AUROBINDO

June 18, 2020

To	To
Listing Department, **NATIONAL STOCK EXCHANGE OF INDIA LIMITED** Exchange Plaza, Bandra Kurla Complex, Bandra (E), **MUMBAI -400 051** **Company Code No. AUROPHARMA**	The Corporate Relations Department **BSE LIMITED** Phiroz Jeejeebhoy Towers, 25th floor, Dalal Street, **MUMBAI -400 001** **Company Code No. 524804**

Dear Sirs,

Sub: Transcript of earnings call.

Please refer to our letter dated June 1, 2020 wherein we have intimated the schedule of Investors/Analysts call on June 4, 2020. We are attaching herewith the Transcript of the analyst / investor call on the Audited Financial Results of the Company for the fourth quarter and year ended March 31, 2020 and the same is being uploaded on the website of the Company and is available in the following web link:

https://www.aurobindo.com/investors/results-reports-presentations/conference-call-transcripts/

Please take the information on record.

Thanking you,

Yours faithfully,
For AUROBINDO PHARMA LIMITED

B. Adi Reddy
Company Secretary

AUROBINDO PHARMA LTD. HYDERABAD, INDIA

“Aurobindo Pharma Limited
Q4 FY2020 Earnings Conference Call”

June 04, 2020

MANAGEMENT: **MR. P.V. RAM PRASAD REDDY – EXECUTIVE CHAIRMAN – AUROBINDO PHARMA USA**
MR. N. GOVINDARAJAN – MANAGING DIRECTOR - AUROBINDO PHARMA LIMITED
MR. SANJEEV DANI – CHIEF OPERATING OFFICER & HEAD-FORMULATIONS - AUROBINDO PHARMA LIMITED
MR. SANTHANAM SUBRAMANIAN – CHIEF FINANCIAL OFFICER - AUROBINDO PHARMA LIMITED
MR. SWAMI IYER – CHIEF FINANCIAL OFFICER - AUROBINDO PHARMA USA
MR. KRISHNA KIRAN - INVESTOR RELATIONS – AUROBINDO PHARMA LIMITED

Moderator: Ladies and gentlemen, good day and welcome to Aurobindo Pharma's Q4 FY2020 Earning Conference Call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note this conference is being recorded. I would now like to hand the conference over to Mr. Krishna Kiran, Investor Relations. Thank you, and over to you Sir!

Krishna Kiran: Thank you. Good morning and a warm welcome to our fourth quarter & FY2020 earnings call. I am Krishna Kiran from the Aurobindo Pharma Investor Relations. We hope you have received the Q4 FY20 and FY20 financials and the press release that were sent out yesterday. These are also available on our website. With me we have our senior management team represented by Mr. P.V. Ram Prasad Reddy -- Executive Chairman, Aurobindo Pharma USA; Mr. N. Govindarajan -- Managing Director; Mr. Sanjeev Dani – COO & Head-Formulations; Mr. Santhanam Subramanian -- CFO; Mr. Swami Iyer -- CFO, Aurobindo Pharma USA. We will begin the call with summary highlights from the management followed by an interactive Q&A Session. Please note that, some of the matters we will discuss today are forward-looking including and without limitations statements relating to the implementation of strategic actions and other affirmations on our future business, business development and commercial performance. While these forward-looking statements exemplify our judgment and future expectations concerning the business development of our business, a number of risks, uncertainties and other important factors may cause actual developments and results to differ materially from our expectations. Aurobindo Pharma undertakes no obligation to publicly revise any forward-looking statements to reflect future events or circumstances. And with that, I will hand over the call to Mr. Govindarajan for the highlights. Over to you Sir!

N. Govindarajan: Thank you Krishna. Good evening everyone. The new fiscal year has begun with lot of challenges that the global and industry had ever witnessed. We are committed in protecting the health and well-being of our employees, their families and other stakeholders. We have enhanced the safety requirements across all our offices and manufacturing facilities by mandatory use of protective equipment, maintain social distancing norms as well as other preventive measures. Within couple of days of announcement of lockdown, over 1500 employees were enabled with virtual remote access. Our manufacturing units continued to function at healthy capacity utilization levels. On a whole we are truly happy to see our colleagues rising up to the challenge to ensure business continuity. We will now discuss the results for the fourth quarter and full financial year of 2019-2020 declared by the company.

For the year the company clocked a revenue of Rs 23,099 Crores, an increase of 18% over last year. The EBITDA before forex and other income increased by 23% year-on-year to Rs

4,864 Crores. EBITDA margin for the year was at 21.1%, an improvement of 90 basis points over corresponding previous period. Net profit increased by 20% year-on-year to Rs 2,831 Crores. In Q4 FY2019-2020 revenue increased by 16% year-on-year to Rs 6,158 Crores led by healthy growth in our key markets. The EBITDA before forex and other income stood at Rs 1,342 Crores, an increase of 27% over corresponding previous period. EBITDA margin was at 21.8% for the quarter under review, witnessed an improvement of 180 basis points over Q4 last year. Net profit stood at Rs 850 Crores, an increase of 45% year-on-year.

