“Aurobindo Pharma Limited Q2FY16 Unaudited Earnings Conference Call”

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Moderator: Ladies and Gentlemen, Good Day and Welcome to the Aurobindo Pharma Q2FY16 Unaudited Earnings Conference Call. As a reminder, all participants' 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 that this conference is being recorded. I would now like to hand the conference over to Mr. Santhanam Subramanian. Thank you and over to you, sir.

Santhanam Subramanian: Good Evening and Welcome Everyone. I would like to introduce Deepika who has joined us heading the Investor Relations since last month; she has worked with various reputed companies and she has taken over the charge. Over to you Deepika.

Deepika G Padhi: Thank you, Mr. Santhanam Subramanian. Good Evening and Welcome Everyone to our Second Quarter FY'15-16 Earnings Call. We hope you have got the copy of our results released on Friday. With me we have our senior management team, represented by Mr. N. Govindarajan – Managing Director; Mr. Robert Cunard – CEO, Aurobindo USA, Mr. Ronald Quadrel – CEO, AuroMedics Pharma USA and Mr. Santhanam Subramanian – CFO and Mr. Sanjeev Dani -- COO and Head, Formulations.

We will begin this call with the Opening Remarks from the N. Govindarajan followed by an Interactive Q&A Session. Please note that some of the matters we will discuss today are forward-looking including and without limitation, statements relating to the implementation of strategic initiatives and other affirmations on our future business development and commercial performance. While these forward-looking statements exemplify our judgment and future expectations concerning the 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 statement to reflect future events or circumstances.

And with that I will now hand over the call to Mr. N. Govindarajan for his opening remarks. Over to you, sir.

N. Govindarajan: Thank you, Deepika. Good Evening, Everyone. We are here to discuss the Second Quarter FY 2015-16 Unaudited Results declared by the company. As far as our revenues are concerned, our consolidated net operating income in Q2 FY-16 grew by 15.77% to Rs.3,334 crores compared to the same quarter last year.

In terms of the Business Break Down: Formulations business contributed to 79.5% of the total sales at Rs.2,681 crores recording 20% growth year-on-year. API business accounted for the balance of Rs.691 crores. In the Formulations business, the total sales from the US market stood at Rs.1,478 crores registering growth of 25.8% against the corresponding quarter last year. New products contributed to the sales in this quarter and are expected to provide greater contribution in the coming quarters.

Aurolife, our US manufacturing base, continued to witness increase in volume of production during the quarter, mainly on account of government deliveries. The anticipated introduction of some of the newly approved FDA products and increased volumes for government is expected to keep the momentum going over the next few quarters.

AuroMedics, the company marketing injectable products in USA is experiencing a significant FDA activity in the review of our filed ANDAs. We received approvals for three new Injectables ANDAs during the quarter. Under the Injectables segment including Ophthalmics we have total of 78 products filed, out of which 25 are approved and the balance are awaiting approval.

We expect the sales to improve with the launch of the new products. We have several products under development, namely Hormonal and Oncology products including Microsphere which we plan to file over the next 18 to 24-months.

AuroHealth which manufactures and now it markets Pharma OTC products in the US continue to gain penetration into several key national retailers as well as select regional accounts. We witness new customers opened up during the quarter and many more planned for next quarter. We are now shifting to some of the top OTC customers. The current portfolio consists of 74 Products and 114 SKUs developed to-date which are expected to be commercialized. Natrol, the acquired branded Neutraceutical entity is also performing as expected.

The company as on 30th September 2015 has filed 382 ANDAs on a cumulative basis, out of which 214 ANDAs are approved including 28 tentative approvals and balance 168 ANDAs are under review. The Unit wise filing and approvals are as follows: from Unit-3 117 filed, 112 approved; Unit-7 141 filed, 47 approved; Aurolife USA 26 filed, 10 approved; Unit-4 66 filed 15 approved; Unit-12 and 6, 19 and 11 filed respectively, all of which have been approved; and Auronext 2 products have been filed so far; Units-3, 7 and Aurolife manufactures Oral Non-Betalactam products; Unit-4 manufactures General Injectables and Ophthalmic products; Unit-6 and 12 manufactures Cephalosporin and Semi-Synthetic Penicillin respectively, and Auronext has its facility at Bhiwadi in Rajasthan for manufacturing Penem Injectable products.

Europe Formulations sales were at Rs.764 crores in Q2FY16 compared to Rs.767 crores in the corresponding period of the last year. Our strategy towards Actavis business is paying well with the improvement in the margins that was witnessed in this financial year. RoW Formulations sales grew by 7% to Rs.168 crores in Q2FY16 over Rs.157 crores in Q2FY15. The ARV Formulations sales registered growth of 95% to Rs.271 crores during the quarter against Rs.139 crores in the same quarter of previous year as we have started executing certain notable tenders.

