

Q2 2023

1. Revenue diversification strategies

- **Narrative:** Management discussed strategies to enhance revenue growth through diversification, including expanding the global generic injectable sales and leveraging new market opportunities such as Revlimid. The company aims to bolster its presence in the US market as the business environment normalizes in hospitals.

- **Management's Guidance:**

- The management maintains their guidance for global generic injectable sales of \$650-700 million by FY24. The CFO projected a revenue growth of 12% for the next fiscal year. Yugandhar Puvvala mentioned that the volume for the US business should go up as business returns to normal in all hospitals. Yugandhar Puvvala indicated that Revlimid's opportunity will start from FY24 and will remain until FY26 or FY27.

- **Actual Results:**

['Q1', '2024']:

- Revenue from operations at Rs 6,851 crore, an increase of 9.9% YoY. US revenue in Q1FY24 increased by 11.2% YoY and 8.5% QoQ to Rs. 3,304 crores, accounting for 48.2% of consolidated revenue. Eugia revenue in the US was US\$ 90.9 Mn in Q1FY24, which includes US\$ 80.1 Mn from generic injectables.

['Q3', '2023']:

- The company achieved \$100 million plus in global injectables for the quarter. Revenue from the U.S. market improved by 9.3% year on year to Rs.3,001.2 crores, accounting for 46.8% of consolidated revenue. The company registered a revenue of Rs.6,407 crores for Q3FY23. The board member stated that they achieved a 15% increase in revenue last quarter.

['Q2', '2023']:

- In Q2 FY23, global injectables revenue for the quarter was in the range of around \$100 million. US revenue in Q2FY23 decreased by 11% YoY and QoQ to Rs. 2,638 crore, accounting for 46% of consolidated revenue. Revenue from operations was Rs 5,739.4 crore. The company registered a revenue of Rs. 5,739 crores for Q2 FY23; a decrease of 3.4% over last year. The Growth Market witnessed a growth of 17% year-on-year to Rs. 451.9 crores.

['Q4', '2023']:

- Revenue from operations increased by 11.4% YoY in Q4FY23, aligning closely with the projected revenue growth target. US revenue in Q4FY23 increased by 11.6% YoY and 1.4% QoQ to Rs. 3,044.5 crores, accounting for 47.0% of consolidated revenue. Revenue of US injectable products in the US increased by 3% YoY and 18% QoQ to USD 71.9 million in Q4FY23, indicative of the expanding global generic injectable sales. Total Eugia specialty sales in the US amounted to USD 81 million.

- **Evaluation:**

- **Expectations Not Met: The management's guidance anticipated a 12% revenue growth for FY24, yet the actual YoY revenue growth in Q1FY24 was only 9.9%, falling short of the target. Additionally, while the US revenue increased by 11.2% YoY, it did not align with the anticipated boost in global generic injectable sales to \$650-700 million by FY24, as evidenced by the Q1FY24 injectables revenue.**

2. Profit margin analysis

- **Narrative:** During the Q2 2023 earnings call, the management of Aurobindo Pharma emphasized their strategic focus on maintaining robust profit margins. The management outlined specific targets for gross and EBITDA margins, reflecting their commitment to financial stability and growth. Their approach appears to be centered on sustaining high gross margins and improving regional profitability, particularly in the European market.

- **Management's Guidance:**

- The CFO provided guidance on maintaining gross margins around 60% for the upcoming year. Sanjeev Dani expects the EBITDA margin in Europe to reach beyond 15% in the coming quarters.

- **Actual Results:**

['Q1', '2024']:

- In Q1 FY24, the gross margin for the quarter was reported at 53.9%, which is below the guidance of 60%. The EBITDA margin for the quarter was at 16.8%, which is above the guidance for Europe (15%). Additionally, the EBITDA before forex and other income grew by 19.3% year-on-year and 14.9% quarter-on-quarter to 1,151.4 crores. The EBITDA margins before R&D were 22.5% for the quarter against 21.8% of the last quarter.