In terms of the "Business Breakdown", Formulation business in FY20 witnessed a growth of 24% year-on-year to Rs 20,012 Crores and contributed around 87% to the total revenue. API business contributed for the remaining balance of 13% and clocked revenue of Rs 3,083 Crores. For the quarter, Formulation business contributed 88% to the total revenues and clocked a revenue of Rs 5,401 Crores, registering a growth of 23% year-on-year. API business clocked a revenue of Rs 756 Crores and contributed remaining balance 12%. In the Formulations business, US business posted a growth of 27% year-on-year to Rs 11,484 Crores in FY20. On a constant currency basis, US business increased by 26% year-on-year to around $1.62 billion led by improvement in volumes and new product launches. For the quarter, the revenue from the US market increased by 21% year-on-year to Rs 2,990 Crores. On a constant currency basis US revenue increased by 17% year-on-year basis to $413 million. We have received final approval for six ANDAs and launched four products in the quarter under review. For the year, we have received approval for 22 ANDAs and launched 34 products across oral, injectable and OTC segments. We have filed 17 ANDAs during the quarter and 55 ANDAs for the year.

Revenue of Aurobindo Pharma USA, the company marketing oral products in USA has increased by 17% for the year and 10% year-on-year for the quarter. Revenue of AuroMedics, the Injectable business witnessed a growth of 30% year-on-year to $277 million for the year and declined by 9% year-on-year to $59 million for the quarter. AuroMedics sales for the quarter have been impacted due to the reduction in hospital procedures on the back of COVID-related issues and incremental competition in Ertapenem. We filed a total of 131 injectable ANDAs as on March 31, 2020 out of which 73 have received final approval and the balance 58 are under review.

The company as on March 31, 2020 has filed 586 ANDAs on a cumulative basis, out of which 397 have final approval and 28 having tentative approvals including eight ANDAs, which are tentatively approved under PEPFAR program and the balance 161 ANDAs are under review.

Europe Formulations revenue clocked at Rs 5,922 Crores in FY2019-2020, an increase of 19% growth over last year. In euro terms, the revenue grew by 22% year-on-year. For the

quarter Europe Formulations revenue clocked at Rs 1,653 Crores registering a growth of 26% over corresponding previous period. In euro terms the revenue increased by 26% year-on-year. Growth market witnessed a growth of 14% year-on-year to Rs. 1,355 Crores in FY2019-2020. On a constant currency basis growth markets reported a growth of 12% year-on-year. For the quarter growth markets grew by 30% year-on-year basis to Rs 377 Crores. On a constant currency basis growth markets reported a growth of 27% year-on-year. In FY2019 & FY2020 ARV Formulations business grew by 29% year-on-year to Rs 1,251 Crores. On a constant currency basis ARV revenues witnessed an increase of 27% over the previous year. In Q4 FY2020 ARV revenues grew by 31% year-on-year to 382 Crores. On a constant currency basis ARV revenues witnessed an increase of 27% year-on-year.

In terms of "Segmental Classification", US Formulations contributed to 48.6% to the overall revenue in Q4 FY2019-2020 versus 46.9% in Q4 FY2018-2019. Share of EU Formulations increased to 26.8% in Q4 FY2019-2020 versus 24.8% in Q4 FY2018-2019. Growth markets share increased to 6.1% in Q4 FY2019-2020 versus 5.5% in Q4 FY2018-2019. Share of ARV segment increased to 6.2% versus 5.5% in Q4 FY2018-2019. API business contributed to 12.3% of the total revenue in Q4 FY2019-2020 versus 17.3% in Q4 FY2018-2019. R&D expenditure is at Rs 239 Crores during the quarter, which is 3.9% of the revenue. For the year, R&D expenditure is at Rs 958 Crores, which is 4.1% of the revenue. Net organic capex for the quarter is around $37 million. The closing rupee versus US dollar rate was at Rs.75.665 in March 2020 versus Rs. 71.385 in December 2019. The net debt has decreased by $87 million quarter-on-quarter to $359 million at the end of March 2020, on a full year basis net debt had reduced by $365 million. The majority of the company's debt is denominated in foreign currency. The cash and bank balance is at $376 million. The average finance cost is at 2.1% mainly due to availing multiple currency loans. This is all from our end and we are happy to take your questions now.

Moderator: Thank you very much. We will now begin the question and answer session. We take the first question from the line of Nithya Subramanian from Bernstein Research. Please go ahead.

Nithya Subramanian: Sir, congratulations on a good quarter. I had two questions; one was on your R&D spend. So in one of the previous calls you had guided for more like 5% R&D spend but we have seen that trending lower in the recent quarter as well, so if you can help us understand if any programs were delayed in the current quarter as well as give us some color on what it could look like for the next fiscal?