In terms of Segmental Classification: US Formulations contributed 55% to the overall Formulations revenues in Q2FY16 against 53% last year. The share of Europe decreased to 29% from 34% in the corresponding period last year, while the share of the rest of the world remains the same at 6%. ARV segment sales represents 10% of the total Formulations sales in Q2FY16

compared to 6% in Q2FY15. Gross sales from API business have been at Rs.691 crores in Q2FY16 which remains flat over Q2FY15. The additional sales which had happened in API were more towards internal consumption in line with the exponential growth in the Formulations business. We continue our debottlenecking efforts by expanding the API capacities.

Our EBITDA before FOREX for the quarter is at Rs.776 crores, which represents the operating margin of 23.3% and that has gone up from 22.1% in the corresponding period last year. The operating margin has registered an increase of 120 basis points in the quarter versus same quarter previous year. As far as FOREX is concerned the closing rupee Vs US dollar rate was Rs.65.5875 in September 2015 and Rs.63.645 in June 2015. The rupee depreciated by 3% and accordingly resulted in a net FOREX loss of Rs.58 crores during the quarter. The majority of the company's debt is denominated in foreign currency. The net debt decreased by $20 million quarter-on-quarter to $662 million as on 30th September 2015 compared to $682 million on 30th June 2015. The cash and bank balance is at $99 million. CAPEX for the quarter is around $58 million. The effective tax rate for the current quarter is around 26.5% of PBT compared to 30% in the previous quarter.

This is all from our end and we will be happy to take the Questions now.

Moderator: Thank you very much, sir. Ladies and Gentlemen, we will now begin the Question-and-Answer Session. The first question is from the line of Prakash Agarwal from Axis Capital. Please go ahead.

Prakash Agarwal: Sir, a question actually on the quarterly run rate that we do in the US. In spite of 20 plus approvals in the last two quarters, I understand they pick up gradually. With Suprax which is a profitable product for us, the revenue run rate in the US, how would you think that you have performed… only 2% QoQ?

Robert Cunard: This is Bob Cunard. Thanks for the question. One of the things that we saw in the US particularly around the approvals is… before we had a lot of the targeted action dates, we did not have definitive direction from the agency of when these approvals would be coming. A lot of those are going to be late launches and we had some limited launches in the second quarter, the most notable being Entecavir. The balance is some of these key products including Aripiprazole and Raloxifene, Tramadol ER are going to be Q3, Q4 introductions. Cefixime, that is a good product for us and again better than average margins on that and we continue to penetrate. The overall market has been a little bit soft as far as the season. But we think that picks up as well in Q3 and will continue, the other thing we did see a little bit of price softening on one key product, that we had last year which is the SMX-TMP Suspension, but it looks like that stabilized at this point.

Prakash Agarwal: Which are the products you said which have not been launched – Entecavir, Raloxifene?

Ronald Quadrel: Entecavir was launched in the second quarter, Raloxifene was in our fiscal third quarter, so we had for shipments of that in October and Aripriprazole as well will be a third quarter item.

Prakash Agarwal: This is going to be launched in this quarter?

Robert Cunardl: We have launched that already but it was not in Q2.

Prakash Agarwal: Just trying to understand the FDA issues which are coming up across the companies was looking at a site called FDAzilla which talks about pending 483 at Bachupally and Medak site if you could give some color?

N. Govindarajan: As far as Bachupally is concerned, it is Unit-12 and Medak site I need to really figure out because there are a few sites in Medak it might be Unit-9 I presume. We have responded already to those observations and nothing is a show stopper and we expect that to be closed either with the response we had given, if it is accepted, then we should expect the EIR anytime. In case if they have any further queries, they will always rise it and we will respond.

Prakash Agarwal: So Bachupally is a Formulation plant, right?

N. Govindarajan: In Bachupally, yes, it is a Formulation plant, we have both Unit-3 and Unit-12 in Bachupally, Unit-12 is a Penicillin Injectable facility that was the one where the inspection had happened and we had responded for the observations which were raised.

Prakash Agarwal: Medak is the API?

N. Govindarajan: Medak is the API. Since you are generally saying Medak, there are a few units in Medak I presume it should be Unit-9.

Prakash Agarwal: In this Formulations facility, would you have received approvals?

N. Govindarajan: There are no pending approval as such for any new product from Unit-12 is what I remember. Is that right, Ron?

Ronald Quadrel: That is correct, all our products are on the market, there is no new approvals coming as well.

Prakash Agarwal: On your fund raising plans, I see that you have revised enabling resolution from $300 to $600 million. So, what is the plan ahead and what would be the use of proceeds?

Santhanam Subramanian: We have raised enabling resolution for about $600 million against the $350 million. We are already working on $350 million. Probably at the appropriate time we will get into that market, but there is no immediate plans like this month or next month.

