



Scale

Portfolio

# Realigning Strategies

Innovation

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Strong position in the global pharma industry

2nd

Largest listed Indian pharmaceutical company (by revenues)

#1

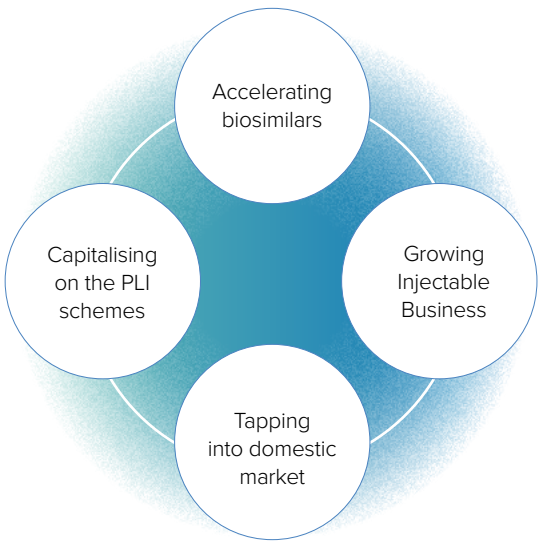
Largest generics company in the US (by Rx dispensed) \*\*

Amongst

Top 10

Generics companies in six out of nine countries in Europe®

# Strategic priorities



 Read more on page 18

\*\* IQVIA MAT Mar 2022, @IQVIA Q3 2021

# Realigning Strategies

Scale | Portfolio | Innovation



The last decade witnessed dramatic evolution in the industry with the adoption of new treatments, the emergence of biosimilars, a rising demand for specialty medicines, and improved healthcare access and affordability. The recent onset of the pandemic required the industry to embrace an agile approach and accelerate efforts towards digitisation.

At **Aurobindo Pharma Limited (APL)**, our commitment to serving patients with high quality and affordable medicines is unwavering. It has led us to become a leading global pharmaceutical company with vertically integrated operations, large-scale manufacturing facilities, consistent investments in R&D, diverse product portfolio and stringent compliance to quality standards. With our best foot forward, we have established ourselves as trustworthy partners in the pharmaceutical industry worldwide.

In today's dynamic economic environment, APL is focused on strengthening fundamentals while realigning strategic priorities. We will continue to drive value as we set sight on expanding our manufacturing capabilities as well as our geographical reach into high potential markets. With new products and an innovation-driven approach, we aspire to further strengthen our global position.





## Corporate identity

# Aurobindo at a glance

The last three decades have been the witness to our growth story as we established ourselves among the leading global pharmaceutical companies driven by our commitment to meet the evolving needs in medical care. From a single manufacturing unit in Pondicherry to becoming the second largest pharma company in India, we are today catering to the global population. Our journey over these years has been inspired by our vision to push ourselves and aim higher and our mission to serve patients with the most advanced and quality healthcare that is affordable and accessible.



### OUR VISION

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

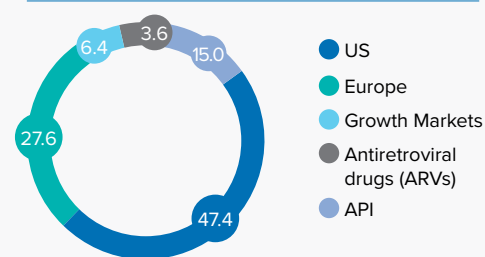


### OUR MISSION

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.

## BUSINESS SEGMENT

### Contribution of total revenue (%)



### Revenue (₹ in million)

#### Formulations

85%

contribution of total revenue

#### APIs

15%

contribution of total revenue

₹111,221 million

● US

₹64,803 million

● Europe

₹15,039 million

● Growth markets

₹8,330 million

● Antiretroviral drugs (ARVs)

