Q1 FY25 Earnings Conference Call

12 August 2024

Dr. Satakarni Makkapati – CEO of Aurobindo Biosimilars, Vaccines and Peptide Businesses & Director of Aurobindo Pharma Limited

Mr. Yugandhar Puvvala - CEO of Eugia Pharma Specialities 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. Shriniwas Dange - Investor Relations, Aurobindo Pharma Limited

Moderator: Welcome to Aurobindo Pharma Q1 FY25 earnings call. Please note that all participants' line will be in listen-only mode and there will be an opportunity for you to ask question after the opening remarks. Please note that this conference is being recorded.

I now hand the conference over to the management for opening remarks. Thank you and over to you sir.

Shriniwas Dange: Thank you Vandit. Good morning and a warm welcome to our first quarter FY25 earnings call. I am Shriniwas Dange from the investor relations team.

We hope you have received the Q1 FY25 financials and a press release that was sent out on Saturday. These are also available on our website.

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

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

We will begin the call with the summary highlights from the management followed by an interactive Q&A session. Please note that some of the matters we will discuss today are forward looking, including and without limitations statements relating to the implementation of strategic actions and other affirmations on our future business, business development and commercial performance. While these forward-looking statements exemplify our judgment and future expectations concerning the development of our business, a number of risks, uncertainties and other important factors may cause actual developments and results to vary materially from our expectations. Aurobindo Pharma undertakes no obligation to publicly revise any forward-looking statements to reflect-in future events or circumstances.

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

Santhanam Subramanian: Thank you Shriniwas. Good morning all and a warm welcome to our Q1 FY25 earnings call. Before we get into the details of our Q1 performance, I would like to share that –

1. We have published our Second Integrated Annual Report for FY24, which includes details of our progress so far in terms of our business and financial performance and also touches upon our strategic pillars and growth levers.
2. I am also glad to share that we will be completing our first ever buyback of Rs. 750 crores in August'24 at a price of Rs. 1,460. The cash outflow for the company is

expected to be around Rs. 935 crore, against the FY24 dividend of approximately Rs. 264 crores and will provide tax efficient return to our shareholders.

Now coming to our Q1FY25 performance. I am delighted with our quarterly performance reflecting in our topline year-on-year growth of 10% amounting to Rs. 7,567 crores. This growth is seen across market driven by new product launches, market share gains, expansion into new geographies and stable pricing. Our Q4FY24 base has been higher due to accounting of Q2 and Q3 FY24 income of approximately $20 million from Indonesian operations. Excluding the above additional revenue, the quarter-on-quarter growth was higher at 2%.

US recorded revenues of $ 426 million during the current quarter, marginally impacted by seasonality. Europe market demonstrated a strong performance and has achieved a revenue of €221 million and is on track to achieve €880 million plus for FY25. Further overall growth market performance has been good during the quarter.

Our EBITDA margin remained at 21.4% and is lined with our expectation. EBITDA margins are supported by stable raw material prices, and operating leverage due to incremental plant utilization. This was partially offset by higher OpEx from newly commercialized plants including Pen-G, higher SG&A expenses on account of few non-recurring expenses including remediation and associated production delays that effectively reduced the EBITDA and the PBT by more than Rs. 100 crores. This is likely to come down significantly further in the future quarters. This coupled with the Pen-G ramp up is expected to further support the EBITDA margins in the upcoming quarters. At a full year level, we are confident of achieving our overall internal EBITDA margin target of around 21% to 22% as mentioned during the last earnings call.

Our net profit for the quarter increased by 61% year-on-year to Rs. 919 crores.

Now let me take you through the business wise highlights for the quarter –

In terms of the business breakdown, formulation business excluding Puerto Rico in Q1FY25 witnessed a growth of 15% year-on-year to Rs. 6,475 crores and contributed around 86% of the total revenue. The revenues are mainly supported by growth across markets of the US, Europe and growth markets.

For the quarter, API business contributed around 14% and revenue increased by 6% year-on-year to Rs. 1,092 crores. The growth in the API business is mainly driven by higher volumes on account of improved asset utilization.

During the quarter, US formulation grew by 12% year-on-year and recorded a revenue of $426 million. The growth was mainly driven by volume gains, stable demand and new product launches, while on an overall basis, price erosion remained neutral. Due to the off season, Q-on-Q revenues dropped slightly.

