Q3 2023

1. Revenue diversification strategies

- **Narrative:** The management of Aurobindo has articulated a clear strategy focusing on revenue diversification to enhance its financials. This includes a strong emphasis on the injectable business, expanding market presence in the US, and leveraging new product launches through ANDAs. The company also aims to capitalize on its monoclonal antibody sales in different regions, and maintain steady growth in the European market. These strategic moves are expected to contribute significantly to the company's top-line growth in the upcoming quarters.
- **Management's Guidance:**
- Yugandhar Puvvala stated that the injectable business is expected to achieve double-digit growth quarter-over-quarter (QoQ) in Q4 and Q1 of next year. Aishwarya mentioned that there should be an increase in the revenue numbers by 50 million in the next 12 months. Swami Iyer mentioned the commercialization of new ANDAs and expected revenue from these launches over the next 12 months. Yugandhar Puvvala is confident of achieving double-digit growth in the US market. There is an expectation for at least one quarter of sales for the monoclonal antibody in India to start within the next fiscal year, with sales in EMEA expected in 2024-2025. Sanjeev Dani indicated that the company expects to maintain a baseline of €185-190 million in Europe, with potential middle single-digit growth based on seasonality and opportunities. Yugandhar Puvvala mentioned the goal to reach $121-$125 million in global injectable sales next financial year and reiterated the target numbers by FY25.
- **Actual Results:**

['Q2', '2024']:

- The company achieved revenue from operations of Rs 7,219 Cr in Q2FY24, marking an increase of 25.8% year-on-year (YoY). US revenue in Q2FY24 increased by 31% YoY and 7% QoQ to USD 409 Mn, accounting for 47% of consolidated revenue. For the quarter, the European formulation business clocked a revenue of Rs. 1,769 crores, an increase of 16.7% YoY. The injectable business achieved a run rate of USD 122 to USD 127 million from Quarter 1 to Quarter 2 at a global level. The US generic injectable business stabilized around USD 80 million per quarter.

['Q3', '2023']:

- In Q3 FY23, Aurobindo Pharma achieved a revenue growth of 15% in the third quarter, reflecting strong performance across its diversified revenue streams [b84a8fc505397602db8d2b6c463d1583]. US revenue in Q3FY23 increased by 9.3% YoY and 13.8% QoQ to Rs. 3,001.2 crore, accounting for 46.8% of consolidated revenue [6440495b16765e2712efc6606b55752c]. European Formulation revenue was Rs.1,701 crores for the quarter, with a year-on-year growth of 4% and quarter-on-quarter increase of 12.2% [292800153225282b370128952d92407d]. Aurobindo Pharma achieved $100 million plus for the quarter in global injectables [21fbc7aa06c94f358b741eb427394bdb].

['Q1', '2024']:

- Revenue from operations was Rs 6,851 Crore in Q1FY24, reflecting an increase of 9.9% year-on-year and 5.8% quarter-on-quarter. US revenues were reported at US$ 402 Million, which shows an 11.2% increase year-on-year and an 8.5% increase quarter-on-quarter. The US injectable business, specifically under Eugia, generated revenue of US$ 80.1 million, indicating an 11.7% year-on-year and 11.4% quarter-on-quarter growth. Europe formulations revenue increased by 18.6% year-on-year to Rs 1,836.8 Crore. These results suggest that Aurobindo is on track with its revenue diversification strategies and the management's guidance for the US and European markets.

['Q4', '2023']:

- Revenue from operations in Q4FY23 was ■6,473 crore, reflecting an 11.4% increase from Q4FY22. US revenue in Q4FY23 increased by 11.6% YoY and 1.4% QoQ to ■3,044.5 crore. Europe recorded ■1,660 crore in sales for Q4FY23, showing a 7.7% increase compared to Q4FY22. The revenue of US injectable products in the US increased by 3% YoY and 18% QoQ to USD 71.9 million in Q4 FY23.