N. Govindarajan: As we had mentioned in the past it would start increasing once we start clinical trials for the differentiated portfolio including biosimilars. In fact, next year we expect R&D cost to be around 5.5% as clinicals for the biosimilars as well as depots will start.

Nithya Subramanian: Understood. Sir my next question was actually if you can throw again light on the current status of the various plants, which are under the FDA scanner, when do you expect resolution for various plants?

N. Govindarajan: As far as Unit VII is concerned, we had a discussion with the FDA in the mid of April and we have completed the CAPAs, which we had committed, and the last update was shared to FDA yesterday, so we will be working with them in terms of the further course of action. As far as Unit XI is concerned, it is under warning letter whereas I and IX are under OAI. We have completed all our actions including the consultant certification for the completion of the committed actions by November mid and we have submitted those documents to FDA. logically, we would have expected the inspection to happen by the first quarter, but due to current situation, it is getting delayed so we had requested for a desktop review and we would be working with them whenever they can do that.

Nithya Subramanian: Is the FDA now open to doing remote inspections like this?

N. Govindarajan: To the best of our knowledge they are working on those procedures is what we understood from the various forums as well as whatever we have read and heard. Once whenever they are completely ready we will be progressing on that. There is no definitive timelines that we would be able to comment, but in our considered opinion it should start anytime in the next few weeks or so.

Nithya Subramanian: I am sorry, just a clarification so the desktop review that you mentioned especially for Unit XI the one under warning letter?

N. Govindarajan: Yes, we had already submitted for the desktop review request for I, IX and XI, and Unit VII we have submitted our final response yesterday after completing those CAPAs. Since we have submitted our final response yesterday, we will be working with them in terms of the further course of action. I also would like to add that we had received the OAI status for Aurolife only recently.

Nithya Subramanian: Understood. Thank you.

Moderator: Thank you. We will take the next question from the line of Neha Manpuria from JP Morgan. Please go ahead.

Neha Manpuria: First question on the US business, two parts, one did you see any benefit in our oral solid business firm upticking in March and second given the high base we are in and a few of our facilities are still under pending review from the FDA, how should we look at approval momentum both for the injectable business and the oral solid business?

Swami Iyer: We have seen some uptick in volume in US especially in oral solids and nutraceuticals. The kind of drugs that went up was mostly the antibiotics, antiviral and some of the long treatment routine drugs and primarily we believe that customers are increasing their inventory level in preparation for the disruption and increase in prescription days to 90 was another point, which was responsible probably for the surge. Then there were also opportunities that have been created when other companies probably had some supply issues, so we saw certain surge in the demand.

Neha Manpuria: Would this have disproportionately benefited the 10% year-on-year growth that we reported in the oral solid business?

Swami Iyer: On overall basis we also seen some tepid growth or there was some lag, demand was lower in terms of injectables. This is primarily due to the COVID-19, but as far as the oral solid is concerned, we have a good base, we have a number of products that we would be monetizing, we are looking very cautiously in an optimistic way going forward.

Neha Manpuria: How many launches should we expect, I think we did 34 launches right for this FY2020 still under we are looking at FY2021?

N. Govindarajan: We are expecting to launch around 50 to 60 products this year.

Neha Manpuria: This is including injectables right Sir?

N. Govindarajan: Including injectables

Neha Manpuria: Irrespective of the facility status, Unit VII and the API facilities?

N. Govindarajan: Yes, considering that only we have talked about this number. Out of the 50 to 60 products what we are talking about, 25 products have already been approved.

Neha Manpuria: My second question is on the gross margins this quarter the gross margin was pretty strong quarter-on-quarter especially given some of our lower margin businesses like ARV or Europe they contributed to growth so how should we look at, is this the new base for gross margin given the currency benefit or is there any one off number that we need to adjust for in the gross margins?

S Subramanian : The gross margin during the quarter has improved across all geographies namely US, Europe, ARV and API. The main reason is the good product mix within the geographies and also we carried low cost of material and also rupee depreciation. So as you know every % of rupee depreciation will improve the gross margin as well as the EBITDA by about Rs 30 Crores to

40 Crores. We have been informing in the past that from the range of 55% - 56%, our target is to move towards the margin of around 58%. We think we will be around 58% to 59% based on the new currency rates.

Neha Manpuria: Understood. Thank you so much Sir.

Moderator: Thank you. We will take the next question from the line of Surya Patra from PhillipCapital. Please go ahead.

Surya Patra: Congrats for good set of numbers. Sir just on the US business front if you can just update since it is the year closing what is the progress of Natrol and all and also if you can indicate the injectable numbers excluding the Spectrum what is the kind of the progress that we would have seen in full year FY2020?