During the quarter, we filed 8 ANDAs, received final approval for 10 ANDAs and launched 10 products. Few of our key approvals in the recent quarters include Mometasone, Isotretinoin

and Estradiol inserts etc. Revenue from the overall generics in USA increased by 12% year-on-year to US $277 million driven by new launches.

Revenue from the injectable and specialty business in the US increased by 12% year-on-year to US$ 102 million. The total injectable specialty sales globally increased by 16% year-on-year $141 million. We have a total of 224 specialty and injectable ANDA filings as on the 30th June [2024] and out of which 170 have final approval and the remaining 54 are awaiting final approval. The company as on 30th June has 838 ANDAs filed with the US FDA on a cumulative basis, out of which 668 have final approval and 26 have tentative approval. 144 ANDAs are under review.

For the quarter, European formulation clocked a revenue of Rs. 1,982 crores, an increase of 8% year-on-year. In constant currency term, European revenue was €221 million against €205 million of last year Q1.

For the quarter, growth market revenue increased by 49% year-on-year to Rs. 709 crores. In US dollar terms, the revenue grew to $85 in Q1FY25. The increase was mainly driven by sales across markets and new geographies.

For the quarter, ARV formulation business revenue increased by 14% year-on-year to Rs. 229 crores or $27 million. This was supported by pickup in volume partially offset by price erosion to some extent.

Now going to the other highlights –

The raw material cost continued to be at the benign levels and are in line with the previous quarter supporting our gross margins which stood at 59.4% against 53.9% of the previous year. In absolute terms, gross contribution was Rs. 4,494 crores.

R&D expenditure for the quarter stood at Rs. 339 crores which is 4.5% of the revenue.

Net CapEx for the quarter is around $74 million.

The average USD INR exchange rate is 83.41 against 83.04 in Q4. The average finance cost is around 6.5%.

The business has a net cash inflow of $89 [million] during the quarter. As a result, the net cash position, including investments, at the end of June’24, improved significantly to US$ 101 million. The gross debt stood at 833 million.

[Outlook -]

- We expect to continue our growth trajectory backed by volume gains, new product launches and stable pricing
- We are on track with respect to Pen-G large scale commercialization and are hopeful to ramp up significantly from October’24

- With expected volume pickup in the US markets and ramping up of newly commercialized plants, benefits are expected to accrue to the top and bottom line in the coming quarter
- We expect the current pricing scenario in the US market to continue
- Europe and growth markets are expected to continue the growth momentum
- We are confident of achieving our internal EBITDA target margin of 21%-22% for the year FY25
- Our China plant is expected to be commercialized from Q3 FY25 and the ramp up is expected from Q4 FY25
- With our focused and strategic investments in R&D, we continue to develop strong product pipeline
- Our biosimilars and complex products [portfolio] is progressing well. The clinical trials are advancing. Dr. Satakarni, CEO, will elaborate on this.

This is all from my end.

Now our business leaders will give more clarity on any specific aspects in our Q&A session. We are happy to take your questions. Thank you.

Operator: Thank you. We will now begin the question-and-answer session. Anyone who wishes to ask questions may raise your hand from the participant tab on the screen. Participants are requested to use headphones or earphones while asking a question. Participants are requested to restrict themselves to two questions.

The first question is from Kunal Damesha.

Kunal Damesha: Hi. Good morning. Thank you for the opportunity and congratulations on good set of numbers. One for Subbu Sir. On the EBITDA margin guidance of 21% to 22%, since adjusted for some of the one off that you have highlighted, this quarter we would be at roughly 22.7%. We also said that this is kind of seasonally slightly muted quarter from the US perspective. Also, we have baked in all the Pen-G related commercialization expense. So, shouldn't the run rate from here on improve? And you know, is there any possibility of raising the EBITDA margin guidance at this point?

Santhanam Subramanian: Kunal, you are absolutely right. But if you recollect in the last earnings call, I said very clearly, we will revisit the EBITDA guidance in the earnings call of November that is the second quarter call. We will be looking into that and then reflect accordingly.

Kunal Damesha: Yes sir. And in terms of Pen-G plant cost, we have baked in for the full three months in this quarter?

