Q4 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. S. Subramanian - Chief Financial Officer, Aurobindo Pharma Limited

Mr. Varun Mali – Investor Relations and Corporate Communications Team

Moderator: Ladies and gentlemen, good day and welcome to Aurobindo Pharma's Earnings Conference Call for fourth quarter FY26. 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 fourth quarter FY26 and full year FY26 Earnings Call. I am Varun Mali from the Investor Relations and Corporate Communications team. We hope you have received the Q4 FY26 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 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 have also requested Dr. Ashish Anvekar to join us for any questions related to Acrotech Biopharma, USA.

We will now 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 Limited 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: Thank you, Varun. Good morning and a warm welcome to our Q4 FY26 Earnings Call. I am pleased to begin the call by sharing that the company has delivered an excellent quarter and a strong financial year, underpinned by sustained growth and reflected in our highest-ever revenues and highest-ever EBITDA, both quarterly and annually.

- For FY26, revenues stood at ₹33,653 crores, while EBITDA came in at ₹6,856 crores, translating into a healthy EBITDA margin of 20.4%, which is in line with the revenue as well as EBITDA gainer for FY26, supported by favourable product-business mix and other factors.
- For Q4 FY26, revenues were ₹8,853 crores and EBITDA stood at ₹1,801 crores, resulting in a robust margin of 20.3%.

During both the quarter and financial year, we witnessed good performance across our businesses, primarily driven by stable volumes, new product launches and sustained momentum in regulated markets supported by pricing conditions.

Despite insignificant Revlimid product sales compared to Q4 FY25, EBITDA before Forex remained flat year-on-year growth and grew by 2% on quarter to ₹1,801 crores.

- Net profit increased by 2% year-on-year to ₹921 crores.
- For the full year FY26, the revenue grew by 6% year-on-year to ₹33,653 crores.
- Ex-gRevlimid, our full-year revenue growth was 9.5%
- For Q4 year-on-year ex- gRevlimid growth was 15.3%. In USD terms, it was 7%.
- Gross contribution also reached the highest ever absolute level of ₹20,165 crores, reflecting a margin of 60%, that is an improvement of around 100 bps.
- The EBITDA before Forex and other earnings grew by 4% year-on-year to ₹6,856 crores.

Business Highlights. Let me now take you through the business highlights.

- **Formulation business:** Formulation business for the quarter witnessed a growth of 5% year-on-year to ₹7,646 crores and contributed around 86% of the total revenue. The revenues are mainly supported by growth across the markets.

- **API Business**: For the quarter, API business contributed around 14% and revenues improved by 25% quarter-on-quarter to ₹1,208 crores. For the full year, API business contributed 12% and crossed the revenue of ₹4,047 crores.

- **U.S. formulation**: For the quarter, revenue from U.S. formulations remained flat. On a constant currency basis, U.S. revenue decreased by 18% year-on-year to $387 million. This is mainly on account of high gRevlimid sales in Q4 FY25. Our large product portfolio helps us to maintain optimally the price stability. Revenue from U.S. formulations for the year remained at ₹1,408 crores or $1,631 million, with growth primarily impacted by lower gRevlimid.

- **Europe:** For the quarter, Europe formulations clocked ₹2,795 crores, an increase of 30% year-on-year. In constant currency terms, the European revenue was €261 million against €236 million of Q4 FY25. The growth was driven by robust performance across all key European geographies. For the full year, European formulations achieved a significant milestone of €1 billion revenue in terms of annual revenues.

- **Growth markets:** For the quarter, growth markets revenue stood at ₹980 crores with a year-on-year growth of 25% and quarter-on-quarter growth of 13%. For the year, growth market revenue was increased by 10% to ₹3,499 crores. In U.S. dollar terms, revenue grew to $397 million from $376 million in the previous year.

- **ARV Business:** For the quarter, ARV business revenue increased by 6% year-on-year to ₹328 crores or $36 million. For the year, ARV revenue increased by 33% to ₹1,384 crores or $157 million, driven by continued business opportunities partly offset by price increases.

- **Specialty and Injectable:** For the quarter, global Specialty and Injectable business reported a revenue of $122 million. Ex-gRevlimid product sales, the business grew by 13% year-on-year. For the full year, revenue stood at $513 million. Ex-gRevlimid, growth was 12%, mainly due to improved supplies, new product launches partly offset by pricing pressures.

Now, going on to Other Highlights.

- The gross contribution stood at the highest ever absolute levels of ₹5,424 crores.
- Gross margin stood at 61.3%, increased by 153 bps quarter on quarter.
- R&D expenditure stood at ₹400 crores for the quarter. For the year, R&D expenditure stood at ₹1,590 crores, which is 5% of revenue.
- Net CapEx for the quarter is $82 million and for the year around $341 million, which includes capacity enhancement projects and plant expenses and CMO project.
- Improved profitability coupled with improvement in working capital, the business generated a net cash inflow [of $35mn] after payment of purchase consideration of Khandelwal Laboratories non-oncology business around $32 million. As a result, the net cash position of the investment at the end of March'26 improved to $317 million from the net cash position of $276 million in December'25.
- The average finance cost for the quarter was 5%.

Outlook. As we look ahead, we remain encouraged by the stability across our core businesses and the continued progress on our strategic priorities. Our diversified product portfolio continues to provide a resilient and balanced earnings profile with no disproportionate dependency on any single product or geography.

Coming to the U.S. business, we continue to see multiple growth levers through the expansion of base business, new product launches, i.e. topical ointment, ongoing acquisition (Lannett), and the expanding pipeline across oral, transdermal and respiratory

products from our Dayton and Raleigh facilities. With these initiatives, our U.S. business is aiming to touch the $2 billion revenue milestone over the near term.