Swami Iyer: Natrol had a very healthy growth in the current fiscal. As far as the injectables are concerned we had an increase of about 30% year-on-year; however, we have to temper this with the current situation where the demands have dropped because of nonperformance of the elective surgery and once it comes back the real demand would come back so we just have to temper with it, but clearly on the year-to-year basis we had good growth.

N. Govindarajan: I would also add to what Swami said that we still maintain our market share, is it fair to say Swami?

Swami Iyer: That is correct, in terms of volume we still maintain the market share compared to the overall market.

P V Ram Prasad Reddy: Overall IMS market share itself has fallen 43% in April and May.

Surya Patra: Sir I was trying to understand even without factoring the spectrum that we acquired what would be the growth in the injectable business for the full year?

Swami Iyer: So the Spectrum was not part of when we talked about injectable what Govind mentioned as 30% growth is primarily in AuroMedics. Spectrum we treat that as a brand and for the purpose of discussion we are not including that as part of the injectable.

Surya Patra: My second question would be on the European performance. Across everybody that we have witnessed there is a kind of a positive surprise in terms of the revenue performance there in Europe so on that EBITDA performance where we have reached factoring all the kind of recent acquisition and all that and what is the EBITDA level that we should be closing this FY2020 year in case of Europe?

Sanjeev Dani: Without Apotex acquisition, we were already into double digit EBITDA as a percentage to sales. We expect that Apotex will break-even in the second half of this year FY21. However, it will not make such a big difference because the business is only a fraction of the original business that we had, say approximately 10% to 12%. We may improve EBITDA margin again back to the double digit as a percentage to sales.

Surya Patra: Sir is it possible to share some specific number that how have we progress let us say last couple of years why because the profitable progress of Europe that can really support the overall earnings performance and margin performance so meaningfully considering the level at which they are currently, so if you can directionally you can give us some sense that okay compared to last year what kind of expansion that we would have seen and what is our outlook going ahead for current year FY2021?

Sanjeev Dani: Yes, because there is no like-to-like comparison, it would be difficult to quantify as an improvement. Apotex business was integrated only about 13 - 14 months back. If you look at numbers, earlier we were at about 12% operating margin and with Apotex integration it just remains between 9% to 10% and then, again we will go back and claw back to about 12% - 13%.

Surya Patra: Just one last question on the US business front Govind Sir if you can just give us some sense about how progressively that we are thinking about upgrading our portfolio the kind of a pipeline that we have been working on either on the inhalers or the biosimilars or the patches, so how quickly or in what manner that we should think portfolio upgrade for US business and how can that improve our overall earning efficiency for US?

N. Govindarajan: Yes, I will talk about the pipeline and then the margin expansion. From the inhalers perspective we are developing eight inhalers including six MDIs and two DPIs and as far as nasals are concerned we are currently working on six nasal sprays and out of which two products has been already filed. As far as the topicals are concerned, 37 products are in the pipeline at various stage of development and on transdermal we are developing eight transdermal patches. Apart from that you are also aware about the biosimilar pipeline and currently we are focusing on five products and ultimately our overall portfolio, we are developing 14 products. As far as depot is concerned, we will be filing in Q3 FY2022, the first product and subsequently every year we will be filing at least one or two variants as well. So we have enough products in the differentiated or the speciality portfolio. If you have seen the timing, every year you will start seeing some progression in terms of the portfolio. So what is important is to start getting those approvals and obviously it will have positive impact in terms of the overall margin threshold.

Surya Patra: Thank you Sir. Thanks a lot.

Moderator: Thank you. We will take the next question from the line of Nitin Agarwal from IDFC Securities. Please go ahead.

Nitin Agarwal: Govind just continuing from you talked about the biosimilars bit, on the biosimilars can you help us understand a little bit more about the thought process, you already talked about shifting the biosimilars business into a 100% sub, and you talked about raising money in that business, so if you could probably just help us understand how is Aurobindo looking at biosimilars over the next 3 to 5 years and what kind of trajectory from a monetization perspective should one assume on this business?

N. Govindarajan: The whole objective of moving into 100% subsidiary is because of the fact that we will have better focus and better review being a separate entity. On a long-term perspective at some point of time, we would like to unlock the value. That was the whole objective why we have done this particular exercise. Right now, we already got the five products under development, out of which the first two products we would be filing towards the end of this year or early next year. Those products would be filed for Europe, which has a fixed timeline of 210 days for approval. If everything goes well, the subsequent year it is going to get launched and we are also progressing the ophthalmic product as well, which we are expecting to start the Phase III clinical trial early next year and subsequently the filing would happen for both EU and US. There are the three products being progressed parallelly. **Nitin Agarwal**: Govind do you have any broad sort of sense in terms of at what stage will this business start breaking even for a sense in terms of the way you see this thing the business progressing in terms of revenue contribution?

N. Govindarajan: I told you that towards the end of this year or beginning of next year the first two products would be filed and within seven months we should expect approval to come in.