₹35,156 million

Revenue

Business segment highlights on page 12

## CORE STRENGTHS

### Manufacturing prowess

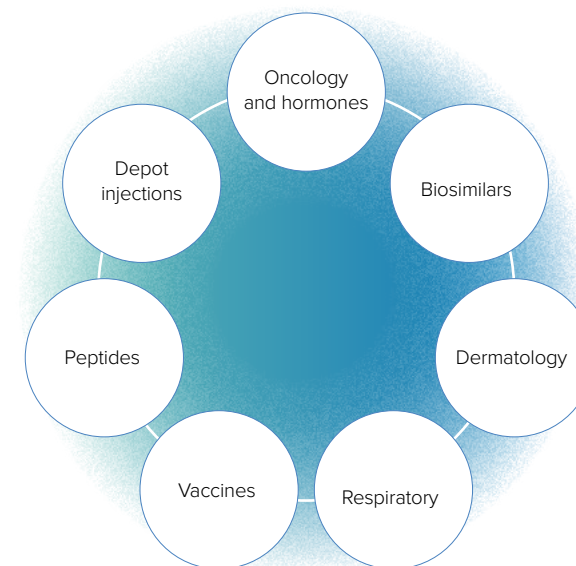
We have large-scale manufacturing capabilities for a wide range of finished formulation products in various forms including oral, injectables and OTC, as well as for active pharmaceutical ingredients (APIs). Our manufacturing facilities are approved by the world's prominent regulatory bodies including the USFDA, EDQM, UK MHRA, TGA Australia, GCC DR, WHO, Health Canada, MCC SA, ANVISA Brazil, Japan PMDA.

24

State-of-the art manufacturing and packaging facilities which include 14 formulations facilities and 10 API plants

### Diverse product portfolio

We have built a vast product basket by identifying complex molecules across various therapeutic categories enabled by our in-house product development capabilities. We have also been pursuing targeted acquisitions to expand our product line.



### R&D capabilities

We have a robust R&D infrastructure with five research and development centres in India and four in the US and with 1500+ scientists and analysts helping us drive innovation. Our focus on building our capabilities have been instrumental in supporting our filings for Drug Master Files (DMFs), Abbreviated New Drug Applications (ANDAs), and formulation dossiers promptly. We are one of the more frequent DMF and ANDA filers in USA.

9

R&D centres, 5 in India and 4 in the US

1,500+

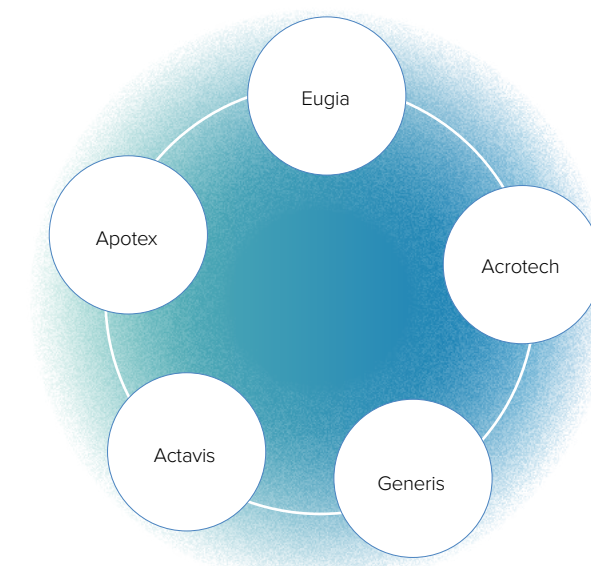
Scientists and analysts globally

₹16 bn

Spend on Research and Development (6.7% of revenues) in FY22

### Track record of successfully integrating acquisitions

By focusing on strategic integration and acquisition of select businesses, we were able to diversify our product portfolio and revenue stream across key markets. Some of our notable acquisitions over the years:



