ANNUAL REPORT
2020-21

AUROBINDO
Committed to healthier life!

Strengthening **Capabilities** Focused on **Execution**

Report contents

Our growing prominence in the global pharma landscape

7th
Largest generics company globally (by revenue)#

2nd
Largest listed Indian pharmaceutical company (by revenues)^

#1
Largest generics Company in the US (by Rx dispensed)**

Amongst
Top 10
Generics companies in seven out of 11 countries in Europe@

Source: Octavus Consulting I ^ as per FY21 revenues I ** Source: IQVIA MAT January-March 2021 data I @ Source: IQVIA MAT Q4 2020; Europe covers EU/UK

Strengthening **Capabilities** Focused on **Execution**

Expanding scale, presence across geographies, diversified product portfolio, talented pool of scientists, emphasis on a high level of compliance and quality standards have made us a reliable contributor to the global pharma value chain.

We have strengthened these capabilities through strategic investments over the years. As a result, we have a vertically integrated business model with large capacities, with requisite flexibility to cater to our core markets.

In addition, our strong balance sheet, steady and growing cashflows as well as healthy return ratios are a testimony of an execution-focused business.

Divestment of our dietary supplements business (Natrol) helped monetise the business at an attractive value for our stakeholders, delivering significant ROI on our initial investments. This bolstered our balance sheet strength by making it net cash surplus and helped us prioritise investments towards our future growth drivers. Our business has continued to evolve over the decades with the shifting trends of the pharmaceutical industry.

In a challenging FY21, our execution machinery ensured improved market share for our existing products, along with new product launches across our key markets.

OUR PRIMARY GROWTH ENABLERS FOR FY22 AND BEYOND

Capacity and capability expansion
Pg. 22

Research and development
Pg. 26

Product portfolio
Pg. 30

Compliance and quality
Pg. 38

PERFORMANCE HIGHLIGHTS, FY21

Achieving higher benchmarks

Financial

7% ↗
Revenues
₹247,746 million

10% ↗
EBITDA
₹53,334 million

40 bps ↗
EBITDA margin
21.5%

88% ↗
Net profit*
₹53,338 million

27.5% ↗
Return on Equity

17% ↗
Balance sheet size
₹338,539 million

Environmental

5.16%
Reduction in energy consumption (**338,332 GJ** reduction compared to FY20)

5.5%
Reduction in carbon emissions (**52,725 tCO2e** reduction compared to FY20)

7.9%
Water recycled/ re-used
273,815 KL

4.9%
Renewable energy used in operation
305,093 GJ

Social

18
Training hours per employee

9%
Women in workforce

0.92 million
Lives impacted through CSR interventions

Governance

45%
Independent Directors on our Board, including two women members

6
Non-executive Directors including Chairman

5
Executive Directors

↗ y-o-y growth ↘ y-o-y de-growth *including gains from Natrol divestment

CORPORATE IDENTITY

Sharp strategy, effective execution

Ever since we began our journey, the global pharma landscape has evolved considerably, and so have we. Today, we rank among the largest global pharmaceutical companies, ensuring our generic formulations, specialty products and Active Pharmaceutical Ingredients (APIs) meet patient needs directly, or through our customers.

We have consistently stepped up our investments and team strength to build a robust R&D infrastructure. Our strength also lies in our vertically integrated business model with huge capacity, unrivalled by most peers worldwide. We have also forayed into branded specialty products in the US, adding another pillar to sustain our pursuit for profitable growth. Our divestment of the dietary supplements business enables greater focus on execution of our future growth levers.

Our products conform to high quality standards and offer cost-effective solutions to patients globally on the strength of our extensive global reach. We have multiple manufacturing facilities capable of handling diverse dosage forms which are approved by leading regulatory agencies including the USFDA, EDQM, UK MHRA, South Africa-MCC, Health Canada, WHO and Brazil ANVISA.

With manufacturing scale, global reach, diversified product portfolio and over three decades of experience, we are equipped to contribute more effectively to the global pharmaceutical industry as a credible supplier.