Nitin Agarwal: In the calendar year 2022?

N. Govindarajan: In 2022, we will start earning revenues once the approvals in the Europe happen. As far as standing alone on their own feet, subsequently it would take two more years by the time one or two more products also would be launched across the globe.

Nitin Agarwal: Secondly on can you just update us on your plants for China and if some of the recent developments impact any of those plants?

N. Govindarajan: You are talking about our filing for China?

Nitin Agarwal: Yes. We are setting up 2 or 3 different manufacturing facilities in China in partnerships and otherwise so just a broad sense on how we see China over the next 3, 5 years?

N. Govindarajan: Currently for the Chinese market we have already started filing products from India and the construction of our own oral formulation manufacturing facility is going on and we expect to take the exhibit batches by the second half of FY2021. Also you are aware of the joint venture, which we have signed one-and-a-half year back. We have seen certain price correction in terms of the set of products in the tender, but we will get more clarity as we get closer to the launch. But we are not restricting ourselves only for tenders business we will also look at the private business as well as we progress.

P V Ram Prasad Reddy: We have only two plants, one is oral plant and one is the joint venture.

Nitin Agarwal: Lastly Govind on US this year we had a fairly strong filing rate about 55 odd ANDAs that we filed what is that kind of run rate are we looking at for filing going forward?

N. Govindarajan: Current year we expected to file around 50 to 60 products.

Nitin Agarwal: As a run rate we could be able to maintain for the next couple of years going forward also?

N. Govindarajan: At least 50 products over the next two to three years

Nitin Agarwal: One last thing if I can squeeze in, on the balance sheet we have a very, very strong improvement this year on cash flow generation, now how should we look at the balance sheet going forward in terms of, do we aim to become debt free in a certain period of time or their opportunities for us to invest that into organic growth or into inorganic growth how are we looking at the whole balance sheet picture now?

S Subramanian: We have said at the beginning of the year, we will be net debt free company by March 31, 2023. The way we have done the accelerated performance last year now we are advancing this to March 31, 2022. We are trying to reduce between $200 to $250 million in the current fiscal.

N. Govindarajan: So your query is more in terms of the cash deployment?

Nitin Agarwal: Yes, how do we see usage of cash now we have given a very strong cash flows, which are there going forward now apart from debt reduction?

N. Govindarajan: Yes, the first objective is the debt reduction, but we will also have capex, which is to the extent of $150 to $200 million for this year as well. As we move forward, with the growing

business we also need some capacities. We will get better clarity in terms of deployment once we retire the debt.

Nitin Agarwal: Thank you and best of luck.

Moderator: Thank you. We will take the next question from the line of Shyam from Goldman Sachs. Please go ahead.

Shyam Srinivasan: Just the first one on secondary data that we are seeing for the years in terms of volumes for both industry as well as Aurobindo is kind of down I think 18%, 20% so far I am talking about April, May, so are you seeing similar trends at the primary level or you think there are other levers that actually ensure that the drop is not that significant I am talking about the US business?

Swami Iyer: We had a very good growth in the last quarter especially in the month of February and March for oral solids we have seen increase in number of doses. In fact year-on-year it has gone up by about 24% we see continuing growth, but however again want to mention this March was an extraordinary month and we continued doing well in April, we obviously need to understand that it may not be as high as April or March, but we continue to do well in terms of volume.

Shyam Srinivasan: The market share is something that one should look rather than and that you are saying you are able to kind of sustain all the products based on the demand?

Swami Iyer: We have had consistent increase in market share in terms of volume and we see no reason for any decrease in that.

Shyam Srinivasan: My second question is on the injectable number I think it comes to about $59 million for the quarter and we were going between $70 to $75 million a quarter before that, so is that the loss sale because of COVID impact and we can probably go back to this run rate during the course of this year?

Swami Iyer: As far as injectable is concerned, first you should understand the extraordinary situation we are in, there is a drop of about over 80% in elective surgeries and then there has been drop in the volume growth significant amount of volume growth drop. We are in line with the overall market share percentage that we have been maintaining so this is one reason why there is a fair amount of drop, this is a significant portion of it and in addition to that there was pricing pressure in one of the products. So that has also contributed to the overall degrowth. We believe that at this point we cannot commit anything or say how soon this all going to come back. We believe overall considering the market we will continue to do well.

N. Govindarajan: Also, we just started the bag line, but that impact would not be seen because the hospitals have not opened up fully

P V Ram Prasad Reddy: April - June quarter, there is decline in the sales of injectables because of what Swami explained.

N. Govindarajan: Yes, in the quarter it can be slightly lower than even last quarter, but overall as we progress we should start seeing the recovery.

Shyam Srinivasan: Got it Sir, thank you and the last question is on branded oncology so we have now seen one year of this acquisition almost so just wanted to get a sense of how this portfolio progressed and given that now Sandoz is no longer there, from an M&A perceptive is there any specific areas or geographies that we would like to do, not do whichever way?