Santhanam Subramanian: Yeah, three months we didn't have sales at all because of the various reasons in the Pen-G plant. [Though] The equipment are ready for the mechanical integration, we have synchronized the power and boiler and we lined up all the utilities together; we encountered teething problems in the last quarter when we are trying to scale it up, mainly due to the different operating environment compared to some of the foreign

countries. So, we are expected to do around approximately around 20 batches this month followed by another 30 batches in the next month. If these two go well, I think, we will be more or less able to ramp up in a significant manner starting October.

Kunal Damesha: Sure sir, but my question was more on the operating expenses side. Is it already baked into our P&L?

Santhanam Subramanian: Yes. Everything got into the P&L.

Kunal Damesha: And depreciation of 400 crore plus also reflects the plant capitalization?

Santhanam Subramanian: That includes all the plant depreciation, everything.

Kunal Damesha: If you can provide any incremental updates on our biologics/biosimilar business over quarter four? It would help.

Dr. Satakarni Makkapati: Good morning, Kunal. With our biosimilars initiative, we are making the intended and steady progress with our clinical trials as well as our review of filings. Our pipeline now extends up to 2032 and I'm reasonably convinced about the progress we are making. With the first wave of biosimilars, I'm pleased to state that we have achieved an important milestone in May of completing recruitment of all patients as part of our Denosumab trial in European sites. The clinical study closure will be in June next year and we will be on track to file this product with both European Medicines Agency and the FDA in the second quarter of the next year [Q2FY26].

Denosumab is my first foray into immunology segment. Likewise, an important product of ours is the biosimilar to Omalizumab which I have been continuously updating in these earnings calls. The product fits well into our dermatology portfolio with its use in chronic spontaneous urticaria. Also, with the treatment for accidental food allergies now approved for this product in the US, we are confident of the broader scope of treatment that Omalizumab can offer across respiratory asthma, accidental food allergies and chronic spontaneous urticaria. We have completed a successful phase one study in Australia in healthy volunteers for this product. This I have updated about. The product is now being studied in a large phase three clinical trial comprising of more than 600 chronic urticaria subjects in Europe. Separately, a small study also is being conducted with respect to asthma patients in India. So, the Indian clinical study, to give you guidance, will be completed by the end of this year, allowing the product to be filed in India and certain emerging markets by Q3-Q4 [CY25]. The large European study will be completed by mid-next year and we hope to file the product in Q3 next fiscal [Q3 FY26] with EMA and the FDA. So, with both these immunology assets, which is a departure from the oncology assets that we are already in, we are hoping to file both these products with EMA and FDA next year.

Then, there are two more products of ours in phase three clinical studies and their progress is okay. The pace of recruitment could have been better with our ophthalmic product, but that's the nature of the ophthalmic trials. It's going pretty slow, but I'm confident of completing the trial for the ophthalmic product in 2026. But the oncology product, we have completed about 80% of the recruitment and I hope to complete the recruitment in Europe

by the end of this year for this product and probably position this for filing end next year [CY25].

Now with respect to our current product filings that are with EMA, they are going through the review process. I expect us to be able to meet the requirements within the clock stop period that we are in right now. And hopefully in two quarters time we will be able to see these approvals starting to trickle in for these three products one after the other, provided there are no more regulatory uncertainties. Our Trastuzumab US filing that I told [about] in the last quarter in the earnings call that we'll be filing this quarter, slightly got delayed by a month. We are still on track to file it and I hope to file it in the next four to eight weeks with FDA. I have completed a Type-4 meeting with the FDA, so the decks are now fully cleared from the US FDA based on the Type-4 meeting to file Trastuzumab with the US FDA. In all, I think we are progressing well. Our Tocilizumab biosimilar, which is another immunology asset which is catering only to India and emerging markets, they [we] have completed a phase three clinical trial in India and I hope to file this product in the next three to four months' time. But this is India and emerging markets product only.

In the nutshell, we are reasonably convinced about how our biosimilars business is shaping up and I think our products will start to reach the intended markets from next year onwards.

Kunal Damesha: Sure Sir. Thank you. And if you can quickly also update on the biologics business, where are we in the process of putting the 30,000-litre capacity, etc?