- **Evaluation:**

- {'evaluation': 'Expectations Exceeded', 'evaluation_reason': "Aurobindo's revenue diversification strategy, with a strong focus on injectables and expansion in the US and Europe, surpassed expectations as evidenced by the higher-than-anticipated growth in US and European revenues, and achieving the targeted run rate for global injectables ahead of FY25."}

2. Profit margin analysis

- **Narrative:** Management has put forward a plan to improve the company's profit margins by focusing on operational efficiencies and strategic investments. They highlighted their commitment to enhancing profitability through cost optimization and strategic initiatives aimed at capturing more market share.
- **Management's Guidance:**
- The CFO projected a 12% increase in EBITDA margin by the end of the next fiscal year.
- **Actual Results:**

['Q1', '2024']:

- In Q1 FY24, the EBITDA before forex and other income was reported at Rs 1,151 crore, with an EBITDA margin of 16.8%. The EBITDA margin before R&D reached 22.5% for the quarter, compared to 21.8% in the previous quarter. Gross Profit increased by 10.3% from Q1FY23 to Q1FY24, and the EBITDA (before forex and other income) increased by 19.3% from Q1FY23 to Q1FY24.

['Q2', '2024']:

- The EBITDA for Q2FY24 was Rs 1,151 Crore with a margin of 16.8%. EBITDA before Forex and Other income at Rs 1,403 crore. EBITDA margin is at 19.4%. Net Profit after minority interest is at Rs 752 crore, with YoY growth of 84% and QoQ growth of 32%. Net profit margin is at 10.4%. Basic & Diluted EPS is Rs 12.83, with a YoY growth of 84%. The company achieved a gross profit of Rs 3,983 Cr in Q2FY24. The company had an EBITDA margin of 19.4% in Q2FY24. The company reported a net profit of Rs 752 Cr in Q2FY24. The company reported an EPS of 12.83 in Q2FY24. The EBITDA before forex and other income grew by 67.7% year-on-year and by 21.9% quarter-on-quarter, to Rs. 1,403 crores. EBITDA margin for the quarter was at 19.4% against 16.8% for the last quarter. Net profit increased by 83.6% year-on-year and by 31.7% quarter-on-quarter, to Rs. 752 crores. Santhanam Subramanian mentioned that the YTD EBITDA margin is currently 18.2%. Gross contribution stood at Rs. 3,983 crores for the quarter. Gross margin for the quarter was higher at 55.2% against 53.9% last quarter. EBITDA has improved to Rs. 1,403 crores reflecting a margin of 19.4%. The business in the European market surpassed mid teen levels in terms of margin. The top line is USD 31 million with a very good margin. Sanjeev Dani stated that their EBITDA remains in the mid-teens' percentage.

['Q3', '2023']:

- The EBITDA margin for Q3 2023 was reported at 14.9%.

['Q4', '2023']:

- In Q4 FY23, the company achieved an EBITDA before forex and other income of Rs 1,002.2 crores with an EBITDA margin of 15.5%, which indicates progress towards their margin improvement initiatives but falls short of the projected 12% increase in EBITDA margin as per management's guidance. The Net Profit was reported at Rs 505.9 crores. There was also a 2.8% year-on-year growth in EBITDA before forex and other income and a 5% quarter-on-quarter increase. The overall EBITDA margin for FY23 was recorded at 15.1%.

- **Evaluation:**
- {'evaluation': 'Expectations Not Met', 'evaluation_reason': 'The management projected a 12% increase in EBITDA margin by the end of the fiscal year, but the actual results showed an EBITDA margin of 19.4% in Q2 FY24 without reaching the projected increase from the baseline. The year-to-date EBITDA margin stood at 18.2%, which indicates that the target was not achieved.'}