₹15 billion

Spend on Research & Development (**6.1%** of revenues) in FY21

Our Vision

To become a leading and an admired global pharma company, ranked within the top 25 by 2030.

Our Mission

To become the most valued pharma partner to the world pharma fraternity by continuously researching, developing and manufacturing a wide range of pharmaceutical products that comply with the highest regulatory standards.

Our Businesses

In formulations, we have large manufacturing capabilities approved by key regulators for a diversified product portfolio with technology and expertise. Our operations are integrated from conception to commercialisation. We have 15 formulation facilities (10 in India, 3 in the US, 1 in Brazil, and 1 in Portugal). We are also setting up manufacturing facilities for biosimilars and vaccines.

₹216,860 million

Revenue from formulations in FY21

8%

Growth in formulations revenue over FY20

88%

Contribution to total revenue

In API, we have 11 high specification manufacturing plants approved by key regulators and equipped with site dedicated control laboratories in India. Our API plants have particle size modification systems to supply compacted and micronised materials. We offer the complete array of products in penicillin, cephalosporins, anti-retroviral, anti-infective and other non-beta lactams. We also offer sterile and non-sterile anti-biotics.

₹30,859 million

Revenue from API in FY21

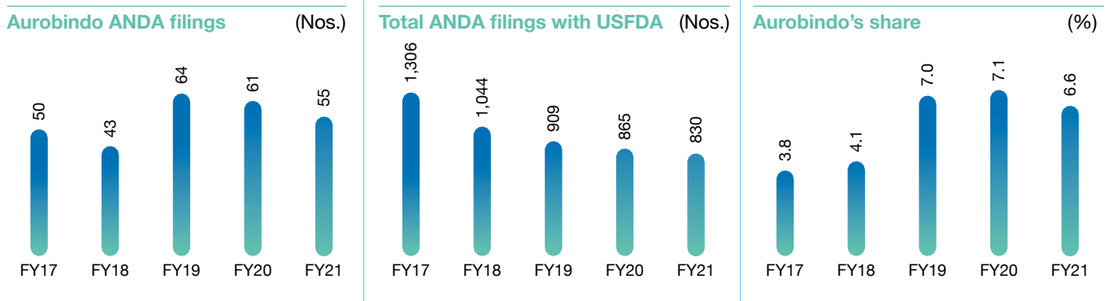
12%

Contribution to total revenue

Our Research and Development

We have one of the largest R&D facilities and capabilities across five research centres in India and three R&D centres in the US. Our in-house R&D drives rapid filing of Drug Master Files (DMFs), Abbreviated New Drug Applications (ANDAs) and formulations dossiers worldwide. We are among the largest filers of DMFs and ANDAs with the USFDA.