Prakash Agarwal: So use of proceeds if you can highlight because this number is just getting doubled?

Santhanam Subramanian: This is more of an enabling resolution because we have taken the last year this $350 million resolution in the month of November, that is getting expired, so we have to renew it and then go

to the shareholders so that it will be in place. Once we have decided to renew it, etc., we have taken at $600 million, it is more of enabling resolution as on date.

N. Govindarajan: We would not be raising the entire amount is what Subbu is trying to clarify. We have clarity for expending say partial part of it, Hence we will not be completely raising it is what Subbu is clarifying, Prakash.

Prakash Agarwal: But I was trying to understand for the first $300 million if you could just repeat what we have communicated to the investors?

N. Govindarajan: Prakash, we had said in the last call also in terms of the breakup which includes capital expenditure which is a major one, the needs are in API expansion as well as the Finished Dosage expansion for moving the products from Europe into India and also certain complex filing and also the registrations which is needed for the filing which will be shifting from again Europe to India. So there are certain breakup we have provided earlier also. So we have complete clarity to that extent of $300 million to $350 million, the remaining we are taking the enabling resolution not necessarily we need to raise it at this juncture, so we are just keeping that approval in place so that whenever the need we can go ahead.

Moderator: Thank you. The next question is from the line of Girish Bakhru from HSBC. Please go ahead.

Girish Bakhru: Just following on the previous question on the launches, I do not know if there is a higher lead time particularly with you when you get an approval and get the products in the market?

Ronald Quadrel: One of the things that we are finding is without the targeted action dates which really had not started coming in until the last three or four months, we did not really have a good indication of when you are going to get the approval. So what we have been doing is we have been planning our API, our components and everything else the best we can, but until we get approval we do not start manufacturing our large quantities. So that is what is causing the delay and then making the launches a little bit later than we would like.

Girish Bakhru: With these opportunities particularly Evista, Abilify and even Prilosec and Entecavir, one would expect Q3 and Q4 to be significantly better, right?

Robert Cunard: We think we should have some upsides, obviously, that will be introduced to the line. As I mentioned we did launch Entecavir in the second quarter so that is reflected in our numbers and that is a good product for us. As Ron said, that is really the big thing, we did not take a position where we were speculating on when approvals would come and putting products up at risk and everything. So you have a natural lead time in preparing inventory and also getting the commitments from customers. So these are existing Generic markets that we are entering, so that is not that imperative on day one launch. We do have much more clarity on that now as far as the launch timing, we actually have 33 targeted action dates between now and end of the fiscal year. So we prioritize these products, we have identified the ones we are working with customers

and advanced on that and preparing for those introductions. So we think the second half of the year we should have a much more significant impact on the new product side.

Girish Bakhru: Can you talk about AuroMedics, what was the numbers in this quarter and particularly on the Injectable approvals, I saw Esomol and Atracurium, but where are the big Generic Injectables approvals tied up, when do we see those coming in?

Ronald Quadrel: As I said on earlier calls we are expecting a larger product to start becoming approved towards the end of Q3 and through Q4. The products that we have gotten approved this year are much smaller markets as a matter of fact, most of the markets that we are seeing are total markets are less than $15 to $20 million for each product. Our numbers were a little bit better on Q2 versus Q1. But what we have done during this quarter is knowing that we have some of our larger products coming, we decided over the past quarter to Unit-4 and several of our lines to increase the flexibility in the plant. So what we have done is we have been working on those lines to ensure when a larger product comes that we can make those products in the plant which will give us a lot more flexibility. What has happened is that tampered some of the smaller products over the last month and a half are so. The sales have been little less than expected but we expect all of our lines to be up and running by the end of this month in preparation for these new products. So as these new products come out as well as the products that were approved earlier in the year we expect a significant ramp in sales.

Girish Bakhru: On Peptide, I saw you filed a few DMF. When is the first ANDA and when do you expect the inspections?

N. Govindarajan: As far as Peptide is concerned, the two DMFs which have been filed, one of the ANDA we expect it to be filed between December to March.

Girish Bakhru: Govind, the Peptide business you are doing with partners or you are solo?

N. Govindarajan: Aurobindo also files and we also offer the product to the customers.

Moderator: Thank you. The next question is from the line of Neha Manpuria from JP Morgan. Please go ahead.

Neha Manpuria: My first question was I wanted to understand have we seen any base business pressure on the US business. I understand that you mention that some of the launches got delayed but also was the flattish revenue on a quarter-on-quarter also because of pricing erosion given customer consolidation etc.,?