Dr. Satakarni Makkapati: In the last earnings call, I have talked about us being optimistic about closing the deal with MSD Singapore entity and after three days of the earnings call, we have signed on the dotted line. Now we have entered into a definitive agreement with MSD, and we have one product schedule, as well, with them. The definitive agreement means that the civil works for the facility have now gathered pace, and I hope to complete the project by 2026 [CY], which allows the engineering batches or water runs to be conducted. From 2027 [CY] onwards, I expect the stockpiling process to begin for this product and the revenues to trickle in. The facility is progressing well and I'm reasonably confident of executing the project on time in 2026 [CY] for the engineering batches to be taken within the facility. So, I don't see any showstoppers there. The thing is progressing well, Kunal, if that answers your question.

Kunal Damesha: Yeah, Sir. Good luck and I'll have more question. I'll join back. That's it. Thank you.

Dr. Satakarni Makkapati: Thank you.

Operator: Thank you. Requesting everyone to restrict themselves with two questions, please. The next question is from Amey Chalke.

Amey Chalke: Thank you so much for giving me an opportunity to ask a question and congrats to the management on the good set of numbers. First question, is it possible for management to guide how the Revlimid sales have moved from quarter four to quarter one?

Yugandhar Puvvala: No, we are not specifically talking about Revlimid as a separate sales segment. But our run rate continues to be in a similar way when we launch the product and we expect to continue in a similar way.

Amey Chalke: Sure. I don't want quantification, but qualitatively, is it possible to guide?

Yugandhar Puvvala: Qualitatively at this point of time, yes, the pricing remains constant. We don't see any decline and we are trying to as best as possible to schedule it in such a way that like every quarter we have decent set of numbers. Except for the one or two quarters, we expect the similar run rate to continue.

Amey Chalke: Sure. And should we assume that this year we should book higher sales compared to last year or it should be similar?

Yugandhar Puvvala: It will be like 10 or 15% here and there, but it will be similar.

Amey Chalke: Got it. Second question I have is on the Europe and China revenue potential considering both China plant and Vizag plant are being operationalised in FY25. So if you can give us some outlook on both the plants. Thank you so much.

Yugandhar Puvvala: Well, let me just talk about Eugia Vizag then probably Subbu, you can take care of China. Eugia Vizag plant is up and running. We started capitalizing the plant last quarter itself and our European audit is done and we will be hopefully starting filings from next quarter because we are waiting for the GMP certificate to come from European authorities. Once we receive the GMP certificate, we will start filing products for the Europe. Our US filings are also on track and hopefully, we should do around three to four filings this year. So, I expect revenues to start from FY26 onwards.

Santhanam Subramanian: Yeah. So, in terms of China, we are planning to start small volume in the month of November-December and expect to ramp it up in the period between January to March quarter of next year [Q4FY25]. And the full-fledged volumes will start going only the next fiscal year [FY26]. In fact, we are trying to do some filings for China as well as for US. So all this will take the China revenue potential up in the coming years. This year we will see only a small volume and value.

Swami Iyer: So, if I may add Subbu something to what you said. In China, we have also shipped the first commercial product for BFS through our JV partner.

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

Neha Manpuria: Thanks for taking my question. Yugandhar, my first question is on the US business. I thought we were supposed to see improvement in the US business with the resumption of the facility in the quarter. Could you give us some colour on what's happening to that? Should we expect the improvement in the injectable business to be a little slower versus our initial expectation? And just an extension to that question. We've seen another facility get an OAI for the injectable business. You know, how are you thinking about compliance for the injectable business, given that's a key for our growth momentum in Eugia?

Yugandhar Puvvala: Thanks, Neha. Yes, you're right. In fact, we thought last year Q4, we have taken the hit, but because we wanted to be robust enough in terms of our remediation action, it continued in Q1 as well. Our overall manufacturing was not to the fullest extent what it used to be. So Q4 and Q1, two quarters I have taken the hit in terms of other remediation actions for the Eugia-3 plant. So, I am cautiously optimistic that from this quarter onwards, that is Q2 of FY25 onwards, our regular injectable business should move up. I'm quite confident of that.