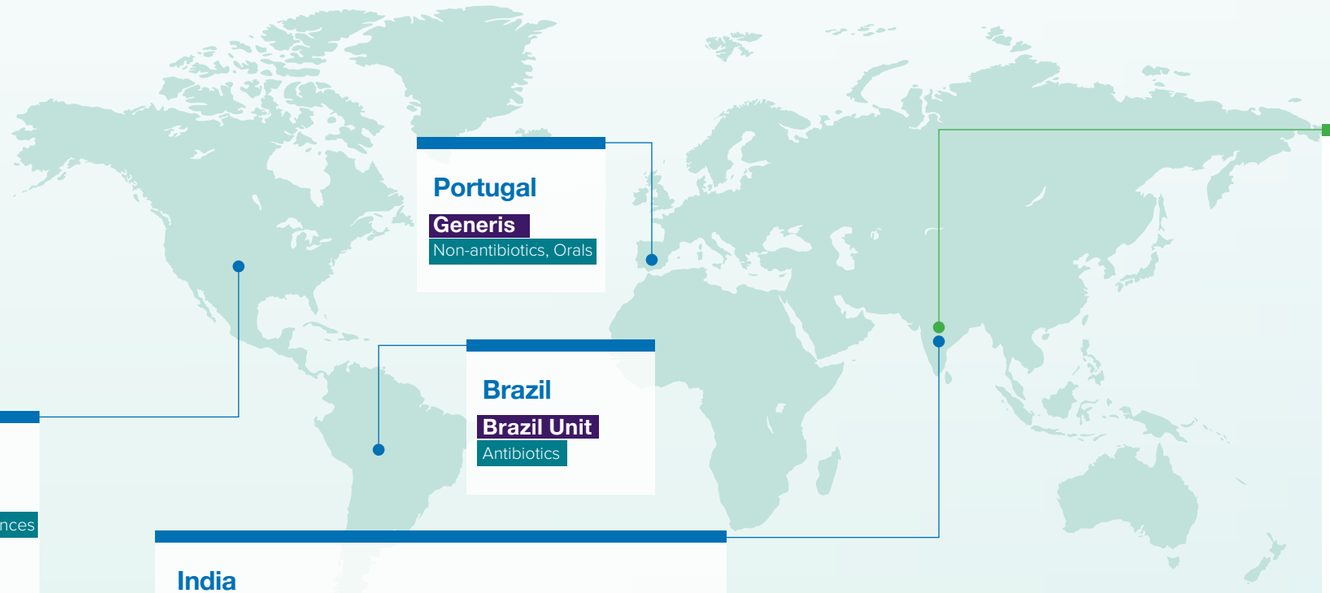
ANDA filings



GLOBAL FOOTPRINT

Wide expanse of operations

Our manufacturing facilities are diversified across advanced and emerging markets, and we adhere to a high compliance curve.



USA

AuroLife
Non-antibiotics and controlled substances

AuroHealth
Pharma OTC / Orals and Liquids

AuroPackaging
FDF Packaging

Portugal

Generis
Non-antibiotics, Orals

Brazil

Brazil Unit
Antibiotics

India

Unit III
Non-antibiotics, ARVs / Orals

Unit IV
Injectables (Non-antibiotics) and Ophthalmics

UNIT VI B
Cephalosporin / Orals

Unit VII
Non-antibiotics, ARVs / Orals

Unit XII
Antibiotics, injectables and Orals

Eugia II
(formerly known as AuroNext)

Eugia (India)
Oncology and Hormones

APL Healthcare Unit IV*
Non-antibiotics, Solid Orals

Unit XV (India)
Non-antibiotics, Solid & Liquid Orals (EU)

Unit XVI (India)
Antibiotics, Injectables

APL Healthcare (India)
Pharma OTC, Solid Orals

Curateq**
Biosimilars

Unit XVIII
Vaccines

Unit I
General APIs, Cephalosporin, Oncology

Unit I A
Cephalosporin

Unit II
Intermediates for non-antibiotics and Penems

Unit V
Antibiotics (Sterile and Non-sterile)

Unit VI A
Cephalosporins (Sterile)

Unit VIII
ARV, CVS, CNS (Non-sterile)

Unit IX
Intermediates

Unit XI
Non-antibiotics

Unit XIV
CVS, Antifungal

Unit XVII
(Formerly known as Silicon LS)

Penems
(Non-sterile)

AuroNext
Penems (Sterile)

AuroPeptide
Peptides

Finished dosage formulations (FDF) units

Active Pharmaceutical Ingredients (API) units

* Formerly known as Unit X
**Formerly known as Unit XVII
Curateq and Unit XVIII are yet to start commercial production (integrated facilities with both drug substance and drug product capabilities)

Research & Development footprint

Five R&D centres in **Hyderabad, India** with over
1,600
scientists and analysts

One R&D centre in **Dayton, New Jersey** with over
25
scientists and analysts

One R&D centre in **Raleigh, North Carolina** with over
40
scientists and analysts