Europe continues to remain a strategic growth engine for the company supported by portfolio expansion, improving market penetration, reliable supply capabilities and stronger customer relations. We expect the business momentum in the region to remain strong going forward.

From a long-term value creation perspective, we continue to focus on improving the quality and the predictability of the earnings through balanced mix of scale, specialty and operations.

Our biosimilars and biologics CMO strategies continue to progress well and represent important long-term growth drivers alongside our core generic franchise.

Geographic expansion across the growth market remains a key strategic priority supported by focused launches, portfolio expansion and selective acquisitions. Our China-OSD facility continues to scale up steadily with increasing approvals and supplies into international markets, particularly Europe.

India business is evolving into a new growth engine for the company, further strengthened through recent acquisitions, continues to expand through new divisions, wider therapeutic presence and deeper pan-India reach.

Our backward integration efforts across Pen-G and 6-APA and Amoxy continue to strengthen supply security, reduce import dependency and improve long-term margin profile. Based on current operating levels, we expect, annualized production, Pen-G production, to exceed 10,000 metric tons with a capacity utilization level exceeding 80% at consistent yields.

Overall, these initiative provides us strong visibility on the revenue growth, profitability improvement and cashflow generation over the coming years. Going forward, we remain focused on disciplined execution, operational excellence, prudent capital allocation and sustainable long-term value creation.

FY27 Financial Outlook. We firmly believe that the business is entering into the next phase of calibrated and profitable growth with visibility towards stronger revenue [growth]. We expect EBITDA margins to sustain and progressively improve to north of 21%, reflecting the scale of our operations, execution capabilities and leveraging the new business lever.

That concludes my remarks, we will be happy to take your questions. Thank you.

Question and Answer Session:

Tausif Shaikh: Good morning and thanks for the opportunity. Sir, your operating cost excluding R&D has increased 11% QoQ and 17% YoY. Can you throw some light on this and can you tell us is there any one-off element over here for the quarter?

S. Subramanian: See, the one-off element will always be there in terms of the Year end provisions, etc. but that becomes a routine thing. But what is the main factor which has increased the cost, is predominantly power and fuel consumption, for the Pen-G plant which has taken off very significantly in the last quarter, i.e. the Q4 of this quarter. That is the reason why it has increased.

Tausif Shaikh: And we should expect this rate to continue going ahead?

S. Subramanian: Yes, it will continue like this because now what is happening is we are using our own 6-APA for our captive consumption. We are not buying it from the imported material and because of that our raw material cost will come down and the other expenses goes up. That you can see very clearly why our gross margin has also improved by about a percentage.

Tausif Shaikh: Yeah, that is helpful, Sir. My second question, can you tell us how much EBITDA loss you have incurred in FY26 from your new projects like Pen-G, Eugia Steriles, Biosimilar and China facility? And do you expect most of the projects to turn breakeven in FY27?

S. Subramanian: Yeah, I think if you take Pen-G and 6-APA put together, we have got a positive EBITDA contribution last quarter. That is mainly because of the higher operating leverage and we have started getting better yields now. We expect this to continue for the coming years, year as a whole.

Last year as a whole, we would have incurred around ₹200 crores plus EBITDA loss on account of Pen-G and 6-APA (Lyfius & Qule).

And in terms of the China plant also we incurred loss, which is expected to do a profitable EBITDA contribution this year.

Tausif Shaikh: Okay, that is helpful. I will get back in the queue.

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

Damayanti Kerai: Yeah, hi. Good morning. My first question is on the US where you mentioned you are looking ahead for this $2 billion mark in near term. So, any timeline for that?

Swami Iyer: Yeah. So, well, we cannot say any time be it in the near future, probably in the next maybe couple of years I would think. You know, our confidence is based on what is going on in terms of acquisitions and some of the business opportunities that we have.

Damayanti Kerai: Okay. So, directionally you are looking at this $2 billion mark, maybe couple of years down the line, not in immediate or medium terms?

Swami Iyer: Yeah.

S. Subramanian: Damayanti, what Swami says, if acquisitions materialize, we may move towards that very fast.

Damayanti Kerai: Okay. So, on that note, are you on track to close the Lannett deal, as indicated earlier?

Swami Iyer: Yeah, we will. Probably, there will be some difference in timing. We will probably close by Q2 of the current fiscal. You know, what we did not factor in was the government closure for 76 days between February and April. And when the government shuts down, the FTC does not function. At least the first time we had some flexibility but the second time it was very long and took 76 days. But I think they have largely made up the time. So, there could be some delay but I think early Q2 may be a better estimate. We feel fairly confident about that.

Damayanti Kerai: Okay. That is helpful. Thank you. My second question on Europe business. So, you have now marked €1 billion milestone there and when we look at the sales in Euro term, last two quarters you were somewhere in 261 million range. So, can you directionally indicate how things will move up from here? And I understand supply from China will be a big contributor, so as we anticipate higher supplies from China how should we look at, say, 27 from Europe business perspective?

Mr. V. Muralidharan: Yeah. Good morning. Muralidharan here.

Damayanti Kerai: Yeah, hi, Murali.

V. Muralidharan: Hi. Thank you for this query. Yes, having achieved the €1 billion milestone, which we have taken up on ourselves as our mission for FY26, we are definitely bullish. We are very confident that we will be moving northwards of this base business that we have achieved. And contributions from China means already more than 10 products have kicked in, in some form or other, whether it is a new launch or tech-transfer products. And, progressively, that will increase and contribute to the business.