Robert Cunard: In the second quarter on the regular Generic side, we did not see a whole lot of pricing pressure, as I mentioned earlier, we saw a kind of continuation of those lower pricing verses last year on the Generic Bactrim suspension and we did see some positive gains on the volume side where we saw market share increases on quite a few products from previous quarter and gained

penetration. As far as the customer consolidation where there have been some recent announcements, we really did not see any additional pressures from that in the second quarter and the latest ones with Walgreens and Rite Aid potential acquisition looks like any impact from that would not be in this fiscal year.

Neha Manpuria: On our ARV Formulations, the big jump, is this sustainable, how should we look at this number going forward, particularly because last year we had some good tenders in the third quarter?

Sanjeev Dani: Sanjeev Dani here. In fact this represents only some kind of a tender variations, Q2 last year we had much less of the order, so it shows a good jump in growth, but I think the absolute number will be sustained, not the growth rates.

Neha Manpuria: So we do not have any other large tenders in the pipeline so far for the second half of the year, is that a fair assumption?

Sanjeev Dani: We have the ongoing tender, but actually ARV is not a strategic therapeutic area right now and we are looking at improving margins. So if we get a good tender order we take it.

Neha Manpuria: My third question is on Natrol. At the time of acquisition, we had mentioned it will probably take 3 or 4-quarters to show improvement in the top line. Now, it has been closer to a year. So have we started seeing that improvement in Natrol as expected? What are the utilization levels currently in Natrol?

N. Govindarajan: We have started seeing the improvement, Neha. As far as the utilization is concerned we still have a long way to go because if you remember at the time of acquisition we had seen the capacity utilization at mid-30s. It would have now improved to 40%, 42%. The growth has been good, but we still have enough headroom. Meanwhile, we are also installing one more line, which effectively will again bring down the capacity utilization till that line completely goes commercial. So we have a long way to go, in fact, which is good for us because we do not need to invest any capital expenditure for enhanced sale.

Neha Manpuria: So last year when we acquired we had said that the first year margins would be closer to 15% with 20-25% sort of revenue growth. Are we in line with that as we had indicated at the time of acquisition of this business?

N. Govindarajan: Absolutely.

Moderator: Thank you. The next question is from the line of Manoj Garg from Bank of America. Please go ahead.

Manoj Garg: Like in your opening remarks, you have made a comment that Actavis business has seen good profitability or kind of a turnaround. So, can you just put more colors on that statement and how do you see going forward Actavis acquisition turning out for us?

Sanjeev Dani: Actavis business we have streamlined the operations along with existing business of Aurobindo. There is a better focus on the product mix and also some of the channel mix. Combined with that there are lower costs as you can see and that is why we have made some small profit. We anticipate that actually going forward it will be in line with our expectation at the time of acquisition.

Manoj Garg: So that means probably next year we should be in high single-digit kind of EBITDA margins on this acquisition?

Sanjeev Dani: I would not speculate because there are varying degree of factors, but we will remain in positive territory.

Manoj Garg: This question is for Mr. Subramanian. Basically, while we do have seen during the quarter the debt has come down by $18-20 million, at the same time we have seen significant increase in the working capital. While understand the increase in working capital at inventory level because we do expect a lot of launches going forward and that is where you have built up the inventory in the US, but can you provide some more colors on the receivable side?

Santhanam Subramanian: Manoj, if you really see the September end, debtors is around Rs.4,100 crores against March is around Rs.3,500 crores. Even though it looks like there is increase of around Rs.580 crores on the debt, but this is mainly due to the reinstatement of the debtors in line with the closing rate of the dollar. Actually if you convert the Rs580 Crores into the dollor, it is ~ $88 million, but our real increase in the debtor in dollar terms is only $ 62 million, the balance is coming on account of the reinstatement. The second point is there has been consolidation of the distribution channels in the US, the direct customers shifting to procuring products through the wholesalers and resulting in the increased debtors because of the "invoicing method" practiced in US.

Manoj Garg: Have I heard it clearly that this $600 million is only an enabling resolution and at this point of time we do not have any plan to raise the capital?

Santhanam Subramanian: At this point of time we are not planning to raise $600 million, we have planned only for $300 to $350 million which Govind has also mentioned in the earlier query, this is what we are planning to do that the earlier resolution is getting over at the end of one year and hence we are going for renewal and we thought it is better to put a higher number so we do not need to keep on going to the shareholders.

Moderator: Thank you. The next question is from the line of Ranjit Kapadia from Centrum Broking. Please go ahead.

Ranjit Kapadia: My question relates to Natrol. Have we introduced any new product or line extensions after we acquired it and how is the margin shaping up after the acquisition?

N. Govindarajan: The margin has been good. We had introduced almost 6 products from 3 different families I would say including Probiotics and it is doing well, in fact, we would expect to launch more products as we progress because there are a few more interesting products which are under development. So definitely like I think the R&D pipeline will get strengthened as we progress.