One R&D centre in **Pearl River, New York** with over
40
scientists and analysts

BUSINESS HIGHLIGHTS

Momentum across global markets

Formulations

US

₹123,245 million
Revenue

7% y-o-y growth
16% 5-year CAGR

50%
Contribution to total revenues

- Among top 3 with over 60% of commercial portfolio in the US* in terms of prescriptions
- Our Rx market share stood at 6.8% for the year ended March 31, 2021, as per IQVIA data (achieved #1 in January-March 2021 quarter, on Rx dispensed).
- Possess a large portfolio@ comprising 639 ANDAs filed, 439 with final approval, 29 tentative approval#, and 171 under review
- Launched 53 products, including 21 injectable products during FY21
- Orals and injectables were the major revenue drivers contributing 66.9% and 15% of US formulations revenue, respectively
- Expanding portfolio mix towards differentiated products including oncology, hormones, depot injections, inhalers, biosimilars, topicals and patches

*Source: IQVIA QTR Mar 2021 | @ As on 31st March 2021 | # Tentative approvals include 8 ANDAs approved under PEPFAR

Europe

₹60,608 million
Revenue

2% y-o-y growth
17% 5-year CAGR

24%
Contribution to total revenues

- Ranked among the top 10 generics companies in 7 countries including four of Top-5 EU countries
- France, UK, Portugal and Germany are our top four markets in Europe
- Robust presence across multiple channels including pharmacy (Gx), hospital (Hx) and tender (Tx)
- Our acquired Apotex business improved on its profitability, following integration with existing businesses, streamlined sales and shift of sourcing to cost effective manufacturing locations like India
- Driving portfolio expansion through targeted Day 1 product launches in oncology, hormonal, niche low volume injectables and orals
- 250+ products under development

Growth Markets

₹14,379 million
Revenue

6% y-o-y growth
17% 5-year CAGR

6%
Contribution to total revenues

- Reinforced prominence in Canada with a robust product pipeline with 150+ registered products
- Strengthening operations and portfolio in specific identified countries
- Started filing products from our facility in China
- Received our first product approval for China market, from our Indian facility

Antiretroviral Drugs (ARVs)

₹18,628 million
Revenue

49% y-o-y growth
12% 5-year CAGR

8%
Contribution to total revenues

- Leveraged significant early-mover advantage in TLD (Tenofovir 300mg + Lamivudine 300mg + Dolutegravir 50mg tablet) single pill regimen, along with the rapid conversion of TLE (Tenofovir 300mg + Lamivudine 300mg + Efavirenz 350mg tablet) to TLD in the institutional segment
- Supplied life-saving ARVs to ~3 million HIV patients across 125+ countries
- Filed over 1,100 ARV dossiers for registrations across the globe

APIs

₹30,859 million
Revenue from API

12%
Contribution to total revenues

Our strength in process chemistry and benefits of large scale enable us to be a cost-effective supplier of APIs

- Filed 15 DMFs with the USFDA and 23 DMFs (including multiple registrations) in Europe
- Additional investments being made for new capacity creation and capability building
- Continued focus on development and commercialisation of complex products with varying volumes to capture market opportunities
- Aim to capitalise on the PLI scheme announced by the Government of India, having received approval for 3 products

Note: CAGR period - FY17 to FY21

BUSINESS MODEL

Valued partner of global pharma fraternity

What are our strengths?

Growth capital
We have a strong balance sheet and a high liquidity buffer.

₹219,290 million
Shareholders' fund

₹8,260 million
Net Cash

Figures as on March 31, 2021

Manufacturing assets
Large manufacturing facilities inspected and approved by the USFDA, EMA, and other regulatory agencies.

27
State-of-the-art manufacturing and packaging facilities globally

Research and development
Dedicated, cutting-edge global R&D centres for diverse technology platforms and APIs

8
R&D Centres worldwide

Scale
Unwavering commitment to enhance access of high-quality generics to patients globally.

3,907 dossiers
Product registrations in other markets (excluding USA)

3,264 DMFs

639
ANDAs filed

252
US DMFs

24,000+
Strong global team

1,700+
R&D scientists and analysts

Market presence
Established robust global presence across developed and emerging markets.

How we create value?