Coming to the second plant which is our Bhiwadi plant near Delhi which got OAI, we are working with FDA and I'm confident that can be resolved. That's a lesser evil than the Eugia-3 and we feel like whatever perceived issues what FDA has, in next 1-2 months we should be in a position to clear that. So, I am cautiously optimistic at this point of time of resolving FDA related issues and, at the same time, the sales momentum going up from Q2 onwards.

Neha Manpuria: And does that make us confident to be able to gain the lost market share for these injectable products? Because I can see that we have lost market share in some of the products in the injectable side.

Yugandhar Puvvala: I think at this point of time, the way I see it is, I don't think we have lost too much of market share on any of the molecules. It is mainly the supply constraints, what we created on ourselves and that is what has taken a bit of a beating in terms of Q4 and Q1. Once we start ramping up and we are already on the way, I'm sure [that] we will gain the sales. We haven't lost too much of market share in any of the molecules.

Neha Manpuria: Got it. And my second question is on Europe. Particularly strong quarter. I know Subbu sir mentioned in his opening remarks that this will be north of 880 million for the full year. Could you give us some colour on the reason for the step up in the quarter and why we believe this will be sustainable going forward?

V. Muralidharan: Good morning Neha and good morning everyone. Murali here and I'm going to take this question. Yes, Europe has been a contributor, silent contributor to the global revenue of Aurobindo in the range of 25%. And of course, we are having certain plans for new launches. And if you take the Q1 performance and on a straight-line basis alone, we'll be touching €880 million. We have a couple of major launches coming up during the year. So we are quite confident and bullish that we'll be able to go northwards of 850 million towards €880-900 million. Thank you.

Neha Manpuria: Understood. Thank you so much.

Moderator: Thank you. The next question is from the Damayanti.

Damayanti: Hi, good morning and thank you for the opportunity. My first question is on remediation related costs. So, in your opening remark, you mentioned there were some additional costs which you incurred in the 1st Quarter due to this remediation charge etc. Can you quantify that? And how much of that could be seen in this current 2nd Quarter?

Yugandhar Puvvala: Damayanti, in Q1, we have spent around [$] 9 million dollars against the remediation cost of year Eugia-3. And we expect the Q2 to be only a very fraction of that. I think, hopefully, it will be around [$] 2 million. And we have completed all the remediation, and we don't expect anything more than what we have already spent. So, Q1, yes, it is [$] 9 million plus, and Q2 would be around [$] 2 million plus. That's what is our expectation.

Damayanti: Okay, so majority done and now maybe a few related to Bhiwadi plant.

Yugandhar Puvvala: Bhiwadi, we don't need any remediation there. It is only clarification. So, it is going to be more about clarifications of this. Absolutely, there's no remediation in Bhiwadi. It is only Eugia-3 where the remediation was required and we have, to our best of our effort, done that particular piece and that is over.

Damyanti: Okay. And you just mentioned Q2 onwards, you expect the generic injectable sales to move up and then maybe you will back to the pre-disruption stages.

Yugandhar Puvvala: That's right, Damayanti.

Damayanti: And you maintain your guidance for global speciality, like Eugia sales, which you had given some time back?

Yugandhar Puvvala: Yeah, in fact, for this year, I've already guided that we will do around [$] 600 million plus. I think we still are optimistic about touching the [$] 600 million.

Damayanti: Okay. And my second question is on your Indonesia operations. So, you mentioned 20 million sort of sale you have booked. So, what kind of ramp up you see in that market? Are you optimistic about ramping this up significantly?

Santhanam Subramanian: No, Damayanti. What I was mentioning is, in the Q4, we have accounted the Q2 and Q3 sales because we did the closing sometime by December 20th. So, the entire thing, the net economic benefit, has flown into the Quarter 4. That is the reason why it has come there. Otherwise, we have been traditionally doing around 8 million per quarter and we will continue to do that at least for the [current financial] year. We are also thinking how to increase the overall sales and ramp it up, because this is an existing business. So, now the challenge is how to increase it, how to ramp it up to the next level, which we are working on.

Damayanti: Okay, sir. That's clear. Thank you.

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

Shyam Srinivasan: Yeah, good morning. Thank you for taking my question. Just the first one, again on the European business, you talked about EUR 850 million for the full year kind of run rate. So just want to understand how is the underlying profitability of this business now tracking, have we moved past that double digit into mid-teens in terms of the margin profile?