3. New product launches
- **Narrative:** Management has articulated a robust plan for new product launches, focusing on expanding their portfolio in the US market. This includes filing multiple ANDAs and scheduling launches for various high-impact products, which are expected to significantly enhance the company's market presence.
- **Management's Guidance:**
- The company expects to launch ten new products in the US market by the end of the next fiscal year. About 40 products are likely to come in the next 12 months. The launch of generic Revlimid is scheduled for Q3 FY24. The company plans to commercialize the PCV 15 vaccine two quarters from now, provided they receive the manufacturing license in April-May.
- **Actual Results:**
['Q2', '2024']:
- In the US market, 10 ANDAs were filed, final approval was received for 15, and 19 products were launched. The company has launched 19 products including 5 Injectables during the quarter. We did mention that we will be launching 40 new products.
['Q3', '2023']:
- Mr. Yugandhar Puvvala reported that Eugia Pharma Specialties Limited launched 5 new products in the last quarter. We talked about 40 ANDA's being commercialised.
['Q4', '2023']:
- In Q4 FY23, the company launched 10 products, including 4 injectables during the quarter. Additionally, they received final approval of 26 ANDAs and launched 10 products during the quarter. The company also filed 12 ANDAs, including 3 injectables during the quarter.
['Q1', '2024']:
- In Q1 FY24, management reported the final approval of 19 ANDAs and launched 15 products in the quarter under review.
- **Evaluation:**
- {'evaluation': 'Expectations Exceeded', 'evaluation_reason': "The management expected to launch ten new products in the US market by the end of the next fiscal year, and the actual results showed that 19 products, including five injectables, were launched in Q2 2024 alone. This significantly surpasses the expected number of launches, indicating that the company's product development and launch initiatives exceeded expectations."}

4. R&D investment focus
- **Narrative:** Management has emphasized a clear strategic focus on bolstering research and development efforts, particularly in the Biosimilars, Vaccines, and Peptide business lines. There is a concerted effort to enhance new product development by increasing R&D investment, which is pivotal for sustaining competitive advantage and expanding the company's product portfolio.
- **Management's Guidance:**
- The company has outlined a 20% increase in R&D investment in the upcoming fiscal year to support the development of new products, with R&D expenditure projected to constitute between 6% to 6.5% of the company's turnover.
- **Actual Results:**
['Q1', '2024']:
- In Q1 FY24, Research & Development (R&D) spend was reported at Rs 388 crore, representing 5.7% of revenue.
['Q2', '2024']:
- In Q2 FY24, R&D expenditure stood at Rs. 300 crores during the quarter, which is 4.2% of the revenue. The R&D for the quarter was lower at 4% of sales or even at an absolute basis Rs. 300 crore.
['Q3', '2023']:
- In Q3 FY23, the R&D expenditure was reported at Rs 415 crores, constituting 6.5% of the revenue, compared to Rs 275.6 crore in Q2FY23, which was 4.8% of the revenue. This indicates alignment with the management's guidance on increasing R&D investment.
['Q4', '2023']:
- In Q4 FY23, the R&D spend was Rs 410.7 crore, which is 6.3% of revenue. The R&D expenditure for the quarter was consistently reported as 6.3% of the revenue, in alignment with the management's guidance.
- **Evaluation:**
- {'evaluation': 'Expectations Not Met', 'evaluation_reason': "The management guided for R&D expenditure to be between 6% to 6.5% of the company's turnover, but actual results in Q1 and Q2 FY24 showed R&D spend dropping to 5.7% and 4.2% of revenue, respectively, indicating a shortfall from the target."}

5. Biosimilars development
- **Narrative:** Management discussed strategic initiatives aimed at expanding their biosimilars portfolio, particularly focusing on penetrating the U.S. market. The company is leveraging its existing resources, such as the field force of Acrotech Biopharma, to effectively market forthcoming biosimilars.
- **Management's Guidance:**
- The company anticipates the approval of its first biosimilar in the U.S. by 2025. Furthermore, there are plans to introduce an immunology biosimilar targeting dermatological indications in the U.S. market by 2025-2026.
- **Actual Results:**
['Q4', '2023']:
- Total spend in Biosimilars (capital and revenue) up to 31st March 2023 was approximately Rs. 1.9 bn. We have completed the treatment phase of (clinical) trial in 690 metastatic breast cancer subjects of a Trastuzumab biosimilar.
['Q1', '2024']:
- In Q1 2024, we advanced BP11 (a biosimilar to Xolair) into a global Phase 3 clinical study in chronic spontaneous urticaria patients in this year.
['Q2', '2024']:
- We advanced BP11 (a biosimilar to Xolair) into a global Phase 3 clinical study in chronic spontaneous urticaria patients in this year.
['Q3', '2023']:
- Dr. Satakarni Makkapati highlighted that Aurobindo Biosimilars saw a 20% increase in sales volume in the past year.
- **Evaluation:**

- {'evaluation': 'Insufficient Info', 'evaluation_reason': 'While there has been progress in clinical trials and an increase in sales volume, there is insufficient information to determine if the expectations for biosimilar approvals in the U.S. by 2025-2026 are on track or exceeded.'}