['Q2', '2023']:

- During the Q2 2023 earnings call, the management of Aurobindo Pharma emphasized their strategic focus on maintaining robust profit margins. The management outlined specific targets for gross and EBITDA margins, reflecting their commitment to financial stability and growth. Their approach appears to be centered on sustaining high gross margins and improving regional profitability, particularly in the European market. The CFO provided guidance on maintaining gross margins around 60% for the upcoming year. Sanjeev Dani expects the EBITDA margin in Europe to reach beyond 15% in the coming quarters. However, the actual results showed that the Gross Margin was reported to be 55.3% in Q2FY23, which is below the management's guidance of maintaining around 60% for the upcoming year. The EBITDA Margin was reported at 14.6% in Q2FY23, which is slightly below the target of beyond 15% for the European market that was mentioned in the management guidance.

['Q3', '2023']:

- During the Q2 2023 earnings call, the management of Aurobindo Pharma emphasized their strategic focus on maintaining robust profit margins. The management outlined specific targets for gross and EBITDA margins, reflecting their commitment to financial stability and growth. Their approach appears to be centered on sustaining high gross margins and improving regional profitability, particularly in the European market. The CFO provided guidance on maintaining gross margins around 60% for the upcoming year. Sanjeev Dani expects the EBITDA margin in Europe to reach beyond 15% in the coming quarters. The actual results showed that the EBITDA margin for Q3 2023 was reported at 14.9%. Gross Profit increased by 7.4% year-over-year to Rs 3,499.6 Crore and 10.4% quarter-over-quarter to Rs 3,171.3 Crore. EBITDA (before forex and other income) decreased by 6.1% year-over-year to Rs 954.4 Crore but increased by 14.0% quarter-over-quarter to Rs 836.9 Crore. Net Profit decreased by 18.7% year-over-year to Rs 491.2 Crore but increased by 20.0% quarter-over-quarter to Rs 409.4 Crore.

['Q4', '2023']:

- In Q4 FY23, Aurobindo Pharma achieved an EBITDA before forex and other income of Rs 1,002.2 crores, resulting in an EBITDA margin of 15.5%. The gross profit grew by 7.8% year on year, and the net profit was reported at Rs 505.9 crores.

- **Evaluation:**

- **Expectations Not Met: Aurobindo Pharma's management guidance was to maintain a gross margin around 60%, but actual results showed margins below this target in all reported quarters. While the EBITDA margin in Europe exceeded expectations in Q1 FY24, the overall profit margin targets were not consistently met.**

3. New product launches

- **Narrative:** Management is strategically focused on expanding their product portfolio significantly over the next few years. They have outlined plans for launching a considerable number of new products, including injectables, biosimilars, and oral solids, across various markets. The company is poised for aggressive growth with a strong pipeline of product filings and launches scheduled both in the current fiscal year and upcoming years.

- **Management's Guidance:**

- The CEO stated that they expect to launch 10 new products in the next fiscal year. The COO announced the launch of three new products by Q4 of this fiscal year. The CEO indicated plans to launch three new products in the European market by Q3 of the upcoming year. Yugandhar Puvvala stated that they expect to launch roughly around 20 products in this financial year. Yugandhar Puvvala confirmed the launch of 20 products in the current financial year. Yugandhar Puvvala stated that they expect to launch around 20 products this year. Swami Iyer mentioned a potential launch of around 40 products for the next 12 months. Sanjeev Dani plans to launch more than 200 products, including injectables, biosimilars, and oral solids over the next 2 years.

- **Actual Results:**

['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. They also filed 12 ANDAs, including 3 injectables during this period.

['Q1', '2024']:

- In Q1 2024, the company received final approval for 19 ANDAs and launched 15 products in the quarter under review.

['Q2', '2023']:

- This year, we should have around 20 launches.

- **Evaluation:**

- **Expectations Exceeded:** The management had set a goal to launch approximately 20 products in the fiscal year, including specific targets for quarters and regions. Actual results show that they launched 10 products in Q4 2023 and 15 in Q1 2024, surpassing the target of 20 products for the fiscal year, along with additional achievements in ANDA approvals and injectables, indicating that the expectations were exceeded.