Swami Iyer: So as far as the branded oncology numbers are concerned we are very happy with what we have got, I would say top brand wise, we are on target and then we are doing well. We are quite pleased with the profitability of the products so far. Overall it is a good acquisition that is all I would say at this point of time

N. Govindarajan: Before I start talking about the M&A, Swami you will also agree that there could be some challenges for Acrotech this quarter as footfall in hospitals are very less, but as we progress that should get normalized. So as far as M&As are concerned, we are not currently evaluating or looking at any large ticket items, but we would be happy to explore to enhance the pipeline for companies like Acrotech by getting some brands if it is available at around $50 million level. We would still be evaluating those options or any new technology platforms, which can enhance our portfolio. As we have enough in our pipeline, we do not need to chase any portfolio other than particular brands.

Shyam Srinivasan: Thank you and all the best.

Moderator: Thank you. Next question is from the line of Tarang Agrawal from Old Bridge Capital. Please go ahead.

Tarang Agrawal: I have a couple of questions so when I look at the balance sheet of the net debt the cash balance has increased substantially over the last three years from Rs 500 odd Crores in FY2017 to Rs 2,815 on March 31, 2020, so what is the group's thought process around holding this cash and how should we look at it going forward?

S Subramanian: This is a specific case because as on March 31, 2020 we were planning to do the Sandoz deal, we had accumulated cash for that purpose. Since it has not been done, the cash will be deployed in the coming quarters as we progress.

Tarang Agrawal: So we should see that number going down going forward?

S Subramanian: Yes.

Tarang Agrawal: The next question is, if you could give me a sense on Aurobindo's Rx share in the US index as per the last 12-month data?

N. Govindarajan: It is around 9%.

Tarang Agrawal: Okay thank you.

Moderator: Thank you. We take the next question from the line of Damayanti Kerai from HSBC. Please go ahead.

Damayanti Kerai: I am coming back to Spectrum so obviously fourth quarter has seen impact of COVID disruption so once the situation normalize how we can see ramp up from 100 million sales, which Spectrum portfolio did in FY2020 and how many products we are planning to add to the portfolio?

P V Ram Prasad Reddy: First quarter sales could be down by 15% - 20% due to Covid impact. We are adding one more branded product in middle of this year.

Damayanti Kerai: Actually I just tried back calculating your FY2020 number and nine month number so earlier you clocked around $25, 30 million and I think it was much lower in the fourth quarter so that is why I asked this question?

P V Ram Prasad Reddy: Our sales in fourth quarter is around $22-23 million. So it is similar to other quarters. First quarter 2021 could be lower by 15% - 20%. It will go back to the normal levels and some improvement can happen. We are also launching one new product in middle of this year.

Damayanti Kerai: During the Spectrum portfolio acquisition we mentioned about some milestone payment, which should be made for some two particular brands so have you started seeing milestone for Marqibo and Khapzory brands?

P V Ram Prasad Reddy: No, we have not reached to that level, so we have not paid.

Damayanti Kerai: Okay and for the Spectrum portfolio we have already achieved a cost breakeven and it is a profitable portfolio right?

P V Ram Prasad Reddy: Yes, definitely.

Damayanti Kerai: Okay and my next question is regarding some of the differentiated opportunities, which you mentioned where Aurobindo is working, so are we like working on the capacities also or we have enough to reach some critical levels like once we start launching and then we will work on the capacities also?

N Govindarajan: On the specialty portfolio as we progress we have started creating capacities. Biologics has its capacity, vaccine has its capacity, depot injections - we already started setting up capacity in Unit IV. As far as portfolio developing at North Carolina, the capacity is getting ready. So capacity is not an issue.

Damayanti Kerai: We have couple of approvals on the ophthalmic portfolio have we launched those products or not yet?

Ram Prasad Reddy: We have launched three ophthalmic products in the last one year and next year onwards we will launch more products.

Damayanti Kerai: Sure. My last question is we have seen very strong growth in other formulation verticals such as ARV and ROW so is fourth quarter more of COVID related stocking up phenomena, which we have seen for the US market or we should be seeing fourth quarter number is more indicative of performance in coming quarters?

N Govindarajan: On the ARV front, it is not related to COVID at all because that is the standard business. Since we have gone into Dolutegravir as well as its combination, the business has been ramping up. In our opinion that should continue to grow.

Damayanti Kerai: Okay that is broadly from my side. Thank you.

Moderator: Thank you. We take the next question from the line of Prakash Agarwal from Axis Capital. Please go ahead.

Prakash Agarwal: Congrats on good numbers. Sir first question on what has really led to this kind of strong growth in the overall solid business would it be the portfolio range that we have or the supply chain ability to put in inventories or what has really worked for us because we have seen other larger companies the growth has not been to that extent especially in the oral solid side what has worked well for us?

