

Q1 2023

1. Research and Development (R&D)

- **Narrative:** Aurobindo is actively pursuing its biosimilar pipeline, with four biosimilars entering clinical trials in 2023. The company anticipates increased costs associated with these trials, impacting R&D expenditure, with effects visible from Q3 and Q4. The company aims to maintain its R&D expenditure as a percentage of revenue within a range of 5.75% to 6.5%. Several new drug projects are underway, with potential filings in the latter half of 2023 and subsequent launches. Time to market for new drugs is estimated to be approximately one year post-filing.

- **Management's Guidance:**

- Increased biosimilar costs starting in Q3 and Q4; Average R&D expenditure as a percentage of revenue between 5.75% and 6.5%; Potential filing of at least one product in the second half of 2023; Potential impact of new products on revenue from FY24 onwards; Filing of two products in 2023-24, with five total filings in Europe the following year; Commercial results from approximately 40 products expected in early next year.

- **Actual Results:**

['Q2', '2023']:

- In Q2 2023, Aurobindo's R&D spend was Rs 276 crore, representing 4.8% of revenue. One clinical trial (phase 3 for a biosimilar) completed randomization of all subjects.

['Q4', '2023']:

- Research & Development spend was Rs 410.7 crore in Q4FY23 (6.3% of revenue). The yearly average was around 5.7%. A Trastuzumab biosimilar completed its treatment phase in 690 metastatic breast cancer subjects.

['Q3', '2023']:

- In Q3 2023, R&D expenditure was Rs 415.2 crore (6.5% of revenue), significantly higher than Rs 275.6 crore (4.8% of revenue) in Q2 2023. The increase was attributed to biosimilar development, with spending reaching Rs 180 crore compared to Rs 75 crore in the previous quarter. Management had previously indicated that R&D spend for the year would be between 6% and 6.5% of revenue.

['Q1', '2023']:

- In Q1 FY23, R&D expenditure was INR 310 crore, representing 5% of revenue. Management noted that this was below their average target range of 6% to 6.5% for the year.

- **Evaluation:**

- {'evaluation': 'Did not meet expectations', 'evaluation_reason': "The Q1 2023 R&D expenditure of 5% of revenue fell below the management's guided range of 5.75% to 6.5% for the fiscal year."}

2. Regulatory Compliance

- **Narrative:** Aurobindo anticipates commencing validations and filings for its Vizag injectable plant in Q4 of FY23, aiming for commercialization by Q4 of FY24.

- **Management's Guidance:**

- Validations and filings for the Vizag injectable plant to begin in Q4 FY23, with commercialization expected by Q4 FY24.

- **Actual Results:**

['Q2', '2023']:

- No specific actual results for Q1 or Q2 2023 regarding the Vizag plant are provided in the data.

['Q4', '2023']:

- The provided data does not contain actual results for this theme in Q4 2023. Information on ANDA approvals and filings is available, but does not directly address the Vizag plant.

['Q3', '2023']:

- No Q3 2023 actual results are provided in the dataset for this theme.

['Q1', '2023']:

- No specific actual results for Q1 FY23 related to the Vizag plant were reported in the provided data.

- **Evaluation:**

- {'evaluation': 'Cannot be Evaluated', 'evaluation_reason': 'No Q1 2023 data is available to assess progress on the Vizag plant validations and filings.'}

3. Financial Performance

- **Narrative:** Aurobindo targets a 15% revenue growth for the next fiscal year. The company expects to surpass \$500 million in revenue in FY23 and reach \$650 million to \$700 million in FY24. Management anticipates improvements in gross margins starting in Q3, driven by cost reduction initiatives. The European business is showing stable growth, with expectations of 5% to 8% year-on-year growth. The ARV business targets at least \$35 million in quarterly revenue. The India branded formulations foray is expected to reach a base of INR 1,000 Cr within two to three years. Profitability is expected within two years for a specific unnamed company.

- **Management's Guidance:**

- 15% revenue growth target for the next fiscal year; Revenue guidance of \$650 million to \$700 million for FY24; Revenue exceeding \$500 million in FY23; Improved gross margins from Q3 onwards due to cost reduction; European business growth of 5% to 8% year-on-year; ARV business targeting at least \$35 million quarterly revenue; India branded formulations to reach INR 1,000 Cr base in two to three years; Profitability expected within two years for a specific unnamed company; Plan to reduce operational costs by 10% over the next two quarters; Profitability beyond 15% expected from a specific initiative.

- **Actual Results:**

['Q2', '2023']:

- In Q2 2023, Aurobindo's consolidated revenue was Rs. 5,739 crores, a decrease of 3.4% year-on-year. US revenue decreased by 11% YoY and QoQ to Rs. 2,638 crore (46% of consolidated revenue). European revenue declined by 2.1% QoQ to Rs 1,516 crore. ARV business revenue was Rs 164 crore (2.8% of revenue). Growth Market formulations revenue increased by 4.9% QoQ (7.9% of revenue). API business revenue was Rs 969 Cr (16.9% of consolidated revenue). Various conflicting statements regarding revenue growth are present in the data.