4. R&D investment focus

- **Narrative:** Management has articulated a clear focus on enhancing R&D efforts, with a specific emphasis on achieving key milestones in their immunology program. This is complemented by an anticipated increase in R&D expenditure relative to sales, indicating a strategic commitment to advancing their product development pipeline.

- **Management's Guidance:**

- The company's R&D expenditure is projected to be around 5.5% to 6% of sales for the fiscal year. Additionally, the R&D expense is expected to increase to 6% of revenue in the coming quarters, and the company plans to achieve the phase 3 first patient injection milestone by Q4 of this fiscal year for its immunology program.

- **Actual Results:**

['Q1', '2024']:

- In Q1 FY24, the R&D spend was reported as Rs 388 crore, accounting for 5.7% of the revenue, which aligns with the management's guidance of 5.5% to 6% of sales. Additionally, R&D expenditure was noted to be 387.6 crores during the quarter, which also represented 5.7% of the revenue. This demonstrates that the company is on track with its strategic R&D investment focus. Furthermore, the company has more than 200 products under development or already filed, indicating a robust product development pipeline.

['Q2', '2023']:

- In Q2FY23, the R&D spend was Rs 276 crore, which represented 4.8% of revenue, falling short of the projected 5.5% to 6% range for the fiscal year.

['Q3', '2023']:

- In Q3 FY23, the R&D spend was Rs 415.2 crore, which constituted 6.5% of revenue, compared to Rs 275.6 crore in Q2 FY23, which was 4.8% of revenue. The R&D cost for the quarter was reported as Rs 415 crores against Rs 276 crores in the previous quarter. These figures indicate that the company exceeded its R&D expenditure guidance of 6% of revenue.

['Q4', '2023']:

- The R&D spend for Q4 FY23 was reported as 6.3% of revenue, exceeding the projected increase to 6% of revenue. The actual R&D expenditure was Rs 410.7 crore during the quarter. This indicates a strong commitment towards R&D investment, aligning with the strategic focus on product development and innovation as mentioned in the management's guidance. However, no specific mention of achieving the phase 3 first patient injection milestone for the immunology program was found in the provided data.

- **Evaluation:**

- **Expectations Exceeded:** The company's R&D expenditure consistently aligned with and even surpassed the management's guidance of 5.5% to 6% of sales across the quarters, reaching 6.3% in Q4 FY23. However, there was insufficient information on the phase 3 first patient injection milestone for the immunology program, yet the robust R&D investment indicates a strong commitment to the strategic focus outlined.

5. Biosimilars development

- **Narrative:** Management has conveyed their strategy to advance in the biosimilars market through substantial progress in clinical trials and anticipated regulatory filings. They are focusing on completing phase 3 trials and preparing for product approvals, with an eye towards eventual market entry and revenue generation.

- **Management's Guidance:**

- The company plans to unblind the clinical trial data of their phase 3 efficacy trial for a biosimilar starting at the end of Q3 this financial year, with a series of filings to begin from Q1/Q2 in the next fiscal year. Satakarni Makkapati stated that a product approval in the area of biosimilars is expected next year, with commercialization revenues anticipated to begin in Q3 or Q4 of the next year.

- **Actual Results:**

['Q4', '2023']:

- In Q4 2023, the company reported that the total spend in Biosimilars (capital and revenue) up to 31st March 2023 was approximately Rs. 1.9 billion. Additionally, they completed the treatment phase of the clinical trial in 690 metastatic breast cancer subjects for a Trastuzumab biosimilar.

['Q1', '2024']:

- Dr. Satakarni Makkapati highlighted that Aurobindo Biosimilars saw a 20% increase in sales volume in the past year.

['Q2', '2023']:

- We have completed randomization of all 690 metastatic breast cancer subjects in our phase 3 efficacy trial.

['Q3', '2023']:

- Dr. Satakarni Makkapati highlighted that Aurobindo Biosimilars saw a 20% increase in sales volume in the past year.

- Evaluation:

- **Expectations Met:** The company completed the treatment phase for their phase 3 efficacy trial and reported a 20% increase in sales volume in biosimilars, aligning with management's guidance of progressing towards regulatory filings and eventual market entry.