N. Govindarajan: I take this as an opportunity to thank all our employees who really made it happen in terms of the business continuity in spite of various challenges

Swami Iyer: The first thing I would to say is the nimbleness of the supply chain and capacities that we have created. So this has been very useful and we are getting the opportunity in terms of revenue. We have done well though we had some transportation challenges, but overall it is the broad length of portfolio, the supply chain ability to meet the demand and sales team in the US, which has contributed quite a bit in taking up these opportunities.

Prakash Agarwal: How much of this is sustainable both for the overall solid business and also previous participant ask on the ROW and Europe side since we understand that prescriptions from doctors were increased from 30 day prescription to 90 day prescription so when we enter say April, May has the volume trends similar or as the previous participant ask it is come down by 10%, 20%?

Swami Iyer: We would like to look at it on a month-to-month basis because this gets spread out one month could have a huge surge and obviously when the stocks are available other months could be lesser, but then on an overall basis we feel confident that the volumes have grown and it will remain more close to that barring few alterations.

Prakash Agarwal: So growth will continue maybe the rate might little bit taper because of the significant prebuying already been done would that be correct understanding?

Swami Iyer: No, what I would say is on yearly basis we would have fair amount of growth and we do not see a problem in that. I also mentioned that we have 24% growth in terms of number of doses. We have increased the number of customers so we believe we have everything in place for decent growth.

P V Ram Prasad Reddy: We want to see the April to June quarter because April is good, May is little dull and June maybe too. We are sure that we will be back from July onwards.

Prakash Agarwal: Perfect that helps thank you so much and second question is on if I see your gross profit that has increased by around Rs 300 odd Crores and same is the proportion with the formulation business about Rs 300 Crores so the sales mix obviously improved, but the kind of gross profit improvement is much larger so only sales mix is not explaining and we have always maintained there is not a single product that moves the needle we are a broad based company so what does really move the needle here sales mix very marginal I would say currency would be there but not to that Rs 300 Crores extent, so if you could explain the Rs 300 Crores sequential approve that would be helpful?

N. Govindarajan: Subbu has already explained that, he will repeat it for you

Prakash Agarwal: Three things, which I heard but if you could give more clarity he said sales mix, currency, and product mix so I have not able to understand the product mix case.

S Subramanian: I also said about carrying cost of the inventory as on March 31, 2020 was lower at a lower currency rate. Then we sold it at a higher rate. So that also helped.

Prakash Agarwal: Great and you are guiding that you would be at a 58% plus minus gross margin going forward if the currency remains similar levels?

S Subramanian: Yes, we have said that long time back. That is our goal and we have been moving towards.

Prakash Agarwal: Okay perfect great, thank you so much and all the best.

Moderator: Thank you. We take the next question from the line of Nimish Mehta from Research Delta Advisors. Please go ahead.

Nimish Mehta: I have actually a question on if you can just let us know what was the amount of factoring you have used to kind of monetize the receivables in FY2020?

S Subramanian: Factoring as a process we always use for the additional growth coming where we need to invest money in the chargebacks. That is the only reason we do factoring and factoring is low compared to what we have achieved in the overall reduction.

Nimish Mehta: Sir if I look at your cash flow statement that you have published there is this financial asset monetization of almost Rs. 1270 Crores, which I guess would be for factoring and that will give the difference between the last year outstanding factoring versus this year's outstanding factoring the actual number will be even larger than that, is that now correct understanding or how do you explain that?

S Subramanian: It is not the correct understanding; you are looking at the trade receivables at Rs 4,315 Crores versus Rs 3,414 Crores am I right?

Nimish Mehta: No, I am looking at that the cash flow statement and under that you have mentioned that decrease in financial assets under the working capital operation.

S Subramanian: No, that we have explained in the last quarter itself the coverage ratio which we earlier have 100% of the customers we reduced 60% that is the reason why it has come down this year. Whereas if you really see the trade receivables have moved up.

Nimish Mehta: Sir if I understand well what you are trying to say is that you will reduce the factoring or you will increase the factoring and it is between last year and this year?

S Subramanian: You should look at it like this. Trade receivables of Rs 4,315 plus other financial assets of Rs 40 Crores, which is Rs 4,350 Crores, compare with last year Rs 3,414 Crores plus Rs 1363 crore, which is Rs 4,777 crore. If you read it together it is more or less the same.

Nimish Mehta: No that is fair thanks. We just net it off from the receivables right so that number will never reflect in the receivable number.

S Subramanian: It is for the charge back. So it depends upon what is the sales growth. We are doing to the extent of the additional charge back.

Nimish Mehta: That I understand what I am trying to say that if I look at the receivable that will not tell me the amount of factoring we would have done.

S Subramanian: Yes

Nimish Mehta: So how to read the factoring amount between this year and last year is the question actually so that the receivables will be net of factoring and that will not tell us the story of how much factoring?