Santhanam Subramanian: I think Shyam, in terms of the euro business, I think they have been doing it extremely well in the last 2-3 quarters. They have been gradually increasing their overall revenue, overall margins. And I think the margins have already moved to nearly mid-teens level. And the way Murali has communicated, this is expected to be sustained if not improved.

V. Muralidharan: Well said, Subbu, I agree with you.

Shyam Srinivasan: Murali Sir, just in terms of the integration where we have tried to move to some of our local plants. How far are we on the journey and how much more can be done incrementally for integration for the European business?

V. Muralidharan: When you talk of local plant, in Europe we have only the plant at Generis, Portugal. But if you're referring to the expanded facilities in India, the Unit 15 has undergone expansion, which is clearly helping us in feeding the markets. And despite Q1 bearing months still impacted by Red Sea issues, the production and dispatches from India has really helped us in time-to-market being achieved. So, we are doing fine. And when China plant starts feeding us, all the more we will be able to supply clearly to the market better.

Shyam Srinivasan: That's helpful. Just quickly on the second question, if I were to look at the Pen-G plant, has all the CapEx now done, Subbu sir, in terms of what CapEx we had to do? And in terms of the ramp up for this particular business, you talked about cost being there. When is the likelihood of the revenue starting to kick in for this plant?

Santhanam Subramanian: Relating to the CapEx, Srinivas, we have more or less incurred around 95% of the CapEx. Any 5% is dependent upon the [additional] requirement, while we are ramping up. So more or less the CapEx is over. The second question is that we didn't have any significant revenue flow last quarter. This quarter we are planning to do a good set of batches as a process of ramping up, which is expected to give some revenue during this quarter. These two months are very critical - August, September. Once we achieve that, next quarter we will be going towards 80% of the ramp up. We are working towards the same. So, we will be able to give better clarity during the 2nd Quarter earnings call.

Shyam Srinivasan: Understood. Thank you and all the best.

Santhanam Subramanian: But I just want to add, Shyam, we have taken some good number of operating expenses and we didn't have the sales during that quarter. And once the [capacity] ramps up, it [will] help in overall growth of the company, increasing the EBITDA margin. The existing operational expenses cost, which we have incurred during the period of stabilization, will not be there.

Shyam Srinivasan: Understood, Sir. Thank you.

Moderator: The next question is from Bino.

Bino: Okay. First question regarding this product generic Emflaza [Deflazacort] which we had launched in the US a few months back, how is it doing? Are we only the player in the markets still?

Swamy Iyer: Yeah, Deflazacort. Yes, we have launched this product. At this point, I think we are the only player i.e. for the tablets.

Bino: Okay. And do you expect that situation to continue for some time?

Swami Iyer: We can't predict that, but we have strengthened this product. So, we think that we continue to do well.

Bino: Okay. Second, there is lifitegrast ophthalmic solution for which you have an approval already. Is that a product we can expect in next 12 to 18 months or is it far away?

Yugandhar Puvvala: Lifitegrast is not going to be anytime soon. We have the final approval, but we also have a settlement with the innovator. Based on that, I can tell you that it is not a 12 to 18 months period product.

Bino: Understood. And finally, on Mirabegron, where there is some litigation going on, some people have launched. Do you have plans to launch near term?

Swami Iyer: No. Bino, you have raised this question at least twice in the past and we responded to you. We have a settlement in place. So, whatever the two companies which have launched, have launched, I understand, at risk. There is a case that is ongoing, and the hearing is expected. The final hearing is expected sometime in October or end of this year. We will have to watch. But I want to tell you that, we have a settlement. Based on the settlement, we cannot launch now.

Bino: Got it. One final question on MSD, if I can push it. The deal, would it be for manufacturing of products also for the US and European markets or would it be more for the emerging markets?

Dr. Satakarni Makkapati: Bino, right now the markets are still under discussion. But it will be majority of the markets with probably Europe also coming in. But owing to the confidentiality nature of the discussions between my team and the MSD, I would not be able to provide any more update on this now. But as and when things get clearer, I can provide you an update.

Bino: Understood. Thank you very much.

Moderator: Thank you. The next question is from Jigar Walia.