So, we are quite confident that despite the geopolitical issues we will be growing further on the base that has been built.

Damayanti Kerai: So, any indication on the growth rate? Say, we can comfortably target for double-digit growth, say low double digit to mid-teens or any number you would like to share?

V. Muralidharan: So, we are definitely trying to achieve the double digit growth. And, of course, considering the current geopolitical situations, we have taken it bit conservatively but we are confident it will be minimum double digit.

Damayanti Kerai: Sure. Thank you. I have more questions; I will get back in the queue.

V. Muralidharan: Thank you.

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

Charul Agarwal: Hi. Thank you, Sir, for taking my question. My first question is on the CDMO unit, Biological CDMO unit. When do we start seeing it commercializing and when do we expect the first revenue from the segment?

Satakarni Makkapati: Hi. About the CDMO unit, the Unit-1 will be commissioned by end of this year. So, my guidance around the first 60 KL capacity installation and commissioning remains the same. With the PPQ batches, which are the validation batches Scheduled in 2027, and the filings in the markets by the customer also slated (potentially) to happen in 2027, we expect some stockpiling requirements from the customer in 2028.

So, a steady stream of revenues, to answer your question, would begin in Unit-1 from 2028. With respect to the recent Product Schedule three that I have signed, and we have informed the exchanges about, that is a greenfield drug substance manufacturing facility. We expect to close the commissioning of the facility in 2029. Two years from then, 2031, would be the start of revenues from Unit-2.

So, in a nutshell, between Unit-1 and Unit-2, you would expect the revenues to kick in from 2031. But Unit-1 will have a head start from 2028.

Charul Agarwal: Thank you, Sir, for this. My next question is again on the Pen-G. So, when do we start the external sales from the unit? While it has been contributing to the internal supply, but when do the external supply start?

S. Subramanian: The external supply has already been happened in the last quarter. We have sold more than ₹100 crores worth of material in the last quarter, both Pen-G as well as 6-APA to the outside market. We have also already informed all the customers that they can pick up the material because some stocks are there in the market earlier because of the high imports in the Q3 of this year, FY26, the offtake was very low but we expect the offtake will take up strongly in the coming days, coming weeks.

Charul Agarwal: Okay. Thank you so much, that was my question.

Moderator: Thank you. The next question is from Surya Patra.

Surya Patra: Yeah, Thank you for this opportunity, Sir. My first question is on the European business. So, congrats for the €1 billion milestone mark that you have achieved. But if you can update, what is the EBITDA for that?

V. Muralidharan: Yes. So, here EBITDA is just in excess of 20% and we will be moving northwards of same, as stated by our CFO.

Rahul: Hello. Yeah, hi, Sir. Thanks for taking my question. Sir, I guess your $2 billion revenue guidance for the US business factors in Lannett as well, which alone should contribute $300 million incremental sales. And with that, you should get to $1.9-$1.95 billion. So, this guidance is essentially driven by Lannett. So, if you can also talk about how do you expect the base US business to grow ex of acquisitions?

Swami Iyer: So, I will take this question, okay.

S. Subramanian: Yeah-yeah.

Swami Iyer: So, first of all, Rahul, Lannett is probably going to be there for two quarters in the current fiscal. So, this is going to be half of Lannett. So, that is number one and that is also subject of approval, which we expect, which we are confident. So, that is one. And then we are looking at some business opportunities. And those opportunities, we believe that we are in a good position now. So, you know, timing wise, I cannot tell you for certain, but we are heading towards a $2 billion goal and Lannett is part of it. Maybe in the next 1-2 years, definitely we are getting there. And you are already aware that Lannett is about $300 million. Obviously, we should be heading towards that $2 billion mark in the near future.

That is all I can say. Maybe in 1-year plus, maybe in 1-year, if we are lucky. Again, it depends on the FTC approvals and some of the business development deals getting operational.

Rahul: Sure, sir. So, these business opportunities, so are these NBOs which you are targeting or these would again be, let us say, M&A kind of opportunities?

Swami Iyer: So, it is not NBOs that I am talking about. So, it could be business opportunities in terms of in-licensing. We are not going for any big bang acquisition, at least I hope we don't. Right now, we are in the process of doing Lannett acquisition that needs to be completed. But we do look at opportunities of some in-licensing and some ANDA acquisitions that is ongoing. Now we are focusing a lot on business development in the US, in addition to our own products. That is why I feel confident that sometime soon we will touch that $2 billion mark, that Subbu mentioned.

Whether it is going to happen in one year, I do not want to commit that at this point. Maybe we will have a better sense in the next 1-2 quarters.

Rahul: Sure Sir. And, Sir, my second question is with respect to the guidance for the European business, you talked about cautiously looking towards a double-digit kind of a growth. Can you clarify that is in constant currency?

V. Muralidharan: Yeah, it is.

Rahul: Okay, sure, Sir. Thank you. That is it from my side.

V. Muralidharan: Thank you.

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

Nitin Agarwal: Hi, Sir. Thank you for taking the question. Sir, on the biosimilar business, you highlighted, FY30 vision, 2030 vision, for the biosimilar business. If you can probably just articulate in terms of, what are we looking at, especially in terms of number of products being marketed, commercialized by them and what kind of geographical spread we are looking at by 2030 for the biosimilar business?

Satakarni Makkapati: Hey, Nitin. It is a good question. We are right now in the early innings of launch, since a quarter I suppose, with biosimilars, Nitin. So, supplies have been initiated to certain territories in the EU, tender is being serviced in LATAM and the STADA agreement will start to fructify from the end of this year. So, revenue recognition will follow as those products will move through distribution channels into procurement, etc.