6. Supply chain optimization
- **Narrative:** Management discussed the detailed timeline for project material installation as part of their efforts to optimize the supply chain operations. This indicates a structured approach towards enhancing operational efficiency by ensuring that supply chain processes are timely and well-coordinated.
- **Management's Guidance:**
- Management provided a timeline for project material installation and payment, suggesting that these efforts are expected to streamline operations and potentially improve cost efficiency in future quarters.
- **Actual Results:**
['Q2', '2024']:
- Santhanam Subramanian mentioned that out of the 15,000-ton capacity, 45 to 50% will be self-consumed.
['Q3', '2023']:
- Santhanam Subramanian mentioned that out of the 15,000-ton capacity, 45 to 50% will be self-consumed.
['Q4', '2023']:
- Santhanam Subramanian mentioned that out of the 15,000-ton capacity, 45 to 50% will be self-consumed.
['Q1', '2024']:
- Santhanam Subramanian mentioned that out of the 15,000-ton capacity, 45 to 50% will be self-consumed.
- **Evaluation:**
- {'evaluation': 'Expectations Met', 'evaluation_reason': "The management's guidance focused on optimizing supply chain operations through structured project material installation, which aimed to improve cost efficiency. The actual results consistently indicated that 45 to 50% of the 15,000-ton capacity was self-consumed, aligning with the intended operational efficiency improvements."}

7. Cost reduction strategies
- **Narrative:** During the Q3 2023 earnings call, management of Aurobindo Pharma highlighted their focus on cost reduction strategies as part of their operational efficiency theme. They discussed specific initiatives aimed at decreasing operating expenses and enhancing overall profitability. A key part of this strategy includes the launch of the Pen-G Project, which is anticipated to not only contribute to revenue growth but also bring down certain costs.
- **Management's Guidance:**
- The company anticipates achieving a 10% reduction in operating expenses by the end of the fiscal year. The Pen-G Project is scheduled to commence on 1st April 2024, with expectations of positively impacting the top line and contributing to cost reductions.
- **Actual Results:**
['Q4', '2023']:
- The company reduced operational costs by 5% last year.
['Q1', '2024']:
- The team successfully reduced operational costs by 10% this year.
['Q2', '2024']:
- The company reduced operational costs by 8% over the past year.
['Q3', '2023']:
- In Q3 FY23, the board member mentioned that the company reduced operational costs by 10% compared to the previous year.
- **Evaluation:**
- {'evaluation': 'Expectations Met', 'evaluation_reason': 'The management anticipated a 10% reduction in operating expenses by the end of the fiscal year, and the actual results show that this target was achieved in Q1 2024, aligning with the stated goals.'}

8. Efficiency measures
- **Narrative:** Management has outlined a strategic initiative to enhance operational efficiency by restructuring the company's API business. This restructuring is aimed at improving operating efficiency and optimizing capacity utilization.
- **Management's Guidance:**
- The management has projected that the carving out of the API business will commence on 1st April, which is expected to result in improved operating efficiency and capacity utilization.
- **Actual Results:**
['Q1', '2024']:
- Unfortunately, there are no specific actual results available for the theme of Operational Efficiency and subtheme Efficiency measures related to the restructuring of the API business for Q1 2024 in the provided data. Therefore, I cannot provide an answer or citations for this period.
['Q2', '2024']:
- Fixed asset turnover at 2.8x.
['Q3', '2023']:
- No specific actual results related to the theme of 'Operational Efficiency' and subtheme 'Efficiency measures' for Aurobindo's restructuring of the API business have been reported for Q3, 2023, based on the provided data.
['Q4', '2023']:
- Unfortunately, there is no specific data corresponding to the operational efficiency improvements or efficiency measures resulting from the restructuring of the API business in Q4 2023. The available actual result related to the period mentions a workforce expansion but does not directly address the operational efficiency theme or efficiency measures tied to the management guidance.
- **Evaluation:**
- {'evaluation': 'Insufficient Info', 'evaluation_reason': 'The available data lacks specific actual results related to the operational efficiency improvements or efficiency measures following the restructuring of the API business, thus making it impossible to assess whether expectations were met.'}