Our value chain
- Research and Development
- Filing and Registration
- Supply chain management
- Robust manufacturing
- Effective sales and marketing

Our key therapeutic segments
- Central nervous systems (CNS)
- Antiretrovirals (ARVs)
- Cardiovascular (CVS)
- SSP – Orals and Sterile
- Anti-infectives
- Anti-diabetics
- Cephalosporins – Orals

Our growth enablers
- Capacity and capability expansion
- Research and Development
- Product portfolio
- Compliance and quality

What are the outcomes?

Providing high-quality, affordable medicines and products across a variety of therapeutic areas

40+ billion
Diverse dosage forms manufactured

Improved health and quality of life for patients across geographies

155+
Countries where we have export presence

Sustainable earnings growth and return for shareholders

₹4 per share
Dividend declared in FY21 (Face value ₹1 per share)

Uplifting lives in the communities where we operate

₹588 million
Investment in CSR initiatives FY21

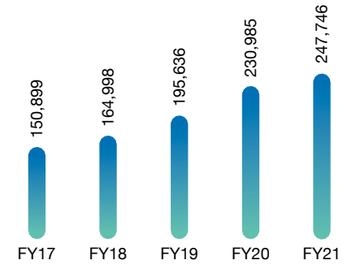
KEY PERFORMANCE INDICATORS

Strengthened financial position in a challenging year

Profit and loss metrics

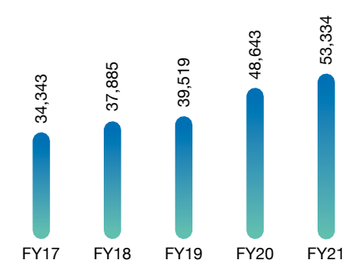
Revenues (₹ in million)

13% ↗

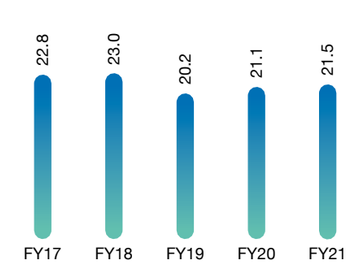


EBITDA (₹ in million)

12% ↗

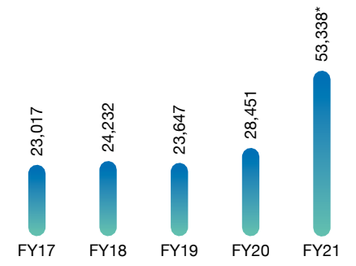


EBITDA Margin (%)



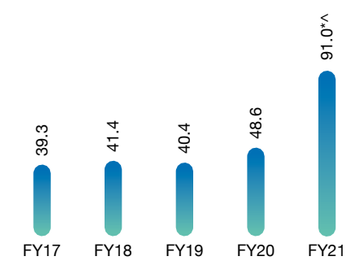
Net Profit (₹ in million)

23% ↗

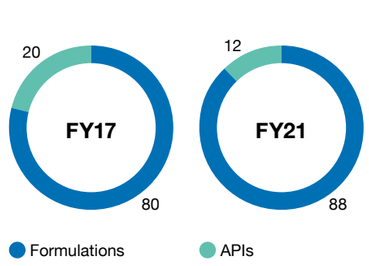


Earnings per share (₹)

23% ↗



Revenue Mix (%)



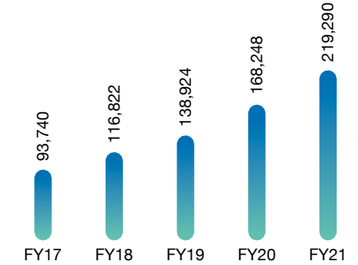
Balance sheet metrics

Gross Block (₹ in million)

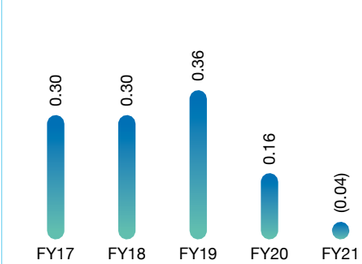
25% ↗

Networth (₹ in million)