Ranjit Kapadia: Relates to Natrol, there is a unit in Dubai which was a manufacturing alternate site. Is proposal still there or it has been changed?

N. Govindarajan: Does not belong to Natrol at all Ranjit bhai, so Natrol has only one manufacturing unit which is in California in Chatsworth.

Ranjit Kapadia: How many products we have shifted to Vizag till now?

Sanjeev Dani: That is yet to be approved.

Ranjit Kapadia: These 12 products have been shifted to which facility?

Sanjeev Dani: This is in existing facility.

Moderator: Thank you. The next question is from the line of Surjeet Pal from Prabhudas Lilladher. Please go ahead.

Surjeet Pal: You have filed two Penems, right as of now When do you expect it -- in second half or FY17?

Ronald Quadrel: I am expecting our first Penem, Meropenem to be approved sometime within the next two quarters. With respect to Doripenem we are in the midst of settling the Paragraph-IV and that probably would be in the next year to year and a half.

Surjeet Pal: When we expect the other to be filed and approval?

Ronald Quadrel: The Imipenem Cilastatin we should be filing immediately and the Ertapenem I believe we will be filing by just after end of this calendar year. With Ertapenem we plan to be there on the first day which I believe is sometime in November of 2017, Imipenem Cilastatin approval probably take two years from filing.

Surjeet Pal: Any of the Penem is in shortage list?

Ronald Quadrel: Meropenem right now is on the shortage list, as a matter of fact we have been granted expedited review by FDA.

Surjeet Pal: Another question on Angiomax. Have you filed that product as a Peptide or is it just a normal ANDA filing?

Ronald Quadrel: We have filed Bivalirudin which is the chemical name for Angiomax and an ANDA using a third-party API. We are just about to receive ANDA approval. We are currently waiting for the judge in a court which was the Paragraph-IV challenge led by Hospira in which The Medicines Company lost that case. The judges' decision was the patent was invalidated. What has happened is The Medicines Company has applied for another appeals. What we are waiting for now is the judge to sign the mandate to deny any additional appeals to The Medicines Company. We are expecting that to happen probably in the next several weeks. Once that happens we will probably receive approval shortly afterwards.

Moderator: Thank you. The next question is from the line of Surya Patra from PhillipCapital. Please go ahead.

Surya Patra: Sir, can you just update us about the Vizag plant which was supposed to be commissioning for validation by October this year?

N. Govindarajan: You are talking about the facility for Europe?

Surya Patra: Yes, the new one so both integrated API as well as Formulations.

N. Govindarajan: No, it is not integrated API is in Bhimanagaram which is probably 60-70 Kms away from the city whereas Finished Dosage facility is coming up in Pharma City. So Sanjeev will update you on the Pharma City, then I will pick up the API part.

Sanjeev Dani: I think the inspection is due only early next year.

Surya Patra: That means the commissioning and the valuation work already been started?

Sanjeev Dani: Yes, some of the things are.

Surya Patra: So it is fair to believe that okay first quarter FY-'17 we will see some revenue from the new facility?

Sanjeev Dani: I think it might take little longer than that.

N. Govindarajan: On the API facility the commissioning has already started and out of four modules three modules have been already commissioned for validation batches, one module, in fact, validation is completed, the other two modules validation is progressing. So post validation will get into complete commercialization by the next 3-months or so.

Surya Patra: Is there any plans that okay around certain number of products would be site transferred to this new unit by FY-'17 or something like that in Finished Dosage?

Sanjeev Dani: It is not critical, we have started transferring to existing facilities, so our business is already getting benefit.

Surya Patra: What percentages can you say?

Sanjeev Dani: We just now said that about 12 products are transferred during the quarter.

Surya Patra: So this is the first set of 12 products?

Sanjeev Dani: No, there were last quarter as well which were transferred and one before that also.

Surya Patra: Can you just share what was the kind of number quarterly number for this Injectable business in US and Aurolife?

Robert Cunard: On the Aurolife side for VA business the unique revenue stream for them was a little bit more than 10 million for the quarter. So it looks like that will be about 40 to 50 million for us this year.

Ronald Quadrel: On the AuroMedics side of Injectables we were a little bit over 18.5 million for the quarter.

Surya Patra: I think on the Aurolife front numbers were much higher than the kind of quarterly number of $10 million what you said?

Robert Cunard: Yes, they were a little higher in Q1, once again with this VA, it is a lot of timing, so we are looking at that more as far as orders that are in-house and when that will flow. So really no sign of weakness or anything there, it is just order timing from the VA.

Surya Patra: Regards the Injectables thing what we say that in anticipation of the launch of a certain big ticket products we are doing some sort of restructuring in the plants and all that, so that is why you are seeing a kind of a little lower kind of a growth number compared to the earlier indications. So based on that are you giving kind of a moderating kind of growth guidance for current year which was earlier guided for something like 50%?