9. Geographic expansion plans
- **Narrative:** Management has outlined plans to expand geographically by initiating commercial activities in the EMEA region and entering the Canadian market, indicating a strategic focus on increasing the company's global footprint.
- **Management's Guidance:**

- The management expects to initiate commercial activities in the EMEA region for at least one product before the end of the next fiscal year and for the second product in the first or second quarter of the following fiscal year. Additionally, they anticipate commercial sales in Canada to begin in either the fourth quarter of the next fiscal year or the early first quarter of the following fiscal year (FY25).
- **Actual Results:**
['Q1', '2024']:
- In Q1 FY24, management reported that commercial activities in the Europe and US markets have been achieved, which is around 93%.
['Q2', '2024']:
- In Q2 FY24, management did not report specific actual results for the EMEA or Canadian market expansions. However, they reiterated their expectations for growth in the US market due to anticipated approvals, which was discussed in previous earnings calls. This suggests that while they may be progressing on their strategic plans, they have not yet provided detailed outcomes for the EMEA and Canadian expansions.
['Q3', '2023']:
- Board member confirmed that 500 new clients were acquired in the last six months.
['Q4', '2023']:
- In Q4 FY23, management reported initiating commercial activities in the EMEA region with one product as planned, and preparations are underway for the second product. However, the entry into the Canadian market has been delayed, with expected initiation now in early FY25.
- **Evaluation:**
- {'evaluation': 'Expectations Met', 'evaluation_reason': "Management's goal to initiate commercial activities in the EMEA region with one product by the end of the fiscal year was achieved, aligning with their expectations, although the Canadian market entry was delayed, it is still on track for early FY25, which aligns with their revised guidance."}

10. FDA approval status
- **Narrative:** Management has outlined a strategic timeline for the filing and approval process of a new monoclonal antibody, targeting various regulatory bodies across different regions. This demonstrates a coordinated effort to enhance their product pipeline and market presence in key regions.
- **Management's Guidance:**
- The company plans to initiate the filing process for a monoclonal antibody in India and Emerging Markets by July of the next fiscal year, with subsequent filings to the European Medicines Agency by September and to the USFDA by December. The company is aiming for approval from both the EMEA and FDA by the fiscal year 2025.
- **Actual Results:**
['Q4', '2023']:
- As of Q4 FY23, management has not specifically reported on the monoclonal antibody filing or approval status with the USFDA. However, they have filed 12 ANDAs including 3 injectables with the USFDA and received final approval for 26 ANDAs including 4 injectables in Q4FY23. Additionally, the company has a cumulative total of 774 ANDAs filed with the US FDA, out of which 565 have final approval and 34 have tentative approval. All 11 US FDA approved FDF units are currently under VAI status.
['Q1', '2024']:
- As of Q1 2024, there are no specific updates related to the FDA approval status for the new monoclonal antibody as outlined in the management's guidance. However, Aurobindo reported a total of 814 ANDAs filed with the US FDA on a cumulative basis, out of which 613 have received final approval. This reflects the company's ongoing regulatory activities with the FDA but doesn't provide specific details on the monoclonal antibody project.
['Q2', '2024']:
- In Q2 FY24, Aurobindo reported the following relevant to regulatory and compliance for FDA approval status:
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- - Oncology Completed licensure trials and is filed with EMEA.
- - Oncology Completed licensure trials and is in filings phase.
- - Filed 10 ANDAs with USFDA in Q2FY24.
- - Received final approval for 15 ANDAs including 3 injectables during the quarter.
['Q3', '2023']:
- As of Q3 2023, the company had made a cumulative total of 767 ANDA filings, with 542 receiving final approval and 38 receiving tentative approvals.
- **Evaluation:**
- {'evaluation': 'Insufficient Info', 'evaluation_reason': 'The actual results do not provide specific updates on the filing or approval status of the new monoclonal antibody with the FDA, EMEA, or other regulatory bodies as per the timeline outlined in the management guidance, making it impossible to determine if expectations were met.'}

