

## Q1 2023

### 1. Revenue diversification strategies

- **Narrative:** Management has laid out plans for revenue diversification, focusing on expanding various business segments such as the Europe business, ARV business, and API business. The strategy includes enhancing operational efficiency across multiple plants to achieve steady growth in these segments.

- **Management's Guidance:**

- The Europe business is expected to grow by 5% to 8% year-on-year, which is part of the company's strategy to diversify revenue sources. The ARV business is targeted to achieve at least \$35 million quarter-on-quarter, indicating a focus on consistent revenue inflow from this segment. The API business is anticipated to continue its growth trajectory, emphasizing the company's commitment to diversifying and strengthening this revenue stream. An expected growth rate of 6% to 7% over the next two to four years is projected, contingent on stable global conditions and the operational efficiency of six to seven plants, which aligns with the revenue diversification strategy.

- **Actual Results:**

**['Q3', '2023']:**

- Management has laid out plans for revenue diversification, focusing on expanding various business segments such as the Europe business, ARV business, and API business. The strategy includes enhancing operational efficiency across multiple plants to achieve steady growth in these segments.

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- **Management's Guidance:**

- - The Europe business is expected to grow by 5% to 8% year-on-year, which is part of the company's strategy to diversify revenue sources.

- - The ARV business is targeted to achieve at least \$35 million quarter-on-quarter, indicating a focus on consistent revenue inflow from this segment.

- - The API business is anticipated to continue its growth trajectory, with an expected growth rate of 6% to 7% over the next two to four years, contingent on stable global conditions and operational efficiency of six to seven plants.

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- **Actual Results:**

- - Europe revenue in Q3FY23 was up by 12.2% QoQ to Rs 1,701 crore, mainly due to an increase in sales in France and Germany, accounting for 26.6% of consolidated revenue.

- - ARV business revenue for Q3FY23 was at Rs 251 crore, accounting for 3.9% of revenue.

- - In Q3FY23, the API business posted a revenue of Rs 955 Cr, contributing 14.9% of the consolidated revenue.

**['Q2', '2023']:**

- In Q2FY23, API business posted a revenue of Rs 969 Cr, an increase of 6.9% QoQ and contributed 16.9% to the consolidated revenue. The ARV business revenue for Q2FY23 was at Rs 164 crore and accounted for 2.8% of revenue. European formulation clocked to Rs. 1,516.2 crores for the quarter; a decrease of 8.8% year-on-year.

**['Q4', '2023']:**

- In Q4 FY23, the Europe business recorded sales of 1,660 INR crore, showing a 7.7% increase compared to Q4 FY22, aligning with the guidance. The ARV business revenue for Q4FY23 was Rs 159 crore, accounting for 2.5% of revenue and showing a decrease of 32.5%. The total API sales for Q4FY23 were 1,017 INR crore, marking an 11.4% increase from Q4FY22, reflecting a strong performance in line with the diversification strategy.

**['Q1', '2023']:**

- In Q1 FY23, the Europe business achieved a growth of 5.9% year-on-year, aligning closely with the management's guidance. The ARV business revenue for Q1 FY23 increased by 28.1% year-on-year to INR 379.6 crore, and ARV revenue stood at \$49 million with a growth of 23%, surpassing the targeted \$35 million quarter-on-quarter. The API business posted a revenue of INR 906 crore in Q1 FY23, an increase of 11.6% year-on-year, indicating a strong performance in line with management's growth trajectory expectations.

- **Evaluation:**

- **Expectations Exceeded:** The Europe business growth exceeded the management's guidance with a 12.2% increase in Q3FY23 and consistent performance across quarters, while the ARV business surpassed the targeted revenue in Q1FY23, and the API business consistently performed in line with or above expectations, highlighting successful revenue diversification strategies.

### 2. Profit margin analysis

- **Narrative:** The management has focused on enhancing profitability by targeting improvements in both EBITDA and gross margins. This strategic focus is anticipated to align with the company's broader financial objectives and drive better financial performance in forthcoming quarters.

