in the non-opioid segment and these are ADHD products, which are all in short supply. So that's how we feel very confident about it. And where we have opioids, we will look at it. But essentially, this Lannett is all about the ADHD medication and these are non-opioid.

Srikanth: Yeah, that is helpful, sir. Thank you so much.

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

Kunal Dhamesha: Hi Thank you for the opportunity. First of all, on the Lannett, you know, let's say there are overlapping products and FTC guides you to kind of divest it. Would you be divesting on the Lannett side or would you be divesting on Aurobindo side?

Swami Iyer: So Kunal, that's not our call. I wish it were. That's not our call. Normally, this is dictated by what FTC tells us because ultimately it is their decision, right? So we have reviewed, if we divest, what the implication and if Lannett has to divest. So we feel confident that our business will still be good, even if we divest our product or their product, wherever the strength is. Ultimately, it is FTC call. If I take the worst-case scenario, I think we are still in good shape.

Kunal Dhamesha: And on the 15% EBITDA margin that you suggested in the presentation for the Lannett acquisition, so is it for a particular year or do you plan to take it to 15%? How should we think about it?

Swami Iyer: Well, this is the current run rate. I mean, at this point of time, if I take the TTM trailing 12 months, if I take any period, we are somewhere around that and I believe that's a very conservative estimate. We think that in the future, we will be able to get a margin of 15% or more.

Kunal Dhamesha: But sir, when I look at the implied gross margin based on the gross profit multiple that you have given, seems like a 30% gross margin business. So I am just wondering how we can achieve 15% EBITDA margin on 30% gross margin.

Swami Iyer: Yeah. So the 30% gross margin, what do you have? Obviously, I cannot go into product-wise details. We have reviewed that, we have reviewed it product-wise and then we think that there are some synergies, there are some options there. Overall, we think that gross margin will also go up and EBITDA would go up.

Kunal Dhamesha: Yeah, sure. And then the last one for Subbu Sir, I still didn't get the 12% ex-Revlimid growth, because if I just adjust 150 crore in this quarter, which is the Revlimid loss on a year-on-year basis, we would be at more like 6% growth. So I still don't get how can we jump from 4% to 12% if we adjust for that 150 crore?

S. Subramanian: You discuss with me offline, I'll explain to you.

Kunal Dhamesha: Sure. Okay. Yeah! Thank you. Thank you and all the best.

Moderator: Thank you. The next question is from Devang.

Devang: Hello!

Moderator: Yes, Devang, please go ahead.

Devang: My question is, with the US government now prioritising domestic manufacturing of generic drugs reportedly supported by Japanese funding under the trade partnership, what is the outlook on the future of US generic business? Specifically, how do you see this initiative impacting competitive landscape and pricing environment? My first question.

Swami Iyer: Yeah. So, I can answer that, Devang. First and foremost, I didn't know where the Japanese connection has come from, but yes, US government is pushing for

manufacturing in US and if any company is prepared for it, I think we are best suited for it. We have a manufacturing facility in New Jersey, which has already started some products. We can add more products with FDA approvals and then we have also got Lannett, which has got a huge capacity and if there's a need, we have another facility that's waiting to be commercialised if there's a need. Plus, we have a fourth facility that we can always do it with some time. So we are best suited for enhancing our footprint in the US. Practically, if it's manufactured in US, the product pricing would go up higher. It will not work the way it works with imports from India or other countries, because the basic cost level will be a little higher.

Competition-wise, if we had to supply from India, we are competitive. If we had to supply from the US, we would be competitive. US would be different price levels altogether. When can US manufacturing happen? Only when the supplies from other countries are not cost-effective and that can probably happen due to duty structure. We are not sure what the government would do. We are ready whichever scenario happens.

Devang: Sir, Howard Letnick in an interview on CNBC said that $330 billion which are coming from Japan will be used, some part will be used for domestic manufacturing of generic drugs.

Swami Iyer: Sure. If we are getting $330 billion, the infrastructure for US generics will probably go up if they invest in the generic market. Whatever that amount is, $330 million or $3 billion or whatever the amount, it will definitely go up.

Devang: He told somewhere around 15 billion.

Swami Iyer: Devang, I am not disputing that. If it happens, so be it. But all that I am saying, the operating cost in the US would be higher. If I manufacture US for the same product, it is going to be higher. The only way you can sell is if it is higher. If I am selling it from India, if you have a price, if you manufacture in US, it is going to be a lot different. And if you are forced to manufacture in US, if they say that you have to do it, we will do it and we will be competitive. It is a level playing ground.

Devang: Thank you, sir. And second question is, when are we expecting something on tariffs and how much will generics be excluded or not? Any insights?

Swami Iyer: You know, that is something President Trump can say. We cannot say at this point of time. We have not seen anything so far. It might happen. But I have seen various press statements like you. Somewhere he has said that he is going to do it after a year. He is going to bring in a huge duty. But we don't know. It is definitely the President’s and the President administration’s call.

Moderator: We will now move to the closing remarks.

Varun Mali: Thank you, thank you very much everyone for joining us on the call today. If you have any of your questions unanswered, please feel free to get in touch with the Investor Relations Team at Aurobindo Pharma. The transcript of this call will be uploaded on

our website, www.aurobindo.com in due course. Thank you very much once again and have a great day.

Moderator: Thank you to the management team. Ladies and gentlemen, on behalf of Aurobindo Pharma, this concludes today's conference. Thank you for joining us and you may now disconnect your line and exit the webinar. Thank you.