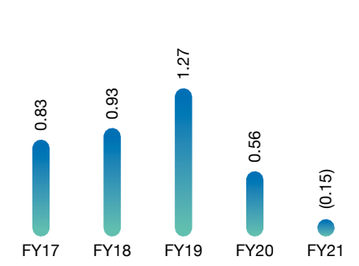
24% ↗



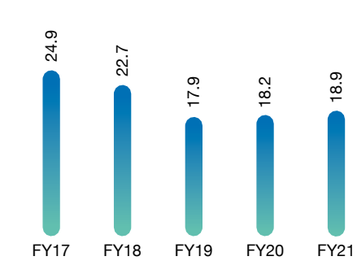
Net debt to Equity (x)



Net debt to EBITDA (x)



Return on Capital Employed (ROCE) (%)



Return on Equity (ROE) (%)

*Includes exceptional gain of ₹23,397 million (net of tax) on sale of Natrol
^Excluding exceptional items, EPS for FY21 stood at ₹51.6 per share
Note: Data above pertains to consolidated financials

↗ 5-year CAGR

VICE CHAIRMAN'S MESSAGE

Capable and committed to help save lives

> We are now targeting products with higher complexity, making inroads into the specialty segment in the US and have firm plans to expand in the second largest pharma market (China). We are also reinforcing our prominence in the EU market and other key growth markets (Canada and South Africa) and Brazil. Our commitment to provide healthier and happier lives to patients globally remains abiding.

Dear Stakeholders,

FY21 was a challenging year for the world. Despite the ferocity of the first and subsequent waves of the pandemic, economies and businesses across the world demonstrated remarkable resilience, aided by the support measures of governments and central banks. With the rapid rollout of effective vaccines that modern science and the pharmaceutical industry have delivered at unimaginable speed, humanity is hopeful of surviving the pandemic, looking forward to a bright future. Today, the world has adapted to new ways of living, based on experiential learning, and these patterns of adaptation and adjustment will build our resilience to thrive in the future.

We, at Aurobindo, have also evolved in the decades of our existence, based on our understanding of the pharmaceutical markets around the world, investing in high-impact areas and steadily moving up the value chain. We have now built a diversified product portfolio, with generics formulations, complex generic formulations and specialty drugs acting as our future growth pivots. We have the appropriate scale with the right emphasis on emerging areas of research. In FY21, we spent over 6% of our revenue (₹1,510 crore) for driving up our R&D engine, the highest ever for our company.

6%

Of our revenue was spent on R&D in FY21 (₹1,510 crore)

We are sharpening our focus on critical high-potential businesses, and hence decided to monetise our stake in the dietary supplements business at an attractive valuation.

We are now targeting products with higher complexity, making inroads into the specialty segment in the US and have firm plans to expand in the second largest pharma market (China). We are also reinforcing our prominence in the EU market and other key growth markets (Canada and South Africa) and Brazil. Our commitment to provide healthier and happier lives to patients globally remains abiding.

Strategic moves

We are sharpening our focus on critical high-potential businesses, and hence decided to monetise our stake in the dietary supplements business at an attractive valuation. We signed a definitive agreement with New Mountain Capital and its affiliate Jarrow Formulas to divest the 'Natrol' business (wholly owned step-down subsidiary) as a going concern with related assets, liabilities, products, brands and employees for a cash consideration of US$550 million (₹4,048 crore).

The proceeds enabled us to strengthen our balance sheet and become a net cash surplus company with improved return ratios. We are committed to evaluating and concluding strategic options towards focused portfolio enhancement with the ultimate objective of enhancing stakeholder value.

Future growth engines

Injectables

We see the injectables business as one of our key growth levers. We have built a strong presence in injectables across delivery systems such as liquid and lyophilised vials, bags, ampoules, and prefilled syringes and have robust manufacturing and execution capabilities as well. We completed the construction of an injectable facility in the US, which will be a dedicated unit to manufacture high-value and low-volume products. We are also setting up another injectables facility in Visakhapatnam for Europe and Growth Markets, which is expected to be ready for commercial production in the next 15-18 months. We are optimistic about the growth trajectory of this business and looking forward to executing the extensive pipeline through our commercial reach.