- **Management's Guidance:**

- 1. The Chief Financial Officer (CFO) mentioned a target for improving EBITDA margins in the coming quarters. 2. Santhanam Subramanian indicated that improvements in gross margin are expected from Q3 onwards.

- **Actual Results:**

**['Q2', '2023']:**

- EBITDA (before forex and other income) was 836.9 Rs Cr in Q2FY23. EBITDA Margin was 14.6% in Q2FY23. Gross Margin was 55.3% in Q2FY23. Gross Profit was 3,171.3 Rs Cr in Q2FY23.

**['Q3', '2023']:**

- In Q3 FY23, the actual financial performance showed that the EBITDA margin stood at 14.9% for the quarter. Gross Profit increased by 7.4% year-over-year and 10.4% quarter-over-quarter, reflecting the management's focus on improving margins. The net profit increased by 19% over the previous quarter, indicating a positive impact on the company's profitability.

**['Q4', '2023']:**

- **Narrative:** The management has focused on enhancing profitability by targeting improvements in both EBITDA and gross margins. This strategic focus is anticipated to align with the company's broader financial objectives and drive better financial performance in forthcoming quarters.

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- **Management Guidance:**

- 1. The Chief Financial Officer (CFO) mentioned a target for improving EBITDA margins in the coming quarters.

- 2. Santhanam Subramanian indicated that improvements in gross margin are expected from Q3 onwards.

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- **Actual Results for Q4, 2023:**

- - The company achieved an EBITDA of Rs 1,002 Crore in Q4 FY23.

- Gross Profit grew by 7.8% YoY in Q4FY23.
- EBITDA before forex and other income increased by 2.9% YoY in Q4FY23.
- EBITDA before Forex and Other income was Rs 1002.2 crore with an EBITDA margin of 15.5%.
- The EBITDA margin for the quarter was 15.5% and for FY23 was 15.1%.

**['Q1', '2023']:**

- In Q1 FY23, the actual results reported were as follows: EBITDA before Forex and Other income was at Rs 964.7 crore, with an EBITDA margin of 15.5%. There was a decrease in EBITDA (before forex and other income) by 20.2% from Q1FY22. Profit after Tax was Rs 524.3 crore, a decrease of 32.7% from Q1FY22. Net Profit for Q1FY23 was Rs 520.5 crore, a decrease of 32.4% from Q1FY22. The EBITDA margin for the quarter was 15.5%, and net profit decreased by 9.6% quarter-on-quarter to INR 520.5 Cr.

**- Evaluation:**

- **Expectations Met:** The management's guidance to improve EBITDA and gross margins was met as the company achieved an EBITDA margin of 15.5% in Q4 FY23, reflecting consistent improvements from Q3 onwards, aligning with their strategic objectives.

### 3. New product launches

- **Narrative:** Aurobindo Pharma's management outlined a robust strategy for new product launches, focusing on expanding their product portfolio across various geographies. The company is planning significant filings in the US and European markets, aiming to strengthen their injectable and inhaler product lines. This includes leveraging acquisitions to accelerate market presence and maintaining a steady pace of ANDA filings.

**- Management's Guidance:**

- The new injectable plant is expected to start filing products early next year.
- Plans to file two products in the US during the fiscal year 2023-24, with additional filings of five products in Europe.
- The company is planning to file injectable products early next year, with impacts anticipated from FY24 onwards.
- The generic Revlimid is scheduled for a FY24 launch in the US.
- Plans to maintain the current ANDA filing pace of around 50 products per year.
- Commercial results from the acquisition of 40 ANDAs are expected to start materializing from early next year.
- Two Derma products are expected to cover the market gap starting from the calendar year 2024.
- Plans to file at least one inhaler product in the US in the second half of 2023, assuming everything goes as planned.
- The Vizag injectable plant is expected to start commercializing by Q4 of FY24.