In terms of what we are doing, we have Omalizumab and Denosumab, as I have talked about in the last quarter, that will be entering the filing phase with European Medicines Agency, Health Canada and the FDA this year. Additionally, I have also provided guidance in Q2 that we plan to file Bevacizumab, which is already approved with Health Canada, approved with MHRA, and currently under review with European Medicines Agency. We also plan to file that in the US.

So, 2026 will be a year where we wanted to execute the US filings, the three filings in the US, at least two, but three filings in the US. So, what it does to the business, if you look at 2030, is that the first wave of products that have been or are being commercialized now, plus the three more products that will be approved in Europe, is a clear base. So, you have about seven products in Europe, emerging markets and the growth markets. As I have provided guidance in the Earnings presentation, I am also stitching partnerships in territories where we are not directly present. So, for all these to strategically fructify would take a year or two. But with the 7-8 product base model in Europe approved and in growth markets, a potential 3 products approval by 2028, 2029 or 2030, even with a slight US FDA setback if there is any. By 2030, we are looking at biosimilars business having 7-8 products in Europe and growth markets, plus potentially 2-3 products in the US.

I would not give any guidance, specific revenue figures at this stage, but the commercial momentum is real and is building and I expect by 2030 with the 7 plus 3 products that I am planning in the US, biosimilars business will have an inflection point, as I've also guided all through in the last year and the last quarter as well.

Does that answer your question?

Nitin Agarwal: I was saying, in the first wave of launches that we have, the fact that we are coming much behind the competition, in Europe and in emerging markets, do you still see an ability for us to make reasonable revenues on these products? Is the opportunity still relevant for us in the first wave of launches?

Satakarni Makkapati: In the first wave of launches, the opportunity is relevant to the extent the aspiration is. So, we are not looking at a 15%-20% market share in those territories. With the right cost of goods, we still believe there is enough opportunity for everyone. Also, if you look at the nature and dynamics of the biosimilar business now, even if you look at products that are going off the patent cliff in 2032, you have about 10-11 players who are already doing clinical trials or developing them. So, if you want to sustain in this business, you need to really create a COGS model that will allow you to position yourselves in the market.

What is also important is creating a basket of products in oncology and immunology. Right now, the choice of products that we have made, I'll give an example of pegylated filgrastim, which is a long-acting filgrastim that is expected to increase the neutrophil count in cancer patients who suffer from a condition called neutropenia. So, there is no follow-on drug for this product. So, what we are looking at from the first wave, Nitin, is products that have a longer life cycle. So, Pegfilgrastim, even now is a potentially $3.5-$4 billion market (global) and I expect it to continue to grow.

And in US, I think there are about 4-5 or 5 players there. I am sure if you're looking at the $50-$60 million dollar revenues and not looking at taking away 20%-25% of the market share, you are still in the game. In that sense, it's a very calculated move from us to pick products that have a longer life cycle.

Another example is, Trastuzumab where we launched the 150 and 420 mg but the real game with Trastuzumab is the subcutaneous that we are developing. The patent goes off in 2028-29. So, you should look at it from a strategic perspective of how we are positioning the products that will advance our aspirations in this space. Our COGS, I think, will continue to sustain us but if you are saying, 'Will I be picking up a 20%-25% market share?', absolutely not. And that's not the aspiration at all.

Nitin Agarwal: Thank you, Sir. That helps. And, secondly, at what point in time do you start to be part of the first wave of launches going forward?

Satakarni Makkapati: So, it's a trick question. Omalizumab, I think we will be in the first wave. If you say first wave, is 3-4 players right now. With Omalizumab, there are 3 serious players. Celltrion has already made the move. It's a potential $4 billion market. There are 2 other players there and then there is us. We expect Omalizumab to be a $2 to $2.2 billion product even after the biosimilar competition kicks in. So, I think that would be the first wave and we have the capacities to sustain the supply chain in markets like US for Omalizumab.

With the next wave of products, we are trying to green light the clinical studies for the next wave of products from that goes off patent cliff from 2030-31 onwards and we may be in the first wave. But first wave is becoming very subjective these days, Nitin. If I pick a product from 2034, like Atezolizumab, there are 9 players who are already developing. So, we really see how the dynamics play out.

It's quite intuitive and subjective to answer the question but I hope you got the clarity of the point that I'm trying to say.

Nitin Agarwal: Yeah, that's very helpful. Also, if I can squeeze in one last one. Sir, on CDMO, how should we think about CDMO? Our CDMO strategy is all about these 2 MSD projects or do you see opportunities to significantly go beyond that? And at what point can that happen?

Satakarni Makkapati: It's a good question. See, the scales at which we are attempting to become a CMO is a key differentiator in India, right. Now, if you look at my product Schedule one, product Schedule two and product Schedule three that we have disclosed to the exchanges, the total drug substance manufacturing scales amount to about 120,000 litres of mammalian cell culture capacities. Now, that's by far the largest CMO space in the country and which will put us into the lower rank bracket of the largest CMOs in the world. For example, Lonza has about 570,000 litres, Samsung has around 600,000 litres. So, having 120,000 litres is a statement; statement and intent that we are here to stay.

Now, why do I build a business model around one anchor customer? Because India traditionally did not have contract manufacturing organizations in the new biological space. It requires deep competence, infrastructure building and the nurturing of human resources capabilities like no other. And that's the reason why I wanted to derisk the ramp. And by mean of derisking the ramp, I wanted to get an anchor customer like MSD, get a contract with them for about 10 years and see how credibly I can build the business for the next 5 years.