Ronald Quadrel: From my perspective here what we are looking at is the timing first of all of the bigger products we are going to have to see when they come in. In terms of the plant, we did not really modify the plant, what we were doing was we were recommissioning some of the lines to be able to do different size products on all the lines. So dependent upon when those larger product approvals come in and of all the products that I am expecting approval I would consider 5 or 6 to be very-very large compared to what we have had so far. That will depend on where we finish for the year.

Surya Patra: So are we changing the growth guidance for the Injectables or we are sticking to that number what we had said?

Ronald Quadrel: I would stick to what we had.

Surya Patra: What is the CAPEX that we are planning for the current year? As we have enhanced the kind of fund raising plans so is it linked to the kind of CAPEX for future?

N. Govindarajan: So our CAPEX this year we might end up somewhere between Rs.1000 to Rs.1100 crores

Moderator: Thank you. Next question is from the line of Prashant Nair from Citigroup. Please go ahead.

Prashant Nair: My question relates to the European business. How do we think about growth here, are you still in product rationalization mode or a fair bit of rationalization been done now and we can look at this business growing from here?

Sanjeev Dani: Our focus was on streamlining the operations and focus on the customers and products. We have not rationalized in that sense but we have been focusing and promoting certain products much better in an aggressive manner. The overall objective has been to bring the business into positive territory in terms of profitability. So I think for another two quarters we would like to continue to work on the profitability part.

Moderator: Thank you. Next question is from the line of G Vivek from G.S. Investments. Please go ahead.

G Vivek: Wanted to know about the performance of Abilify which we launched recently, how much market share we have been able to take away and what is our market share, any such more similar opportunity also lurking wherein the opportunity size because we have got a drastic long list of 400 ANDA but is it some big opportunities that was also there, like it was in the case of Cymbalta?

Robert Cunard: As I mentioned we did not have that launched in the 2nd quarter, we have launched in the 3rd quarter, it is an existing generic molecule, we have about seven people in the market today, we have garnered share, that is in line with that and we have already commenced shipment to the customers, pricing is a little higher than our typical when you look at our portfolio so it is on the higher end of that as far as on the pricing side and we think that we carve out our share and we can maintain that for the balance of the year. As far as the other approvals and going back to the Duloxetine I do not think any one can predict when something like that may happen again. I think that was a very unique situation, but obviously, as you indicated when you look at the number of products we have pending, we have gone through, identified what are the key priority items obviously day one market formations are our first priority, we always want to make sure we are in a position to launch those and to commercialize those and then we looked at those items where we feel the environment is more positive either from it is a little underserved on the supply side or better in pricing and we are targeting those as items. As I mentioned we do have 33 target action dates that will occur before the end of the fiscal year. Once again we cannot guarantee that is an approval, but we think a significant number of those will likely be and we

are preparing for those products and we want to make sure we commercialize those and get the most penetration.

G Vivek: Injectables also we have lot of hope and there is I believe a very good list of Injectable ANDA approval waiting. So what is the status of the same sir and what could be the opportunity size for these Injectable ANDAs?

Ronald Quadrel: First of all between now and August 2016, we have targeted action dates for 30 products. . A little bit more than half of those will occur prior to the end of this fiscal year. Obviously, with the products that we have, the market pricing and shares are fluctuating depending upon whether the products are still under patent or off patent, meaning are there other generic companies in the market already versus products that are still not genericized. As I had mentioned earlier a significant number of our products are much larger products, so for instance, where we were seeing markets before for the products that were approved earlier this year in the $10 million to $15 million per market, some of the products that we are awaiting approval would consider to be larger product opportunities in the $50 to $300 to $400 million range right now. Depending on when we enter those markets the addressable market for us at the time of our launch is dependent upon how much it erode between now and when we enter the market. This will dictate what our ultimate opportunity is for each individual product. However as I have said several times on this call already, we are expecting a significant ramp from the contributions to these products over the next 6-quarters and then as other products get approved over the next year, a significant ramp over the next 2 to 4-years.

G Vivek: And last question is about the receivables and debt are slightly on the higher side. So just wanted to know the reason of the same, sir?

Santhanam Subramanian: Receivables I explained in the earlier Question, the number looks high because of the reinstatement as most of the debts are foreign currency-denominated and in our reinstatement it shows a higher number. In reality it is around $62 million increase in the debt against what you see that is around $ 88 million. Second is I explained in terms of the direct customers shifting to consolidated wholesales in US, that is also one of the reasons. In terms of the debt, we closed the last quarter with $682 million and this quarter we are closing with $662 million net debt.

G Vivek: Any FDA visit recently and when was the last FDA approval came and for which unit sir?