N. Govindarajan: I have a suggestion; Both of you do a call later to address Nimish queries

Nimish Mehta: Okay Sir thank you.

Moderator: Thank you. We take the next question from the line of Dipan Mehta from Elixir Equities. Please go ahead.

Dipan Mehta: Sir congratulations on great set of numbers. Only one question I have is how are you reading the US generics market now in terms of price erosion and has it come off and how are you basically tackling it?

N. Govindarajan: We have always maintained that we should consider erosion around 5% as the nominal erosion for those products which has just come out of the shelf of generic. We are not talking about those old products which have already eroded. So to that extent, currently we have seen less than that, but generally we consider the 5% as our benchmarking.

Dipan Mehta: Thank you and all the best.

Moderator: Thank you. We take the next question from the line of Tushar Manudhane from Motilal Oswal. Please go ahead.

Tushar Manudhane: Congrats on a good set of numbers. Just would like to understand on the biosimilars side, how much investment you would have made till date in terms of capex and R&D separately?

S Subramanian: I will give it to you later I do not have right now.

Tushar Manudhane: You referred to have higher R&D spend as a percentage of sale for FY2021, but just I would like to understand whether the clinical trial can happen during this COVID time or it would be more in the second half of FY2021?

N. Govindarajan: Yes, we have said towards the end of the year, we expect the clinical trials for two products to be completed by end of this year or beginning of next; these are extended phase I trials for Europe. As we are talking, the phase I clinical trial is going on for another global product but then ultimately that will get into phase III as well. So we expect two products for Europe would get completed at the end of this year or beginning of next year.

Tushar Manudhane: Okay.

S Subramanian: The investment in biosimilar is between Rs 400 to 500 Crores.

Tushar Manudhane: R&D spend?

S Subramanian: R&D spend currently is small because the clinical trial just now is starting. Last year it was approximately $11 million is what we spent.

Tushar Manudhane: Just one last clarity on the Unit VII so you said that you have completed the CAPA and you had a call yesterday so the Unit VII is there are request for even best of release the Unit VII as well?

N Govindarajan: We have submitted our last set of data only yesterday. So first we would like to give them some time to digest whether they have any queries on that before we further progress on request.

Tushar Manudhane: Okay. Thank you.

Moderator: Thank you. We take the next question from the line of Kunal from Systematix Shares. Please go ahead.

Kunal: Sir my question is on portfolio overlap between US and Europe I think we have 201 products in US and 284 in Europe how much will be the common products and if there is significant overlap are we supplying it from the same plants or the plants are different?

N. Govindarajan: Most of the Europe products would be there in US as well. As far as the plants are concerned, right now it is common in terms of Unit III and Unit VII because Europe products can go from these plants as well from our dedicated facility Unit XV.

Kunal: There will be majority so 201 product will be there for Europe as well the same US product that we have?

N. Govindarajan: Yes.

Kunal: Second question is on China so are you alluded to the other channels other than the tender, so what are those other channels in China and how our pricing behavior in those channels and how does having a plant in China exactly help?

N. Govindarajan: The regulation has changed. Preference is there for FDA approved product and FDA inspected facility in China. They would get preference in terms of the expedited review. The pricing in the other segments other than tender is also attractive for us to move ahead. But in terms of specifics, we will have more clarity as we go closer to the filing and launch.

Kunal: If we have to divide the Chinese market into those channels what would be those channels just not colors and if we have to divide it in those channels can we have the proportion of market that is there in each of these channels?

P V Ram Prasad Reddy: Ultimately, the China plant is used for China requirement. Till that time, we may use for China, Europe and US. But end of the day, it will be used for China market.

Kunal: This percentage in terms of channels that apart from tender in terms of like I think what are the other channels available in the Chinese market?

P V Ram Prasad Reddy: We are developing promotional products which will go through distributor.

Kunal: That kind of partially answers my question, but the question was more on how the market is distributed between the channels, some color the tender made up for a bigger market?

P V Ram Prasad Reddy: Yes, currently the tender market is not more than more than 10% - 15% of overall market. Still major generic market is with the distributor in China, but slowly, in the next three years

tender market may cross 50% - 55% overall market. But now tender market is limited to very less products.

Kunal: Okay, thank you.

Moderator: Thank you. Well ladies and gentlemen that was the last question for today. I would now like to hand the conference over to Mr. Krishna Kiran for closing comments. Over to you Sir!

Krishna Kiran: Thank you all for joining us on the call. If you have any questions that are unanswered, please feel free to keep in touch with investor relations. The transcript of this call will be uploaded on our website www.aurobindo.com in due course. Thank you.

Moderator: Thank you very much. Ladies and gentlemen, on behalf of Aurobindo Pharma we conclude today's conference. Thank you all for joining in. You may now disconnect your lines.