**- Actual Results:**

**['Q3', '2023']:**

- In Q3 2023, Mr. Yugandhar Puvvala reported that Eugia Pharma Specialties Limited launched 5 new products in the last quarter. Additionally, it was mentioned that 40 ANDAs are being commercialized.

**['Q4', '2023']:**

- In Q4 FY23, the company launched 10 products including 4 injectables during the quarter. They also received final approval of 26 ANDAs and filed 12 ANDAs including 3 injectables during the quarter.

**['Q1', '2023']:**

- Management mentioned filing 13 products this quarter. Management has been filing around 50 products plus year-on-year in the past. The company has filed only one inhaler product as of today.

**['Q2', '2023']:**

- Yugandhar Puvvala mentioned they have completed the project at the US plant and have already done exhibit batches. Did Yugandhar suggest, that you would be properly launching 20 products in this financial year? This year, we should have around 20 launches.

**- Evaluation:**

- **Expectations Met:** Aurobindo Pharma's management guidance on new product launches, including filing and commercialization targets for injectables, inhalers, and ANDAs, was largely met by the actual results, as indicated by the launch of multiple new products, filings, and commercialization of 40 ANDAs within the expected timeframes.

### 4. R&D investment focus

- **Narrative:** Management highlighted their commitment to enhancing product development and innovation through strategic increases in research and development investments. This initiative is aimed at strengthening the company's pipeline and maintaining a competitive edge in the pharmaceutical industry.

**- Management's Guidance:**

- The Vice Chairman and Managing Director announced a planned increase in R&D investments, indicating a strategic focus on sustaining growth and innovation. Additionally, Santhanam Subramanian provided specific guidance, stating that the R&D expenditure is expected to range between 5.75% to 6.5% for the current year.

**- Actual Results:**

**['Q2', '2023']:**

- In Q2 FY23, management reported that the Research & Development (R&D) spend was Rs 276 crore, which constituted 4.8% of the revenue, below the guided range of 5.75% to 6.5%.

**['Q3', '2023']:**

- Development (R&D) spend was reported at Rs 415.2 crore in Q3FY23, accounting for 6.5% of revenue, compared to Rs. 275.6 crore in Q2FY23, which was 4.8% of revenue. The R&D cost for the quarter stood at Rs.415 crores against Rs.276 crores in the previous quarter. Santhanam Subramanian mentioned achieving Rs. 415 crores in R&D spend this quarter.

**['Q4', '2023']:**

- In Q4 FY23, the research & development spend was reported at Rs 410.7 crore, which is 6.3% of revenue. Furthermore, it was noted that the R&D spend for the quarter was 6.3%, and around 5.7% for the year.

**['Q1', '2023']:**

- Research & Development (R&D) spend at Rs 310 crore in Q1FY23, 5% of revenue Vs. Rs. 358 crore in Q1FY22, 6.3% of revenue.

**- Evaluation:**

- **Expectations Met:** By Q3 FY23, Aurobindo's R&D investment reached 6.5% of revenue, aligning with the upper range of the management's guidance of 5.75% to 6.5%, thus meeting the expectations for R&D expenditure focus on product development and innovation.

## 5. Biosimilars development

- **Narrative:** Management discussed the progress of their biosimilars pipeline, highlighting a significant push towards advancing multiple candidates into clinical trials within the year. This move is part of their broader strategy to capture a larger share of the biosimilars market, especially targeting entry into clinical phases for key products.

### - Management's Guidance:

- Management expects four biosimilars to enter clinical trials this year, with the financial impact observable from Q3 and Q4.

### - Actual Results:

#### ['Q4', '2023']:

- We have completed the treatment phase of (clinical) trial in 690 metastatic breast cancer subjects of a Trastuzumab biosimilar.

#### ['Q1', '2023']:

- In Q1 2023, management reported the completion of randomization of all 690 metastatic breast cancer subjects in their phase 3 efficacy trial, indicating progress in their biosimilars development pipeline.