N. Govindarajan: Between the last call and this call, I think there was an inspection for one of our units Ron, is it Auronext? So that was inspected. So there were a few observations, there are no show stoppers and we have responded for that and we are awaiting the EIR.

G Vivek: There has been improvement in the approval pace from the FDA. Is it impacting us positively or the larger number of approvals the opportunity size is getting smaller?

Robert Cunard: No, I think it is absolutely affecting us in a positive way. As a matter of fact from the fiscal year as we look at some recent FDA data, Aurobindo has represented by 5% of the FDA approvals overall. So we feel that we are in a good position and those approvals are only going to accelerate through the balance of this year and next year.

Moderator: Thank you. Next question is from the line of Aishwarya Deepak from Reliance Mutual Fund. Please go ahead.

Aishwarya Deepak: Sir, just two things on the balance sheet side. When I look at the balance sheet for FY-'15 I see that the payables has gone up by roughly Rs.500 crores which I am able to reconcile? Second is there is a statutory liability of Rs.496 crores got added. So these two add up roughly Rs.1,000 crores is the amount which I see is coming. That is beyond your Actavis and Natrol things?

Santhanam Subramanian: Yes, Deepak, we spoke in the afternoon. What you are talking is about the numbers as on 31st March 2015, we will work it out offline and then provide the necessary data tomorrow.

Aishwarya Deepak: Second thing is sir how we should look at the free cash flow generation for the company going forward because if I look at the number I see you people are already generating some very good meaningful cash flows and despite that going for this thing even if I go with your CAPEX number of Rs.1,000 or may be Rs.1,200 crores then also I see the cash generation is very-very significant, every year you will generate Rs.2,000 crores of cash?

Santhanam Subramanian: In the H1 we have generated cash profit of something like Rs.1,050 crores and we have already incurred CAPEX of Rs.650 crores, and we expect year as a whole Rs.2100 crores… annualized numbers, that be the cash profit and taking into account capital expenditure of around Rs.1,100 crores. With a working capital of around Rs.1,000 crores which is nothing but 40% of the estimated increase in the turnover. So we will be seeing a very small free cash flow of around Rs.100 crores like that. Overall we expect the debt to be of the order of $630 million to $650 million based on the current scenario.

Aishwarya Deepak: So this year we do not have the opportunity because of this thing but as we go forward our US approvals will add to EBITDA and the cash generation will be meaningfully higher than what we are doing right now. Should we expect the things to happen in terms of higher free cash flow generation in FY-'17 if not at '16?

Santhanam Subramanian: It is too early to talk about FY-'17. We will be talking about it at the appropriate time in the earnings call.

Aishwarya Deepak: But what kind of CAPEX we should keep in mind for next year sir?

Santhanam Subramanian: This year we will be doing around Rs.1000 to Rs.1100 crores. Probably with the company growing and then we need to ensure the sustainable growth of the company, we may have to do

CAPEX of around Rs.1,000 crores year-on-year, it is emerging like that. Now it is too early to talk about it.

Moderator: Thank you. Next question is from the line of Nishit Shah from Ambika Fincap. Please go ahead.

Nishit Shah: My question is on the market share in G Suprax, G Abilify and G Namida. How have these products faired for you and what are the market shares right now?

Robert Cunard: I heard two of the products; Aripiprazole, Abilify, and Suprax. Namida Memantine was not launched at this point, that will be a Q3 launch, we think and it is a large volume item we think will get adequate share in that. The other ones regarding the Generic Suprax and the Generic Abilify. If you look at the number of generic competitors really our share is exactly proportional with those competitors, what you would expect. So for both were happy with where we are as far as the market share standpoint. As I indicated earlier I think Q3 has some upside with that little seasonality and we get some strength in that market back and then Abilify will be a full Q3 launch.

Nishit Shah: The three ANDA filings that you have done in second quarter, these are in which Therapeutic areas?

N. Govindarajan: We do not at this juncture reveal those details in terms of the filing, Nishit bhai.

Nishit Shah: I think you filed one Peptide, is that right?

N. Govindarajan: That is a DMF we are talking about. Even DMF we do not talk specifics in terms of what we have filed.

Nishit Shah: Other question is on Pantoprazol Injection and Vancomycin Injection. When do you expect these because in the last conference call I think you guys had indicated but not yet approved, right?

Ronald Quadrel: We are expecting approval of Pantoprazole within the next month, month and a half. Vancomycin probably will be a little bit later than that. Presently, we are looking at launching Pentoprazole first and then what we will consider Vancomycin as it comes along.

Nishit Shah: Ron, I think the first half if you look at your Injectable sales in the US has been more or less stable and you said you are maintaining still the growth rate that you were expecting, that means you are expecting a substantial jump in the second half of this year and these will be based on the three Injectables that you got approved in the first half or you expect some of the approvals or the existing products to give you a booster?