But to answer your question, does TheraNym and does I and Aurobindo and the board want us to be a single customer CMO after 2032? No. The vision statement for 2032, which I presented to my board yesterday also, is that we wanted to be a multi-modality, multi-customer, contract development and contract manufacturing organization. Right now, we are a CMO, make no mistake about it. We are not a CDMO right now. We wanted to be a CMO but we wanted to backward integrate by 2032 to become a contract development organization.

So, this is not going to be a one customer business. But for the first 5 years, until I build credibility around an anchor and service the anchor and create a space that we are also a credible CMO coming out and can service the new biological entities and become part of the global supply chain, yes, we would like to stay with MSD and learn through the curve. But the long-term aspiration and ambition is to become a multi-modality, multi-customer CDMO and transition from a CMO to CDMO.

Does that answer your question?

Nitin Agarwal: Yes, Sir, it does. Thank you so much. Thank you so much for your time.

Moderator: Thank you. The next question is from Tushar Manudhane.

Tushar Manudhane: Yes, Sir, thanks for the opportunity. Sir, just extending on this biologics venture, at the time of commercialization what kind of gross margins or EBITDA margins are we sort of, you know, building in into our estimates? May not be at a product level but maybe at a portfolio level, if you could share?

Satakarni Makkapati: Tushar, is this about the biosimilars or the biologics CMO?

Tushar Manudhane: Biosimilars.

Satakarni Makkapati: Biosimilars. On an average, you are looking at a gross margin (read, in the US) of around 65%-70%, Tushar. And as the product mix matures to include Omalizumab and include Trastuzumab subcutaneous after FY28-29, the gross margins will probably shift to the higher side of 70% to around 75%. So, it's still a very healthy margin business (read, in the US).

It also depends on the countries you would be in. The moment the inflection point in U.S. and some of the growth markets will kick in, then you are looking at better gross margins. Some of the products are retail products, for example, a product used in postmenopausal osteoporosis like the Denosumab. So, whatever little you sell there, the margins are going to be higher.

So, it's a tricky subject, but I would say take anywhere between 65%-75%. As we continue to evolve in the next 5-6 years, we will make the transition from around 65%-75% with more first wave or differentiating products or retail products adding into the business because Omalizumab and Denosumab, Denosumab is a retail product and Omalizumab is a mixed model. So, you tend to get higher margins there, Tushar.

Tushar Manudhane: And, Sir, this is after building what kind of…Particularly in biosimilars, we've witnessed a sizable price erosion post competition coming in. So, this kind of gross margin, this is the manufacturing skillset which we have got. What kind of price erosion we try to build for these set of products? We understand like a post such kind of price erosion, the gross margin is 65%-70%.

Satakarni Makkapati: So, for the first wave of products we have already built in the price erosion to a great extent. So, even with a 75% price erosion, we expect to have around 65% gross margin as a base (in the US) and only then we enter into developing these products. In the US, we are not building more than a 60% price erosion. In Europe, we are building close to around 75%-85% price erosion. We have seen that happen in chronic segment in Europe. In growth markets, actually the pricing is good in some of the growth markets.

So, to answer your question, even after building a very healthy price erosion of around 70%-80% in most markets, this is what we would like to achieve, Tushar.

Tushar Manudhane: That's pretty interesting, Sir. And just to sort of complete this loop, in chemical synthesis probably the scale does help in getting the EBITDA margin but with respect to biosimilars, just trying to understand, you know, despite such kind of price erosion we able to achieve 65%-70% gross margin. So, if you could just help with that missing link compared to, say, a chemical synthesis process?

Satakarni Makkapati: It's a very interesting question from a sense that you should always look at, in biologics you should always look at yield versus COGS as a function of also capacities, okay, which is true even in small molecules. But in biologics, when I plot yield and

capacities on the primary y-axis and the secondary y-axis and COGS on the horizontal axis, you see the tapering of the COGS pretty early.

So, depending on your capacities. If my capacities are around 5,000-litre scale and my yield is around 4 gram per litre, then the incremental improvements, even after increasing the scale, are going to be very, very minimal in terms of cost of goods.

So, factoring all these models, we still think if you have built your capacities right, if you have positioned your titres or the yields around 4-6 gram per litre because after which the downstream costs will start to trade off any benefits that you will get from the cell culture yields. So, around 4-6 gram per litre and a capacity of around 2,500 to 5,000 litre bioreactors, you should have a cost competitiveness for most monoclonal antibodies that are at 100 mg-400 mg filling doses.

I think 60%-65% should be very straightforward in biologics (in the US), even with the price erosion of around 70% that you witness. But the trick there is, do companies have the yields of around 4-6 gram per litre at the right quality? Do companies have the right capacities for the products they are putting in at 4-6 gram per litre? And if either of these on the primary and secondary y-axis do not meet together, then you are looking at numbers and margins that can be significantly less because their COGS is going to be higher.

Tushar Manudhane: Got it, Sir. This is pretty interesting. And just lastly on this aspect, just to refresh in terms of the overall investment done till date. While you have highlighted in the presentation the upcoming investment with respect to unit but just to refresh in terms of the overall investment done till date.

Satakarni Makkapati: In biosimilars?

Tushar Manudhane: Yes.

Satakarni Makkapati: About $450 million is the overall investment including CapEx and OpEx that was done in biosimilars and that had resulted from 2018 July to now, including the two COVID years, into 4 European approvals, 2 Health Canada approvals and 3 more product filings now; the fastest in the peer group that you can look at. And I am confident that we will continue the momentum.

Tushar Manudhane: So, $150-$175 million is the over and above?