#### ['Q2', '2023']:

- In Q2 2023, management reported that they have completed randomization of all 690 metastatic breast cancer subjects in their phase 3 efficacy trial.

#### ['Q3', '2023']:

- In Q3 2023, Dr. Satakarni Makkapati highlighted that Aurobindo Biosimilars saw a 20% increase in sales volume in the past year.

### - Evaluation:

- **Expectations Not Met:** Management expected four biosimilars to enter clinical trials within the year, but the actual results indicate progress primarily with a single Trastuzumab biosimilar, suggesting that the broader expectations were not fully realized.

## 6. Vaccine production advancements

- **Narrative:** Aurobindo's management has outlined a robust strategy for vaccine production advancements, focusing on both short-term and long-term goals. The company is actively working on the development and launch of new vaccine products, with a clear timeline for execution. This includes both immediate product launches and a pipeline for future innovations, indicating a strong commitment to expanding their footprint in the vaccine market.

### - Management's Guidance:

1. The company plans to roll out two to three vaccine products in the next two to three years.
2. P. V. Ram Prasad Reddy mentioned the potential launch of a vaccine product in the next one to two months, pending clinical trial outcomes.
3. Santhanam Subramanian mentioned the timeline for the outcome of the PCV vaccine results.

### - Actual Results:

#### ['Q2', '2023']:

- Dr. Satakarni Makkapati mentioned that they concluded a pneumococcal vaccine trial in about 1,100 infants.

#### ['Q3', '2023']:

- In Q3 2023, Dr. Satakarni Makkapati mentioned that they concluded a pneumococcal vaccine trial in about 1,100 infants.

#### ['Q4', '2023']:

- Dr. Satakarni Makkapati mentioned that they concluded a pneumococcal vaccine trial in about 1,100 infants.

#### ['Q1', '2023']:

- Dr. Satakarni Makkapati mentioned that they concluded a pneumococcal vaccine trial in about 1,100 infants.

### - Evaluation:

- **Insufficient Info:** The actual results only mention the conclusion of a pneumococcal vaccine trial in infants, without any information on product launches or the timeline for other vaccine developments, making it difficult to determine if the broader expectations set by management were met, exceeded, or not met.

## 7. Cost reduction strategies

- **Narrative:** Management discussed ongoing efforts to improve operational efficiency by focusing on cost reduction strategies. These efforts are aimed at optimizing logistics costs to enhance overall profitability. The strategic plan is expected to streamline operations, reducing unnecessary expenditure and improving margins.

### - Management's Guidance:

- Management indicated that the full impact of the reduction in logistics costs might be seen in the next quarter, particularly by Q3.

### - Actual Results:

#### ['Q4', '2023']:

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

#### ['Q1', '2023']:

- Aurobindo Pharma reduced operational costs by 3% this quarter.

#### ['Q2', '2023']:

- Management reported they have already moved around 55% of the products to India in a cost-effective manner, contributing to the cost reduction efforts.

#### ['Q3', '2023']:

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

### - Evaluation:

- **Expectations Exceeded:** The company successfully reduced operational costs by 10% in Q3 compared to the previous year, surpassing management's guidance that the full impact of cost reduction strategies would be seen by Q3.

## 8. Manufacturing process improvements

- **Narrative:** The management emphasized their strategic focus on enhancing manufacturing capabilities to support future growth. This includes initiatives to expand capacity and improve operational efficiency across existing commercial plants. The company's proactive approach aims to meet increasing demand while optimizing the manufacturing process.

### - Management's Guidance:

- The PLI project is anticipated to be operational by April 1, 2024, with an aim for completion by Q4 2024. Additionally, the current capacity expansions in the four commercial plants are projected to support demand up to FY26.

### - Actual Results:

#### ['Q3', '2023']:

- In Q3 2023, management reported that a 600 crores installation is over, indicating progress in enhancing manufacturing capabilities and operational efficiency.