VICE CHAIRMAN'S MESSAGE CONTD.

Biosimilars

We are making steady progress in building our biosimilars portfolio with a product portfolio targeting a market opportunity of US$50+ billion. Our focus remains on oncology, opthalmology and immunology. We are developing products for patients suffering from debilitating, painful and chronic rheumatology and dermatology diseases. Another area we are initiating work on is immuno-oncology, which ensures a strategic continuity of our products portfolio in a critical therapeutic segment with anti-PD1s. We are developing 15 biosimilars, which reflects our commitment to build a sustainable biosimilars business over the medium term.

Vaccines

In Bacterial Vaccines, we are developing a novel Pneumococcal Conjugate Vaccine (PCV) through our subsidiary Tergene Biotech. I am happy to share that we completed the phase II clinical trials for this vaccine and would commence phase III trials soon.

In Viral Vaccines, we are channelising our efforts to develop capabilities to commercialise COVID-19 vaccine. We have already entered into an exclusive license agreement with Vaxxinity, a US-based company to develop, commercialise and manufacture UB-612, a Multitope Peptide-based vaccine for COVID-19. Vaxxinity's phase II trials are ongoing in Taiwan and EUA and expected to be completed by 2Q FY22. Moreover, Vaxxinity has applied for phase II/III clinical trials in India. Our viral vaccine facility will be ready for commercial production by the end of July 2021.

We are making steady progress in building our biosimilars portfolio with a product portfolio targeting a market opportunity of US$50+ billion

API

We received approval from the Government of India for setting up capacities for three fermentation-based products under the Production Linked Incentive (PLI) Scheme. Currently, supplies of these products are largely dependent on imports from China. This backward integration and the control of the entire supply chain would result in better margins and provide us a formidable position in the fermentation product basket. Our past experience in these products gives us the ability to emerge as a competitive player in this space. Once these capacities come on-stream, we can meet a significant part of the global demand for these products and our captive requirement as well.

We are expanding capacities to further increase supplies to external parties. Moreover, we are strengthening our capabilities to develop and commercialise more complex APIs.

Responsible approach

We are committed towards sustained excellence with constant focus on delivering on our environmental, social and governance (ESG) priorities.

We have a two-pronged approach towards decarbonising our operational footprint, helping us achieve overall reduction in energy consumption and maximising the use of renewable energy across our operations. We have implemented various initiatives, enabling a reduction of 52,725 tCO2e in FY21.

We have highly talented individuals in our global teams, who are dedicated to our mission. We are building the capabilities of our people and to align their career aspirations with the larger objectives of the organisation. By leveraging technology and processes we are building a high-performance culture through continuous capability building, performance measurement and values addition.

We are fostering leadership development at all levels through trust, accountability, empowerment, and transparency. As a responsible corporate, we ensured disinfection protocols at the workplace. We provided masks, gloves, company-aided travel with social distancing, medical awareness programmes, wellness counselling, essential vitals screening and technology-enabled remote working facility.

Our business priorities have never overshadowed our community efforts. In fact, our business has always served as a catalyst for social advancement and empowerment. Our corporate citizenship programmes focus on promoting education, eradicating malnutrition, skill building, women empowerment, encouraging rural sportsmanship and healthcare and hygiene, among others. During the year, we helped the community with funds, essential commodities, and medical supplies.

Our Board is committed to upholding the highest standards of ethics, transparency, and good corporate governance, while pursuing sustainable value creation. With the aim of achieving a balanced economic, social and environmental performance, the Board supports efforts to ensure the long-term sustainability of the business.

We are in the process of releasing our first Sustainability Report which will provide a detailed perspective of our societal commitments.

While downside macro risks persists, we are confident of yet another year of resilient performance on the strength of our product pipeline, global reach and the commitment to make a difference in patient's lives by being a valued partner of the global pharma fraternity.

In conclusion, I must show my appreciation to all our people for their hard work, commitment and perseverance and helping us deliver excellent results in these challenging times.

K. Nithyananda Reddy
Vice Chairman