Satakarni Makkapati: No, this is a CMO, okay. The CMO is going to be about $175 million in the greenfield facility.

Tushar Manudhane: Got it, Sir. Thanks. Thanks.

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

Kunal Dhamesha: Hi, thank you for the opportunity. The first one for Subbu Sir. Sir, can you suggest what is the kind of translation effect that we get from the INR depreciation against

USD and Euro? Let us say 1% depreciation in INR, what is the positive impact that we get on EBITDA?

S. Subramanian: See, 1% which? INR depreciation against dollar?

Kunal Dhamesha: Yes.

S. Subramanian: On EBITDA, we will get around ₹100 crores.

Kunal Dhamesha: Okay. And Euro? INR depreciation against Euro would be addition to that, right?

S. Subramanian: Yeah, Euro is very little, okay, because already Euro has achieved the peak. Earlier it used to be around 1.03 [EUR/USD], now it is hovering between 1.16-1.17. So, may not have a big significant one on Euro but EBITDA on dollar-rupee transaction, we will get around ₹100 [Crores].

Kunal Dhamesha: And, Sir, the 21% EBITDA margin guidance for FY27, does it bake in this positive impact of the INR depreciation?

S. Subramanian: Don't look into that, no. Because, see, nothing comes free. When rupee is depreciating, why is it depreciating? Raw material prices are going up and solvent prices have gone by 2.5X. Don't make it only rupee depreciation going to translate. It is a combination of all these we have to see. Freight cost actually has gone significantly high in the last month in March and continuing in April and May, solvent prices have gone by 2.7X, raw material, other raw material prices are also going. So, you have to look at it in a holistic manner rather than seeing it in a very limited manner.

Kunal Dhamesha: So, my question I will rephrase, that with all this, you know, cost going up, it will still have a positive impact, right, and given the strong depreciation?

S. Subramanian: No, you asked what is the impact of it, we have said. will it get offset by other factors, etc.? Obviously, yes.

Kunal Dhamesha: Okay. So, maybe, you know, 21% bakes in the net impact of all these positives and negatives?

S. Subramanian: All these factors. All the pluses, minuses, etc., we are working.

Kunal Dhamesha: Okay. And second question on the Pen-G, we said that the 10,000 ton is the output. You know, we are going to reach that kind of level now with an 80% cap utilization. To me, a very basic math kind of points to 12,500 tons of total capacity versus our total capacity is 15,000. So, is it fair to say in terms of yields, you know, there could be some more improvement going forward?

S. Subramanian: No, no, not like that, Kunal. I said it is above 10,000 tons. We have achieved in the month of March itself is around 11,300 tons capacity, right.

Kunal Dhamesha: Okay. Okay.

S. Subramanian: April, we made it around 10,800. So, the capacity is not 15,000 or not like that. We have 17 fermenters; we can run any number of fermenters I want and accordingly the capacity is achieved. So, we have to ensure that the inventory buildup is not happening, working capital is not locked in. And at the same time, we need to achieve the right yields, etc. That is what the team is working on.

Kunal Dhamesha: Sure.

S. Subramanian: You got it, no?

Kunal Dhamesha: Yes. Yes. Yes. And lastly, for Dr. Satakarni, on the TheraNym contracts. Sir, can you suggest how many products have we got right now from Merck? And are these in development stage or already commercialized? If they are already commercialized, are they in the early part of their product lifecycle, late part of product lifecycle? Any color would be helpful.

Satakarni Makkapati: Kunal, product Schedule 1 is for 1 product, product Schedule 2 is for 1 product. In the nutshell, each product schedule is for 1 product. So, we signed about 3 product schedules, which means that we signed for 3 products.

Right now, technology transfer of 1 product, a new biological entity is happening. This is a product that is already commercial. The second product schedule also is a commercial biological entity. One of them is an early commercial product, the other one is a relatively established product.

I cannot give more details about the sponsors' products but we will be into the commercial global supply chain right from Day 1 after receiving the regulatory approvals. And that is the business model of TheraNym. Right from day 1, once you have the regulatory approvals, the product that we are going to manufacture at TheraNym is going to be used by MSD into their global supply chain for the patients in the territories and the markets they would like to supply the product to.

Does that answer your question?

Kunal Dhamesha: Sure.

Satakarni Makkapati: So, there is no development product at this stage. Both are commercial assets.

Kunal Dhamesha: Okay. And earlier we had said that these supplies would initially be used for emerging markets and then in Europe and then in US. Is that the correct way of understanding?

Satakarni Makkapati: That's correct. That's correct because capability building and GMP compliance takes time. Initially, I expect MSD to file it in emerging markets followed by Europe. And potentially at some point, maybe they would say they would also like us to become part of the supply chain for the US. But right now, I would keep the aspiration to emerging markets and Europe.

Kunal Dhamesha: Thank you and all the best, Sir.

Satakarni Makkapati: Thank you.

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

Shyam Srinivasan: Good morning. Thank you for taking my question. Just the first one on the Speciality injectables. I think in the opening remarks it was said $513 million has been the total revenue for the year and I think 13% growth. Sir, if you could just double click there, you know, and how should we look at the outlook for it in FY27?

Yugandhar Puvvala: Yeah. You heard it right from Subbu. It is the other than the Lenalidomide, it is 13% and I feel like the same double-digit growth is expected going forward.

Shyam Srinivasan: But Yugandhar, there is some Revlimid already in 2026, right? So 513 million includes Revlimid. So you are excluding it and telling us it's whatever double-digit growth.
Sorry, can you just can you just help us what the base number would be?