6. Cost reduction strategies

- **Narrative:** The management has analyzed the issues faced in the second quarter and determined them to be anomalies rather than a recurring pattern. This insight suggests that the company is focused on identifying and mitigating unique challenges to streamline operations and reduce costs effectively.

- Management's Guidance:

- The management expects the issues encountered in Q2 to be isolated incidents, implying a return to normal operational efficiency and cost structure in future quarters.

- Actual Results:

['Q4', '2023']:

- The company successfully reduced operational costs by 5% compared to the previous year.

['Q1', '2024']:

- The team successfully reduced operational costs by 10% this year. Additionally, a board member stated that they reduced operational costs by 10% this year. Furthermore, the company reduced operational costs by 8% over the last fiscal year.

['Q2', '2023']:

- The company reduced its operational costs by 10% compared to the previous year. This result indicates that the company has been successful in its cost reduction strategies for the period in question, aligning with the management's expectation of overcoming the anomalies faced in Q2 and achieving improved operational efficiency.

['Q3', '2023']:

- In Q3 2023, the board member mentioned that the company reduced operational costs by 10% compared to the previous year. Additionally, the board member noted that production costs were reduced by 5% last quarter and operational costs by 5% in the previous quarter.

- Evaluation:

- **Expectations Exceeded:** The management anticipated a return to normal operational efficiency and cost structures after Q2 anomalies. The actual results demonstrate a significant reduction in operational costs by 10% across multiple quarters, surpassing the expected stabilization.

7. Manufacturing process improvements

- **Narrative:** The management of Aurobindo Pharma has emphasized a strategic focus on improving manufacturing efficiencies through capacity expansion and relocation of production. This includes a significant increase in production capacity and relocation of manufacturing processes to India, which aligns with their long-term operational goals.

- Management's Guidance:

- The CEO of Eugia Pharma Specialties Limited has set an operational goal to increase production capacity by 20% by mid-next year. The CFO has also mentioned targeting a 20% increase in production capacity by the end of the next fiscal year. S. Subramanian indicated that 50% of the products have been moved to India over the last 3-4 years, with plans to continue this process. Satakarni Makkapati mentioned that a 15KL manufacturing bioreactor capacity is expected to be operational and ready for commercial supplies in FY25-26.

- Actual Results:

['Q3', '2023']:

- In Q3, 2023, management reported that a 600 crores installation is over.

['Q4', '2023']:

- Santhanam Subramanian mentioned that the current capacity utilization for formulation is significantly high.

['Q1', '2024']:

- Santhanam Subramanian mentioned that the current capacity utilization for formulation is significantly high.

['Q2', '2023']:

- In Q2 2023, Aurobindo Pharma Limited reported that the production capacity will be around 15,000 Metric Tonnes. Additionally, the company currently has a 140,000 square feet manufacturing footprint with four 2,500 litre bioreactors, totaling around 10 KL capacities for internal programs.

- Evaluation:

- **Expectations Not Met:** The management set a goal to increase production capacity by 20% and relocate 50% of products to India, but the actual results indicate high capacity utilization without confirming the achievement of the specified increase or relocation goals.

8. Competitive positioning

- **Narrative:** Management discussed their strategy to bolster competitive positioning in the US generic market. They are focused on capturing a significant market share as part of their expansion plan.

- Management's Guidance:

- The CEO of Aurobindo USA confirmed a target to achieve 15% market share in the US generic market by the end of next year.

- Actual Results:

['Q4', '2023']:

- Tarang Agrawal inquired about the volume share in the Eugia business in the US and how it has moved over the last year or previous quarter.

['Q1', '2024']:

- Tarang Agrawal inquired about the volume share in the Eugia business in the US and how it has moved over the last year or previous quarter.

['Q2', '2023']:

- In Q2 2023, the company expanded its market share by 5% in the previous year. However, they experienced a significant volume drop not only for them in Q1 and Q2.

['Q3', '2023']:

- In Q3 2023, Mr. Swami Iyer mentioned that Aurobindo Pharma USA increased its market share to 12% in the generics segment last year.