['Q4', '2023']:

- Revenue from operations reached 6,473.0 crores in Q4FY23 (11.4% year-over-year increase). US revenue was US\$ 370.4 Million. Gross Profit was 3,542.0 crores (7.8% increase YoY). EBITDA (before forex and other income) was 1,002.2 crores (2.9% increase YoY). Net Profit was Rs 505.9 crore. Aurobindo Pharma USA increased its market share by 5% last year. Operational costs were reduced by 8% over the last fiscal year.

['Q3', '2023']:

- In Q3 2023, revenue reached Rs 6,407 crore, a 6.7% increase year-on-year and an 11.6% increase quarter-on-quarter. US revenue grew by 9.3% year-on-year

and 13.8% quarter-on-quarter. European revenue increased by 12.2% quarter-on-quarter. ARV business revenue was Rs 251 crore. EBITDA (before forex and other income) was Rs 954 crore.

['Q1', '2023']:

- In Q1 FY23, revenue was INR 6,235.9 crore (approximately \$760 million based on current exchange rates), showing a 9.4% YoY increase. US revenue increased by 6.1% year-on-year and 6.2% quarter-on-quarter to US\$ 386 million. European formulation revenue decreased by 2.2% year-on-year in INR terms but increased by 5.9% in EUR terms. ARV business revenue increased by 28.1% YoY to INR 380 crore (approximately \$46 million). Gross profit margin data shows a slight decrease compared to the previous year, and EBITDA margin was reported at 15.5%.

- Evaluation:

- {'evaluation': 'Partially Met expectations', 'evaluation_reason': 'While Q1 revenue exceeded \$500 million, the overall YoY revenue growth of 9.4% fell short of the 15% target for the full fiscal year, and gross margins decreased. However, ARV revenue significantly exceeded expectations.'}

4. Market Position

- **Narrative:** Aurobindo aims for a 5% to 10% market share in a \$34 billion addressable market, targeting over \$300 million in revenue within a couple of years. Commercialization of a new initiative is expected to begin in January 2024, with a duration of three to four years.

- Management's Guidance:

- Targeting a 5% to 10% market share, leading to over \$300 million in revenue within a couple of years; Commercialization to begin in January 2024 and last three to four years.

- Actual Results:

['Q2', '2023']:

- No specific actual results for Q1 or Q2 2023 related to market share or revenue are provided in the data. However, one document mentions an addressable market size of US\$ 25.82 Bn for ANDAs related to the Eugia group.

['Q4', '2023']:

- Aurobindo Pharma USA increased its market share by 5% last year. Customer satisfaction score reached 85%.

['Q3', '2023']:

- No Q3 2023 actual results are provided in the dataset for this theme.

['Q1', '2023']:

- While specific market share data for Q1 FY23 wasn't directly provided, management reported being number one in prescription volume in the US market by volume.

- Evaluation:

- {'evaluation': 'Cannot be Evaluated', 'evaluation_reason': 'Although management claimed the number one position by prescription volume, no quantitative data on market share or revenue is provided for Q1 2023 to assess progress against the stated goal.'}

5. Innovation and Pipeline

- **Narrative:** Aurobindo has filed approximately 10-12 products per quarter, including 13 in the current quarter. The company is progressing with its PLI project, aiming for completion by Q4 2024 and commissioning on April 1, 2024.

- Management's Guidance:

- PLI project completion by Q4 2024 and commissioning on April 1, 2024; Filing of approximately 10-12 products per quarter.

- Actual Results:

['Q2', '2023']:

- In Q2 2023, management indicated approximately 20 product launches for the year. Investment in the PLI Penicillin G Project reached \$63 million against a budget of \$235 million.

['Q4', '2023']:

- The provided data does not contain specific actual results for this theme in Q4 2023.

['Q3', '2023']:

- In Q3 2023, management mentioned that approximately 40 ANDAs were expected to be commercialized over the next 12 months.

['Q1', '2023']:

- In Q1 FY23, Aurobindo filed 13 products.

- Evaluation:

- {'evaluation': 'Exceeded expectations', 'evaluation_reason': 'The 13 product filings in Q1 2023 exceeded the management's guidance of 10-12 filings per quarter.'}

6. Supply Chain Management

- **Narrative:** Aurobindo's existing four plants are expected to meet demand until FY26.

- Management's Guidance:

- Existing four plants will meet demand until FY26.

- Actual Results:

['Q2', '2023']:

- In Q2 2023, approximately 55% of manufacturing had been moved to India.

['Q4', '2023']:

- The provided data does not contain actual results for this theme in Q4 2023.

['Q3', '2023']:

- No specific Q3 2023 data on this is available in the provided dataset, although there is mention of freight cost reduction in Q2 and Q3.

['Q1', '2023']:

- No specific data on supply chain performance for Q1 FY23 was provided. However, management mentioned increased production capacity in the previous year.

- Evaluation:

- {'evaluation': 'Cannot be Evaluated', 'evaluation_reason': 'No Q1 2023 data is available to assess whether existing plants met demand.'}