Yugandhar Puvvala: It's actually like the base number would be around 480 plus. So like we expect a similar double-digit growth because this year of '27 onwards, we will not have the Revlimid. So we expect the base business to continue to grow in double digits.

Shyam Srinivasan: And any interesting launches coming up in this segment, Yugandhar? Anything to call out?

Yugandhar Puvvala: Yeah, it is at this juncture. It is too early for me to comment, Shyam, because of Eugia III. So, there are some interesting launches from other plants, but we are at this juncture keeping ourselves on watch for all the regulatory approvals for the plants so that in next quarter I can give more colour.

Shyam Srinivasan: Got it. Helpful. And just Swami, just QoQ, I know YoY there is a Revlimid in US total, but QoQ, there is some seasonality, is it? For why the QoQ revenues are down?

Swami Iyer: Yeah, typically the 4th Quarter is less than the 3rd Quarter, typically… the 2nd and 3rd Quarter. This is what we see. There are aberrations, of course. If the cold season extends to January, March, it could be higher, but otherwise, 2nd and 3rd Quarter are the best.

Shyam Srinivasan: So $30 million drop annually one can explain, just by seasonality.

Swami Iyer: Yes, that is one. And we also have some partners, we will also have to look at that, but broadly yes there is a seasonality.

Shyam Srinivasan: Understood. Thank you. My just last question to Dr. Satakarni. Dr. Satakarni, now we have all your large cap peers, like large peers, all talking about Biosimilar. So, Sun through the Organon deal has got it, Dr. Reddy's, Lupin have got it. I'm not asking for names, but I'm just saying, is this going to be an interesting phase where we have to now slug it out with some of your other peers? And is there something you will do differently to kind of get your whatever rightful share?

Satakarni Makkapati: It's interesting, Shyam, I mean, how can I, how can I comment on the slugfest that is going to unfold in the Biosimilar space, it's already happening in Europe. One of the previous questions from Nitin, I told the market dynamics is going to be so interesting, the price erosion is going to be so interesting. The competition. Any product that you pick, there are about 10 to 11 players. What is important is to ensure that you have a basket of products that you can go to into the market, create a brand name, as long as they are continuing to be brands like in Canada and US, and make sure that your COGS setting is good enough to still give you a reasonable margin.

I don't think I can do anything differently than what I have done, the speed and agility with which we have looked at the last 7-8 years in building these capabilities, I would like to sustain the momentum. And if that happens, I think we are in a good space right now. The most important aspect for CuraTeQ is the execution of the US filings and can we execute it right first time? And if we do, I think we will be having a very different conversation.

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

Satakarni Makkapati: Thank you.

Moderator: Thank you. The next question is from Jigar Valia. Hi Jigar, requesting you to unmute yourself and ask the question.

Jigar Valia: I'm sorry. So firstly, congratulations on the decent set of numbers under the circumstances with API prices and freights, and I think your growth markets, etc., I think all helped API. So one is with regards to China and India. So, has China break-even helped in margins this time? And as far as India, I think it is about 76 crores a quarter. So, will this Khandelwal acquisition kind of… how much would that kind of contribute to the run-rate?

S. Subramanian: So, in terms of the China, as I said, last quarter we had a loss of around 7 million… last year, I'm sorry, last year. But certainly, this year will not only break-even, will contribute significantly. At least we are working to achieve a low double-digit EBITDA margin for the year. That is what we are trying to do there.

In terms of the Khandelwal Labs, etc., it's a very decent acquisition and it is contributing to the EBITDA margin. And we expect overall; the entire domestic formulation business will grow in double-digit during this year.

Jigar Valia: Got it. So one is, so now only Unit III is the, amongst the larger unit, which is left for the EIR, is that right?

Yugandhar Puvvala: Yeah, Unit III is… Yeah, we are waiting and even Unit I of Eugia is also audited and we are waiting for that as well. There are two units in Eugia network we are waiting.

Jigar Valia: Helpful. Sir, just one more question if you can answer. So, if at all you can update on eczema or Polymist? And also what's the perspective with regards to repurposed drugs? You also mentioned of… Satakarni sir mentioned of the slugfest possible on the Biosimilar, but is there something which is getting evolving on the repurposed drugs as well?

Yugandhar Puvvala: Sorry, Satakarni, would you like to take that question? I didn't understand.

Satakarni Makkapati: What is the question?

Jigar Valia: So, one was, would it be possible for you to update on eczema and Polymist? And also your thoughts with regards to repurposed drugs? You mentioned of the slugfest expected on the Biosimilar, but I don't see any of the larger companies probably warming up to repurposed drugs or these things or any of the generic companies also.

Satakarni Makkapati: I would answer the part two of the question. Part one of the question should be answered by the relevant CEO. What do you mean by drug repurposing is whether we are interested in the practice of finding a new therapeutic use for the existing drug? Is that what you meant by drug repurposing?

Jigar Valia: Yes, I think because a lot of it…

Satakarni Makkapati: I know what's happening around that. At this point of time, I'll get back with my Investor Relations again. But from the little I understand from our board strategy and all, at this point of time, we are not looking at any reprofiling or repositioning or repurposing of the drugs. That's still not part of our Aurobindo board's strategic initiatives. But we will look at this space closely. Maybe that's a differentiator at some point, right now not. But let me go back and correct myself if there is something happening somewhere and provide you an answer through the IR. Does that work for you?

Jigar Valia: Absolutely, sir.

Satakarni Makkapati: Yeah, thank you. Part one, can someone answer part one?

Yugandhar Puvvala: Frankly, we didn't understand the part one question of the Polymists.

Jigar Valia: Yeah. So is there any update on the eczema and Polymists that we can have?