Jigar Walia: Yeah, thanks for the opportunity. My first question is now with this Unit 3 classification also kind of getting out of the way things getting resolved, is the board probably planning to go back to the proposed spin-off or IPO listing for Eugia?

Santhanam Subramanian: So, Mr. Jigar, we have last year, in the month of August, the board decided to evaluate, explore various options. And we put it on hold subsequently because the inspection for the Eugia business started. All the units have undergone the inspection. So, now that inspections are over, we can revisit it. And some of the bankers are also approaching us. So, we have to decide it. But as and when a firm decision is taken and we are going to implement it, we will certainly inform the market as per the compliance.

Jigar Walia: Great, sir. So, one question is on the margin. You mentioned about Rs. 100 crores one off this quarter, which gradually will reduce with the operating scale and the business ramp up. But as the business scales up, it will take a while, I mean, it will take its time to come to the company level margin. So, overall, we maintain at 21%-22%, while in absolute terms, the margin is definitely ramp up.

Santhanam Subramanian: Mr. Jigar, my colleague, Mr. Yugandhar has clearly articulated that. We had remediation cost of around US$ 9 million plus, which is expected to come down to US$2 million this quarter. That itself is clearly shows that we are going to cut it down during the quarter.

Jigar Walia: Absolutely. So, the absolute EBITDA will be more reflective

Santhanam Subramanian: Yes, more reflective. At least these OpEx will not be there.

Jigar Walia: Understood. Sir, last question is, with this board change and now the new Chairman, etc., is there anything different on the board meetings or other things?

Santhanam Subramanian: No, we have been conducting the board meeting with the highest standards always and with the new board chairman coming in, he is bringing his own set of ideas on things, which we are implementing. We have also strengthened the board by having one more Independent Director by name Dr. Deepali Pant. And, also, Dr. Satakarni joined the board to strengthen on the R&D and the science side. So, lot of new things are happening in the board meetings.

Jigar Walia: Thank you. Thank you so much, sir.

Moderator: Thank you. The next question is from Ankush Mahajan.

Ankush Mahajan: Good morning, Sir. Sir, my question is related to the injectables. Taking run rate of the gRevlimid, [are] the other injectables either flat or showing some declining [trend]?. I'm just trying to understand how is the price erosion in the base injectable business if I deducted the gRevlimid part?

Yugandhar Puvvala: The price erosion is low single digits.

Ankush Mahajan: Okay, Sir. Thank you.

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

Kunal Dhamesha: Thank you for the opportunity again, Sir. Subbu Sir, on the effective tax rate, this quarter we have around 30%. If you can provide the outlook for FY25 and what is driving this higher ETR for us?

Santhanam Subramanian: See, some of the units, like biosimilar company and the Lyfius, which is the penicillin-G company, where we are incurring the OpEx loss, we are not taking the deferred tax credit. Once we start a tax credit, obviously it will come down. And in terms of the year as a whole, with the Lyfius plant expected to do well by 3rd and 4th Quarter etc., probably we may come to more than a break-even scenario by which the tax rate and the tax credits will be taken and the tax rates will come down. Overall, I think we will be somewhere around 27-28% at this particular point in time.

Kunal Dhamesha: Sure, Sir. Thank you for that. And one for Yugandhar sir on Revlimid. We said that the net gRevlimid contribution this year would be 10-15% higher than last year. But this time around, we will also have a full year impact of gRevlimid versus the half-year impact for last year. So, shouldn't the contribution be higher?

Yugandhar Puvvala: No, Kunal. Frankly, like I never wanted to say anything about gRevlimid because we never announced what is the gRevlimid sales, whether it is last year or this year. I only just generally guided. Also, as you know, Kunal, it is about settlement periods. Some can have an overlapping effect on some other periods. So, I think it is better to leave it there.

Kunal Dhamesha: Sure, Sir. Thank you.

Moderator: The next question is from Tarang Agarwal.

Tarang Agarwal: Hi. Good morning. A couple of questions on Eugia and then on the US business. Over the last two years, how has your market share moved in the US injectables business? Because there has been quite a lot of movement in the marketplace. So, just wanted to get a pulse on how the market share has moved. And second, what is the dollar impact of revenue, say, in Q1 because of the remediation activity happening in Eugia-3?