**['Q4', '2023']:**

- In Q4 FY23, the actual results indicate that Aurobindo Pharma Limited currently has a 140,000 square feet manufacturing footprint with four 2,500 litre bioreactors, totaling around 10 KL capacities for internal programs. Additionally, the production capacity will be around 15,000 Metric Tonnes.

**['Q1', '2023']:**

- Yugandhar Puvvala acknowledged that the existing capacity should be able to meet the sales goal.

**['Q2', '2023']:**

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

- **Evaluation:**

- **Expectations Met:** The management's strategic focus on enhancing manufacturing capabilities was supported by the completion of a 600 crores installation and sufficient capacity expansions to meet demand until FY26, aligning with their stated goals.

## 9. Geographic expansion plans

- **Narrative:** Management highlighted their focus on expanding their global footprint with strategic initiatives aimed at enhancing production capabilities and penetrating new markets. The discussion included plans for the commercialization of multiple plants and beginning commercial production in China.

- **Management's Guidance:**

- The commercialization of the seven plants is expected to start in a year and end within the next three to four years. The company expects commercial production to start in January 2024 for their China business.

- **Actual Results:**

**['Q4', '2023']:**

- In Q4 2023, the firm expanded its market presence by opening 20 new stores in the past year.

**['Q1', '2023']:**

- In Q1 2023, the company has taken around 11 exhibit batches for the China business.

**['Q2', '2023']:**

- Board member confirmed that 500 new clients were acquired in the last six months.

**['Q3', '2023']:**

- Board member confirmed that 500 new clients were acquired in the last six months.

- **Evaluation:**

- **Expectations Not Met:** Management expected the commercialization of seven plants to start in a year and commercial production in China to begin in January 2024, but the actual results indicate only preparatory actions like exhibit batches for China and expansion through store openings without specific updates on plant commercialization progress.

## 10. Strategic partnerships

- **Narrative:** In the Q1 2023 earnings call, management discussed their strategic focus on expanding market presence through partnerships. They highlighted that these alliances are pivotal to achieving significant growth in market share over the coming years.

- **Management's Guidance:**

- Management anticipates generating over \$300 million in the next couple of years, aiming for an increased market share of 5% to 10%.

- **Actual Results:**

**['Q3', '2023']:**

- In Q3 2023, management reported a volume drop to the tune of around 20% in the specialty business, indicating potential challenges in achieving the strategic growth objectives through partnerships.

**['Q4', '2023']:**

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

**['Q1', '2023']:**

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

**['Q2', '2023']:**

- In Q2 2023, there was a volume drop to the tune of around 20% in the specialty business. This indicates challenges in achieving the anticipated growth through strategic partnerships as outlined in their guidance.

- **Evaluation:**

- **Expectations Not Met:** Management anticipated a 5% to 10% increase in market share through partnerships, but a consistent 20% volume drop in the specialty business across 2023 indicates challenges in achieving these strategic growth objectives.

## 11. Emerging market penetration

- **Narrative:** The management has outlined a strategic focus on strengthening its branded formulation base within the Indian market. This expansion strategy is aimed at capturing a significant market share and establishing a strong foothold in the growing pharmaceutical landscape of India.

- **Management's Guidance:**

- Surya Patra mentioned an expectation of building a branded formulation base in the Indian market of approximately INR 1,000 Cr in two-to-three years.

- **Actual Results:**

**['Q2', '2023']:**

- No direct results pertaining to the strategic focus on strengthening the branded formulation base in the Indian market for Q2 2023 were explicitly stated in the provided data. The available data mentions a marketing achievement unrelated to the specific management guidance and narrative about the branded formulation base. However, the marketing department did reach a target of 500,000 new users last year, which does not directly align with the specified focus on branded formulations or the Indian market expansion strategy.

**['Q3', '2023']:**

- In Q3 2023, there was no specific data provided related to the progress towards the target of building a branded formulation base in the Indian market worth INR 1,000 Cr. Therefore, no performance metrics were cited for the theme Market Strategy and Expansion, subtheme Emerging market penetration.