11. Capex planning and allocation
- **Narrative:** Aurobindo's management is strategically focusing on capital expenditure to enhance and expand their production capabilities. They are committing significant financial resources towards the Penicillin G project, a key area for future growth. Additionally, they are evaluating financial strategies such as share buybacks, balancing them with their investment plans. The company is also progressing with capital work in progress projects, with some expected to commence commissioning by the end of March 2024.
- **Management's Guidance:**
- The company plans to achieve a cumulative Penicillin G capital expenditure of USD 250 million. The company will address the potential share buyback in the May Board meeting while considering the investment in the Penicillin G Project. Some of the capital work in progress projects are expected to start commissioning by 31.03.2024 onwards. At least some of the capital work in progress will get capitalised on or before 31st March 2024.
- **Actual Results:**
['Q2', '2024']:
- In Q2 FY24, the net capital expenditure was reported as USD 154 million, which includes USD 48 million towards the acquisition of marketing authorization in Indonesia and USD 42 million towards the PLI project. The cumulative capital expenditure for the Pen-G PLI project till September 30 amounted to USD 188 million, and it was stated that the Pen G project itself is nearing USD 185 million as of this date. Additionally, there is about Rs. 6,000 crores of capital work in progress (CWIP) recorded on the books as of September.
['Q3', '2023']:
- Capex for the quarter was approximately USD 82 million, which includes an investment of around USD 39 million in the PLI project. Investments totaled USD 114 million in Q3 FY23. Net organic CapEx during the quarter was USD 82 million, including normal CapEx of Rs.43 million, Penicillin G Project Rs.23 million,

and third-party development expenditure around Rs.16 million. Cumulative Penicillin G capital expenditure reached USD 89 million against the estimated expenditure of USD 250 million as of 31st December.
['Q1', '2024']:
- In Q1 FY24, the net capital expenditure for the quarter was approximately USD 95 million, including an investment of approximately USD 34 million in the PLI project. The total PLI capex spend up to 30th June 2023 was approximately USD 160 million. The cumulative capex for the Pen-G PLI project till June 30th amounts to USD 160 million.
['Q4', '2023']:
- In Q4 FY23, the actual results reported by management included the following key metrics:
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- - Total Capital WIP (Work in Progress) as on 31st March 2023 was approximately Rs. 4,496 crore, which includes around Rs. 2,582 crore for Lyfius and other new business/markets.
- - Net capital expenditure for the quarter was approximately USD 105 million, which included an investment of approximately USD 31 million in the PLI (Production Linked Incentive) project and capex of approximately USD 12 million in various new business/markets.
- - The cumulative PLI capex spend up to 31st March 2023 was approximately USD 121 million, with USD 91 million spent during FY23.
- - The Penicillin G project is estimated to require around USD 250 to 265 million plus or minus contingencies, with an additional USD 130 to 140 million expected to be spent this year on the project.
- **Evaluation:**
- {'evaluation': 'Expectations Met', 'evaluation_reason': "The company aimed for a cumulative Penicillin G capital expenditure of USD 250 million, and by Q2 FY24, they reached USD 188 million, which aligns with their progress timeline. Additionally, the capital work in progress projects are on track, with substantial investments recorded, meeting management's guidance."}

12. Biosimilars and vaccine pipeline
- **Narrative:** Management outlined the strategic focus on expanding their biosimilars and vaccine pipeline, which is expected to drive growth and enhance cash flow generation in the coming years. This forms part of a broader strategy to bolster Aurobindo's presence in the biopharmaceutical sector.
- **Management's Guidance:**
- Management indicated that cash flows are anticipated to be generated starting FY25 onwards from the Pen G project and biosimilars.
- **Actual Results:**
['Q4', '2023']:
- In Q4 FY23, the company has invested more than 1,900 crores on biosimilars till date.
['Q1', '2024']:
- In Q1 FY24, management reported that the total spend in Biosimilars (capital and revenue) up to 30th June 2023 is approximately US$ 280 Million.
['Q2', '2024']:
- In Q2 FY24, the company has invested more than 1,900 crores on biosimilar till date.
['Q3', '2023']:
- In Q3 2023, the company has invested more than 1,900 crores on biosimilar till date.
- **Evaluation:**
- {'evaluation': 'Insufficient Info', 'evaluation_reason': "The management's guidance anticipated cash flow generation from the biosimilars and Pen G project starting FY25, but the actual results only provide information on the investment made up to FY24 without detailing any cash flow outcomes, making it difficult to assess if expectations are met."}