- Evaluation:

- **Expectations Not Met:** Management aimed for a 15% market share in the US generic market by year-end, but Aurobindo Pharma USA achieved only a 12% market share, thus failing to meet the target.

9. FDA approval status

- **Narrative:** During the Q2 2023 earnings call, management highlighted their progress in the regulatory landscape, particularly in the filing and approval of Abbreviated New Drug Applications (ANDAs). The company is strategically advancing its clinical trials and anticipates regulatory approvals that will significantly impact future revenue streams. They are actively pursuing FDA approvals and are focused on closing trials and initiating filings in both Europe and the US. This strategy is expected to enhance their market presence and revenue generation in the coming fiscal years.

- Management's Guidance:

- 1. The company plans to close a clinical trial by Q1 of FY24 and commence the filing process in Europe and the US, indicating a strategic focus on diversifying market presence and enhancing regulatory compliance. 2. Revenues from three large antibody clinical trials are anticipated to begin contributing by the end of FY24 or FY25, contingent upon the 9-15 month regulatory process in Europe and the US following filings. 3. Approval of the PCV-15 vaccine is expected to progress through the regulatory process within the next 2-4 months, indicating a near-term focus on vaccine portfolio expansion.

- Actual Results:

['Q4', '2023']:

- During the Q2 2023 earnings call, management highlighted their progress in the regulatory landscape, particularly in the filing and approval of Abbreviated New Drug Applications (ANDAs). The company is strategically advancing its clinical trials and anticipates regulatory approvals that will significantly impact future revenue streams. They are actively pursuing FDA approvals and are focused on closing trials and initiating filings in both Europe and the US. This strategy is expected to enhance their market presence and revenue generation in the coming fiscal years. The actual results include: Filed 12 ANDAs including 3 injectables with USFDA in Q4FY23. Received final approval for 26 ANDAs including 4 injectables in Q4FY23. Total of 171 injectables filed as of 31st March, 2023, with 126 final approvals received. The company has 774 ANDAs filed with the US FDA on a cumulative basis, out of which 565 have final approval and 34 have tentative approval. As of now, all the total 11 US FDA approved FDF units are under VAI status. Satakarni Makkapati mentioned that they filed a Drug Master File for liraglutide last October. Management told they plan to do around 5-6 filings from the US plant during this fiscal.

['Q1', '2024']:

- In Q1 FY24, the company reported the following: - There were a total of 169 ANDA filings as of June 30, 2023, with 130 receiving final approval. The company has filed 814 ANDAs with the US FDA cumulatively, of which 613 have received final approval. - Additionally, 17 out of 18 US FDA regulated units have a classification of VAI (Voluntary Action Indicated), indicating compliance with FDA regulations. - This confirms progress in their regulatory strategy and ANDA approval process, aligning with the guidance provided in the prior quarter.

['Q2', '2023']:

- As of 30th September 2022, the company has filed 756 ANDAs, of which 527 have the final approval. Satakarni Makkapati mentioned two filings with the European Medicines Agency (EMA) in the oncology space with an abbreviated clinical path.

['Q3', '2023']:

- In Q3 2023, the company reported a total of 767 ANDA filings as of 31st December 2022, with 542 receiving final approval and 38 receiving tentative approvals, demonstrating progress in their regulatory strategy and FDA approval status.

- Evaluation:

- **Expectations Met:** The company successfully filed and received approvals for a significant number of ANDAs and maintained compliance across its FDA-regulated units, aligning with the management's guidance on regulatory progress and market presence enhancement.

10. Compliance with international standards

- **Narrative:** Management has expressed a focus on ensuring compliance with international standards, specifically highlighting their intention to advance the regulatory process for key products. This demonstrates a strategic effort to align with global compliance benchmarks, which is crucial for expanding market presence and sustaining growth.

- Management's Guidance:

- Management plans to have a WHO filing for the PCV-15 vaccine in 2024, indicating their commitment to meet international regulatory standards and expand their product portfolio in the global market.

- Actual Results:

['Q1', '2024']:

- In Q1 FY24, management reported that dossiers were 478 as of June 2023, and registrations were 300 as of June 2023, indicating progress in regulatory compliance and alignment with international standards.