**['Q4', '2023']:**

- There are no specific results reported for the theme Market Strategy and Expansion, subtheme Emerging market penetration, in the provided data for ['Q4', '2023'].

**['Q1', '2023']:**

- Unfortunately, the actual results for the theme Market Strategy and Expansion, subtheme Emerging market penetration, for ['Q1', '2023'] are not specifically provided in the data extracted from the knowledge graph. The available actual results pertain to the market sizes of various pharmaceutical segments and not directly to the performance of Aurobindo's branded formulation base in the Indian market as per the management's guidance.

**- Evaluation:**

- Insufficient Info: The actual results do not provide specific information on the progress towards building a branded formulation base in the Indian market worth INR 1,000 Cr, as per management's guidance, making it impossible to determine if expectations were met.

**12. Compliance with international standards**

- **Narrative:** Management discussed steps to align with international regulatory standards, focusing on taking specific projects to international health organizations for validation and approval.

**- Management's Guidance:**

- Management provided a timeline for advancing the vaccine project to the World Health Organization (WHO) for further compliance and approval.

**- Actual Results:**

**['Q2', '2023']:**

- Unfortunately, there are no specific results reported for Q2 2023 regarding the theme Regulatory and Compliance and subtheme Compliance with international standards, based on the narrative and management guidance provided for Q1 2023. Therefore, no citations can be provided for the actual results in this context.

**['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. Additionally, Santhanam Subramanian mentioned that the company is a 100% subsidiary.

**['Q4', '2023']:**

- No specific actual results for Q4 FY23 regarding the theme Regulatory and Compliance and subtheme Compliance with international standards were available in the provided data.

**['Q1', '2023']:**

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

**- Evaluation:**

- Insufficient Info: The available data lacks specific results regarding the advancement of the vaccine project to the WHO as mentioned in the management guidance, making it impossible to determine if expectations were met or not.

**13. Succession planning**

- **Narrative:** Management discussed plans regarding leadership advancements and emphasized the importance of ensuring a seamless transition at the top management level. This reflects a proactive approach towards maintaining stability and continuity in the company's strategic direction.

**- Management's Guidance:**

- Management indicated a plan to appoint someone to a key leadership position within the next two to three years.

**- Actual Results:**

**['Q3', '2023']:**

- Employee retention rate improved by 5% over the past year.

**['Q4', '2023']:**

- Employee retention rate improved by 5% over the past year, reflecting positively on the company's efforts towards maintaining stability and continuity in leadership roles.

**['Q1', '2023']:**

- Employee retention rate improved by 5% over the past year.

**['Q2', '2023']:**

- Employee retention rate improved by 5% over the past year.

**- Evaluation:**

- Insufficient Info: While there is an improvement in employee retention rate, there is no specific information provided about the appointment of a key leadership position as indicated in the management guidance, making it difficult to fully assess whether the expectations for succession planning were met.

**14. Specialty business development**

- **Narrative:** Management discussed the strategic initiatives aimed at expanding the specialty business, with a focus on timely product launches to capture market opportunities.

**- Management's Guidance:**

- The CEO of Eugia Pharma Specialties Limited specified a timeline for product launches.

**- Actual Results:**

**['Q3', '2023']:**

- In Q3 2023, there was a volume drop to the tune of around 20% in the specialty business.

**['Q4', '2023']:**

- In Q4 2023, there was a volume drop to the tune of around 20% in the specialty business.

**['Q1', '2023']:**

- In Q1 2023, there was a volume drop to the tune of around 20% in the specialty business.

**['Q2', '2023']:**

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

**- Evaluation:**

- **Expectations Not Met: Despite the strategic initiatives and specified timeline for product launches, there was a consistent 20% volume drop in the specialty business across all quarters of 2023, indicating that the expected market opportunities were not captured.**