Yugandhar Puvvala: In injectable business, mainly the speciality portion of the US, it is steady. In fact, last year, I was expecting that we will move very well, but Eugia-3 hit us in Q4. Because of that the impact continued in Q1. So, in general, I can say is it is stable. Obviously, we could not grow too much because of Eugia-3 impact. And what is your second question Tarang?

Tarang Agarwal: Dollar impact revenue, because of Eugia-3.

Yugandhar Puvvala: Revenue impact, I told you, like last quarter i.e. Q4 of FY24, we had a $ 20 million revenue impact. And the Q1, we had around similar $ 15 to 20 million impact. And we hope that is the end of it.

Tarang Agarwal: Perfect. That is quite helpful. So, now on the US. Swami Sir, is it possible for the OSD business to reach US$ 300 million quarterly run rate anytime soon, purely from products perspective, in terms of market approvals, and from a capacity perspective?

Swami Iyer: Yeah, Tarang. I will not give a specific number, but I can generally talk about it. So, the US business, as you have seen, has been doing well. And then, we have made major strides in building on our past success. And our business is right now demonstrating good, very strong momentum. And we found that our volume-based strategy with global capacity and talent pool that we have, has helped us to grow into this kind of large generic company. So, these are the basic factors, and that factor remains and it really gets strengthened. We also have a number of new launches. Last year we guided that we are going to have few [good] launches that would be coming in. This year also, we expect a good amount of launches, somewhat similar to last year. And we are getting products from the JV in China. And we are also expecting commercialization sometime in the near future for the US oral solid. So, overall, I feel fairly optimistic. And we believe that US oral solids will do well. As far as the number is concerned, we had good amount of growth in the recent past, and if this continues, we should be close to that number or achieve that number sometime soon.

Tarang Agarwal: Sure. And specifically on the OTC business for this quarter, I saw some softness. Is it just a quarterly aberration or is something happening there?

Swami Iyer: OTC business was soft in this Q1. There are a couple of reasons. One is, seasonality. Definitely, this was not the season. Despite that, it should have been better, that I agree. But we are optimistic. We have some new awards that are going to start sometime this quarter, and I think that will get ramped up sometime during the year. We believe that we will see some progress in the OTC business going forward, at least from Q2. That is our expectation. And, you know, we also have the OTC branded business that's in a separate company. We have recently had restructuring the last one year of the leadership team and we have got a new strategy. We are very optimistic about the future of that business too. Overall, we think we will see better times for OTC going forward.

Tarang Agarwal: Okay. Just last two, any update on Ryzneuta? I mean, how is that product shaping up?

Swami Iyer: Ryzneuta, unfortunately, there was some problem with the CMO. We were to launch in the Q2 of this year. The problems are being resolved, and I think there could be a delay and the launch would be probably in the last quarter of the current fiscal at this point in time.

Tarang Agarwal: Okay. And the last question on Europe. Given that the business has achieved almost a EUR 850 to EUR 900 million run rate and the margins have moved to mid-teen levels, are there possibly more levers in the business from the point of view of margin expansion. Just wanted to hear your thoughts, or we should expect it to remain at these levels now from here on?

V. Muralidharan: Tarang, thank you for [asking] this [question]. Yeah, obviously, we expect to move upwards, of course, on the oral solid business, which is predominantly the contributor as of date for the European revenues. We are trying to do our very best. But also, as very clearly explained by Dr. Satakarni in his initial elaboration, we are keenly looking at the launch of some of the biosimilars in the upcoming period, and that would contribute to increasing the EBITDA margin substantially. Similarly, also we are looking at the Vizag plant of

Eugia to start feeding us, which will be enabling us to participate better in the tenders, in the process, build up our revenues and margins. So, the brighter period is ahead of us. We are keenly looking at it. Thank you.

Tarang Agarwal: Thank you, sir. All the best.

Moderator: Thank you. As this was our last question, I now hand the conference over to management for closing comments.

Shriniwas Dange: Thank you all for joining us on the call today. If you have any of your questions unanswered, please feel free to keep in touch with the Investor Relations team. The transcript of this call will be uploaded on our website www.aurobindo.com in due course. Thank you and have a great day.

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

(END OF TRANSCRIPT)