['Q2', '2023']:

- The number of filings in South Africa has come down from 436 as on 31st Mar 2020 to 348 as on 31st Mar 2021.

['Q3', '2023']:

- In Q3 2023, Santhanam Subramanian mentioned that all formulation units are under VAI and that 2 units, APL Health Care Unit 1 and 3, have been inspected with no issues in terms of regulatory compliance.

['Q4', '2023']:

- Unfortunately, there is no specific data available in the actual results for Q4 2023 that directly addresses the theme of Regulatory and Compliance or the subtheme Compliance with international standards as outlined in the management's narrative and guidance for the PCV-15 vaccine WHO filing. The available information pertains to a different aspect of regulatory activities, specifically regarding filings in South Africa.

- Evaluation:

- **Insufficient Info:** The actual results do not provide specific information about the progress or completion of the WHO filing for the PCV-15 vaccine in 2024, which is necessary to assess compliance with international standards as outlined in management's guidance.

11. Regulatory challenges

- **Narrative:** Management discussed the ongoing regulatory challenges faced by the company, particularly concerning two oncology programs. The focus was on the delays in the European Medicines Agency (EMA) review process due to the unavailability of inspectors, which has affected the timeline for regulatory approvals.

- Management's Guidance:

- Management anticipates that the EMA review process for the oncology programs will resume by June 2023, provided inspectors become available sooner. Additionally, there is an expectation for the inspection in Europe to occur between January and June 2023.

- Actual Results:

['Q3', '2023']:

- Despite the anticipated timelines, the actual results in Q3 2023 indicate improvements in regulatory approvals. Approvals for formulations in Europe increased from 2,224 in March 2016 to 3,639 in June 2022. API approvals in Europe also rose from 1,689 in March 2016 to 1,956 in June 2022, showing progress in overcoming some regulatory hurdles.

['Q4', '2023']:

- In Q4 FY23, there are no specific results reported directly addressing the oncology programs' regulatory challenges with the EMA. However, it was noted that overall approvals for formulations in Europe increased from 2,224 in March 2016 to 3,639 in June 2022, which might indirectly suggest progress in the regulatory landscape.

['Q1', '2024']:

- Approvals for formulations in Europe increased from 2,224 in March 2016 to 3,639 in June 2022.

['Q2', '2023']:

- Approvals for formulations in Europe increased from 2,224 in March 2016 to 3,639 in June 2022.

- Evaluation:

- Expectations Not Met: Despite the management's expectation for the EMA review process to resume by June 2023 and an inspection to occur between January and June 2023, the actual results in Q3 and Q4 2023 do not specifically address the oncology programs' regulatory challenges, indicating that the anticipated milestones were not achieved.

12. Capex planning and allocation

- Narrative: Management highlighted their ongoing commitment to expand and enhance production capabilities, with a significant focus on the upcoming Pen-G plant development. This signals a strategic investment to bolster manufacturing infrastructure, likely aimed at supporting long-term growth and competitive positioning.

- Management's Guidance:

- Management conveyed plans to allocate Rs. 1,500 crores towards the Pen-G plant in the coming year. Additionally, they indicated an annual capital expenditure ranging from \$125 to \$150 million.

- Actual Results:

['Q3', '2023']:

- Capex for the quarter ~US\$ 82 Million including investment of ~US\$ 39 Million in PLI project. Investments were 114 US\$ Million in Q3FY23. 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 PenG-capital expenditure is USD 89 million against the estimated expenditure of USD 250 million as of 31st December.

['Q1', '2024']:

- Net capex for the quarter ~US\$ 95 Million including investment of ~US\$ 34 Million in PLI project. Total PLI capex spend up to 30th June 2023 is ~US\$ 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 net capital expenditure for the quarter was approximately USD 105 million, with specific investments including approximately USD 31 million in PLI projects and USD 12 million in various new business/markets. The cumulative PLI capex until March 2023 amounted to USD 121 million. For the Pen-G project, the total estimated cost was around USD 250 to 265 million, with an additional USD 130 to 140 million planned to be spent during the year.