Ashish Anvekar: Sorry. Jigar, this is Ashish here. Is your question on the eczema drug, which was approved?

Jigar Valia: Yes.

Ashish Anvekar. Yes. Yeah. So thank you. So we are right now looking into launching it as soon as possible. Most probably Quarter 2 of our fiscal year is when we are aiming to launch. So that's all I can say for now. But all the preparation work is going on right now to make sure that we launch this, our first NCE for Aurobindo in a very successful manner.

Jigar Valia: All right. Thanks a lot. And I am hoping that you will be upwards of 2,000 crore EBITDA in the coming quarter onwards and higher EBITDA levels also with the integration falling in place. Thank you. Thanks so much.

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

Tarang Agrawal: I got a couple of questions. Good morning and congrats on a decently firm performance. Sir in Europe, so you spoke about double-digit growth going forward. You mean constant currency or you meant in INR terms?

V. Muralidharan: Constant currency basis, which I already reaffirmed. And this year we achieved a double digit. And also our growth planning for the upcoming year revolves around our base business growth, plus new launches, annualized revenue on the FY26 launches and the upcoming FY27 launches. So, we are quite confident we will be able to achieve on constant currency basis.

Tarang Agrawal: Okay. Sir, if I look at the trajectory of this business, right, I mean, Aurobindo has been trying to build this business for the last 12 years. Something has really sort of pivoted in the last three, four years versus the decade before. And in a market which is certainly not growing, especially with the suite of products that we are running with, what has changed in terms of your ability to drive this business, and at the speed and scale that you've been able to?

So just a couple of pointers. I mean, is there a lot more focus than before maybe? Were there some supply chain challenges? Has the market become more interesting with some players exiting? What is it? I mean, just wanted your aerial view in terms of… without getting into some different granularities.

V. Muralidharan: Sure Tarang, I get the flavour of your question. First of all, thank you for your compliments.
And yes, one, Aurobindo has been an evolving organization. So, our understanding of the market and extremely, extremely well streamlined team across our footprint country is sitting in and understanding the market dynamics. And of course, as you rightly said, on the supply chain side, we have definitely done a lot of improvements by way of order processing, turnaround times, understanding the market, what shall I say, the upsides, or certain competition out of stock that can happen. All these things. It's a combination of several items. But at the same time, as you underlined, it's a very complex market. We are answerable to multiple regulators. The expectations or challenges are increasing, whether it is nitrosamines or other compliance requirements.

But despite all, Aurobindo as a team, has been able to deliver. I would like to thank our management for the confidence reposed in Europe and constantly providing us new product opportunities, developing more and more products. So it's a combination of all these positives that's happening. And we are very confident this will be sustainable in the coming period as well.

Tarang Agrawal: Wonderful, that helps. Satakarni sir, on TheraNym, whatever progress that you spoke of, when you spoke about consistent delivery for Contract-1 in 2028 and then for Contract-2 from 2031 onwards, were you referring to calendar year or were you referring to financial year?

Satakarni Makkapati: I'm referring to the financial year, Tarang.

Tarang Agrawal: Okay, that's helpful. On US, on the eczema product, Mr. Anvekar, do we expect you to build a significant front end or would you be continuing with the current cohort that you have? And second, if we could get an update on what's happening with this Ryzneuta. Where is that product? I think about one and a half years now since the approvals come through. So some update there would be helpful.

Ashish Anvekar: Yeah, sure, Tarang. So first of all, for the ADQUEY, which is the brand name for our eczema drug, we are going to build the suitable infrastructure as it is required because we will be in a competitive space, but in a very good competitive space. So we have to invest in making sure that we are giving the brand the due attention and the resources which is required. Our current presence is in oncology, right, so we will be having a separate team which focuses on dermatology.

And for the Ryzneuta, though we had an approval for a year and a half, the product launch was delayed. And much of the scientific story is still being built. We have started getting some traction in the market now, but the story from a brand perspective still needs to be built in the marketplace. The market is very competitive, so it will take us some time for that product to be established. But we just want to make sure that the product has a basis of a scientific story, which is a longer-term story, rather than a short-term pricing story.

Tarang Agrawal: Got it. That's helpful. Swami sir, is $400 million a reasonable base for the US business, notwithstanding the seasonality going forward, ex-acquisitions and some of these NCEs contributing?

Swami Iyer: I didn't understand the question. You are saying $400 million is the base. Yeah, that's correct.

Tarang Agrawal: Because it came down to $387 million this quarter.

Swami Iyer: Yeah, it's reasonable to assume.

Tarang Agrawal: Got it. And last on Eugia, if you could give us a split for FY26 and FY25 between US and ex-US.

Yugandhar Puvvala: Yeah, it is anyway, because we don't give separate numbers, but it still contributes around 70% of the overall business. 30% comes from other than US. But going forward, we expect that to be a 60-40.

Tarang Agrawal: Got it. And the 513 is the overall number, right? US as well as ex-US.

Yugandhar Puvvala: That's right.

Tarang Agrawal: Okay, wonderful. Thank you.

Satakarni Makkapati: Tarang, let me correct myself. I think I talked about 2028 and 2031 in my earlier commentary and guidance for Unit 1 and Unit 2 of CMO. If it is 2028 and 2031, then I am talking about calendar years and not financial year. My apologies.

Tarang Agrawal: Got it. Thank you.

Moderator: Thank you. Requesting management for the closing remarks.

Varun Mali: 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. The transcript of this call will also be uploaded on our website www.aurobindo.com in due course. Thank you once again and have a great day ahead.

Satakarni Makkapati: Thank you.

Moderator: 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