Ronald Quadrel: It will be on the products that are coming soon. The products that we recievedapproval so far this year are Sildenafil Citrate, Esmolol, Sildenafil, Ibandronate, and Atracurium. All of those are as I mentioned earlier somewhere in the $7 million to $15 million, may be $20 million total

market with multiple competitors. What we are expecting moving forward as I also mentioned earlier we are expecting up to 13 to 15 approvals between now and the end of the fiscal year. Some of those will come at a very end but we are expecting in this quarter and the beginning of next quarter some of our bigger approvals. As those bigger approvals come through our sales will ramp. So I do not expect my run rate over Q1 and Q2 to be the same as Q3 and Q4, it should be much-much higher in Q3 and Q4.

Nishit Shah: Govind, is the Penem facility inspected or are we expecting it to be inspected any time?

Ronald Quadrel: We had the Penem inspection several months ago, we had several minor items that were noted, none of which were show stoppers. As a matter of fact the FDA inspector said that he would give us a good recommendation for approval on the compliance side so that way as the ANDA reviews are completed in Washington, the ANDA can go through and get approved. Meropenem is the first ANDA up for approval.

Nishit Shah: So is the plant approved now or you are still expecting the approval to come?

Ronald Quadrel: We do not really get a plant approval, what you get is recommendation…

Nishit Shah: You get the ANDA approval, right.

Ronald Quadrel: We are waiting for the ANDA approval. Meropenem is on expedited review right now as we speak. I am expecting within the next two quarters to have that Meropenem approval.

Moderator: Thank you. Next question is from the line of Bharat Seli from Research Delta Advisors. Please go ahead.

Bharat Seli: Actually I wanted to know about Angiomax. Can you provide some competition outlook for that product going forward?

Ronald Quadrel: Yes, Angiomax right now has generics on the market. Hospira is the first generic on the market. They won their Paragraph IV challenge when the judge ruled the patent to be invalid. The Medicines Company since has appealed, but Hospira entered the market with a risk launch. Sandoz is out there right now with an authorized generic made by The Medicines Company. We are expecting three to four other generics that will be out and approved once the judge signs the mandate. As discussed earlier the mandate is to deny any further appeals by The Medicines Company. We are expecting that mandate to be signed within next several weeks, after which depending on which company is closed and we are one of those approvals will start coming from FDA.

Bharat Seli: The next one is related to Generic Evista. Have we launched that product this quarter?

Robert Cunard: Raloxifine that is Q3, but we have commenced shipment in the quarter.

Bharat Seli: So it is not there in this quarter numbers, right?

Robert Cunard: Nothing in Q2 correct.

Bharat Seli: So Evista will be from Q3, right?

Robert Cunard: That is correct.

Moderator: Thank you. Next question is from the line of Kumar Saurav from Motilal Oswal Securities. Please go ahead.

Kumar Saurav: Sir, as you mentioned that second half in terms of your Injectable approvals should be much better compared to first half and we should see some large approvals coming through. Can you quantify when we say large approvals for us, will it be like 25-$30 million plus product approvals for us or will it be lower than that?

Ronald Quadrel: I cannot quantify what our dollar amount will be. What I can tell you is the addressable market of the products we are expecting to be approved… I was referring to about 5 or 6 of the larger products. I will not include Bivalirudin because that could fluctuate quite a bit depending on the number of competitors that come in. The market opportunities range for these 5 to 6 products range from 50 to about $190 million in terms of addressable markets. Some of those products have either no generic competitors or may have one generic competitor at this point. So I am expecting that we will be getting a pretty significant share with these products. Recall however, that in the injectable market it takes a while to ramp up to full share from the time of launch.

Kumar Saurav: So sir given the fact that we have handful of approvals in our pipeline and some of our recent approvals are yet to hit market. Is it fair to assume that our margins will continue to approve or improve going forward and we should see 25% or (+25%) margin run rate?

N. Govindarajan: We do not give guidance. Our belief is it should improve.

Moderator: Thank you. Next question is from the line of Tushar Manudhane from India Nivesh. Please go ahead.

Tushar Manudhane: Just one clarification; just would like to know when was Unit-7 last inspected?

Robert Cunard: March 2015.

Tushar Manudhane: And Unit-3?

Robert Cunard: June 2015.

Moderator: Thank you. That was the last question we take today. Now I would like to hand over the conference to Deepika Padhi for her closing comments. Over to you, ma'am.

Deepika G Padhi: Thank you all for joining us on the call. If you have any questions unanswered please feel free to get in touch with Investor Relations. The transcript of this call will be uploaded on our website, www.aurobindo.com Thank you.

Moderator: Thank you very much, ma'am. Ladies and Gentlemen, with this we conclude today's conference call. Thank you for joining us and you may now disconnect your lines.