['Q2', '2023']:

- In Q2 2023, S. Subramanian mentioned they have spent around Rs. 500 crores on the Pen-G plant. Net organic capex for the quarter was reported to be ~\$82 million, with \$31 million spent towards capex, including the PLI Penicillin G Project. Additionally, it was noted that the investment in the PLI Penicillin G Project so far is around \$63 million against a budget of \$235 million.

- Evaluation:

- Expectations Not Met: The management planned to allocate Rs. 1,500 crores for the Pen-G plant, but the cumulative CapEx by June 2023 was only USD 160 million, indicating a shortfall in meeting the planned capital expenditure.

13. Biosimilars and vaccine pipeline

- Narrative: Management elaborated on their strategic initiative to expand the company's biosimilar production capacity. This involves setting up an additional biosimilar manufacturing facility, reflecting their commitment to scaling up operations and meeting increasing demand in the sector.

- Management's Guidance:

- The company plans to put an additional biosimilar plant with a capital outlay of approximately Rs. 300 crores.

- Actual Results:

['Q4', '2023']:

- The company has invested more than 1,900 crores on biosimilar till date.

['Q1', '2024']:

- Total spend in Biosimilars (capital and revenue) up to 30th June 2023 is ~US\$ 280 Million.

['Q2', '2023']:

- S. Subramanian indicated an additional Biosimilar plant with ~Rs. 300 crores apart from other projects.

['Q3', '2023']:

- The company has invested more than 1,900 crores on biosimilar till date.

- Evaluation:

- Expectations Exceeded: The management's guidance was to invest approximately Rs. 300 crores in an additional biosimilar plant, but the actual investment has surpassed Rs. 1,900 crores, indicating that the strategic initiative to expand biosimilar production capacity exceeded expectations.

14. Specialty business development

- Narrative: Management highlighted a strategic delay in the injectable specialty guidance, indicating a shift in the timeline for their specialty business initiatives. They also discussed the potential future contributions of their specialty products, particularly focusing on advanced markets.

- Management's Guidance:

- The company anticipates that contributions from specialty products in advanced markets will likely occur in FY26 or FY27.

- Actual Results:

['Q3', '2023']:

- In Q3, 2023, Santhanam Subramanian stated that last year they made an attempt to restructure the Eugia vertical.

['Q4', '2023']:

- In Q4 FY23, Santhanam Subramanian stated that last year they made an attempt to restructure the Eugia vertical.

['Q1', '2024']:

- In Q1 FY24, Santhanam Subramanian stated that last year they made an attempt to restructure the Eugia vertical.

['Q2', '2023']:

- In Q2 2023, there was a volume drop to the tune of around 20% in the specialty business.

- Evaluation:

- Expectations Not Met: The management anticipated contributions from specialty products in advanced markets to occur in FY26 or FY27, but the actual results indicate a volume drop of around 20% in the specialty business during Q2 2023, reflecting challenges in the current trajectory and delays in achieving the anticipated contributions.

15. Market expansion strategy

- Narrative: In the Q2 2023 management discussion, the leadership highlighted a strategic focus on expanding the market presence, although they acknowledged challenges in achieving the expected outcomes. This reflects a cautious approach towards growth, suggesting a reassessment of timelines and strategies to adapt to unforeseen market conditions.

- Management's Guidance:

- Management indicated that the initially anticipated market expansion goals might be delayed by a year due to certain upsides not materializing as expected.

- Actual Results:

['Q3', '2023']:

- There was a volume drop to the tune of around 20% in the specialty business.

['Q1', '2024']:

- In Q1 2024, there was a volume drop to the tune of around 20% in the specialty business, indicating challenges in achieving the anticipated market expansion.

['Q4', '2023']:

- In Q4 FY23, the actual performance data indicated a volume drop to the tune of around 20% in the specialty business, which could be reflective of the challenges faced in achieving the market expansion goals as initially planned.

['Q2', '2023']:

- There was a volume drop to the tune of around 20% in the specialty business.

- Evaluation:

- Expectations Not Met: The actual results showed a consistent volume drop of around 20% in the specialty business across multiple quarters, indicating significant challenges in achieving the anticipated market expansion goals, contrary to management's guidance.