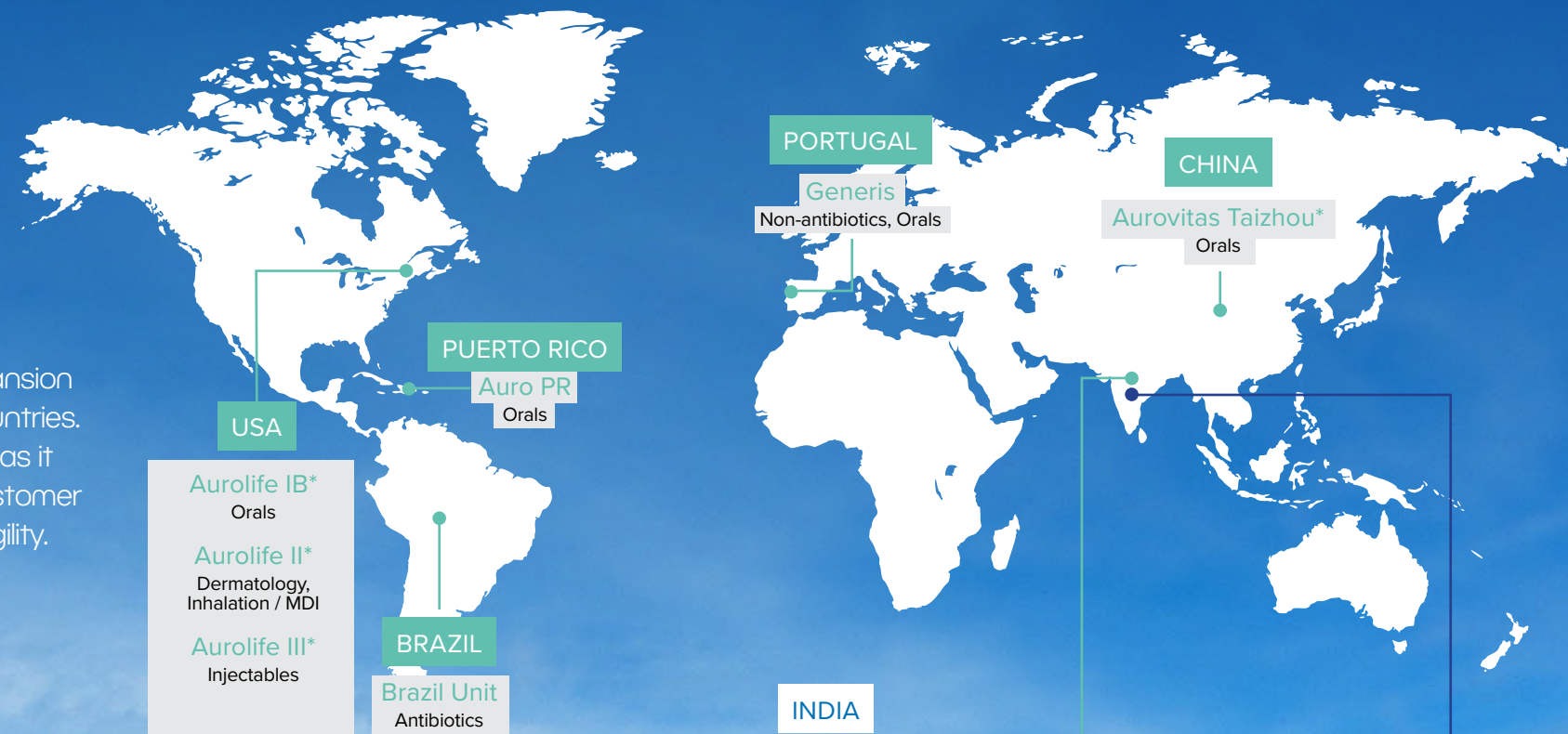


## Geographic footprint

# Expansive global presence

Reaching more people and making healthcare more accessible has been one of the key drivers of our expansion with a coverage across developed and developing countries. Our extensive presence also strengthens our position as it leads to a comprehensive understanding of varied customer needs and enables us to cater to those needs with agility.

 **150+**  
Countries export presence



- |   |   |
|---|---|
| <b>Unit III</b><br>General oral solids & liquids                        | <b>Eugia Unit III (formerly known as Unit IV)</b><br>Injectables (Non-antibiotics) and Ophthalmic |
| <b>Unit VI B</b><br>Cephalosporin                                       | <b>Wytells Unit I (formerly known as Unit XVI)</b><br>Antibiotics, Injectables                    |
| <b>Unit VII</b><br>Non-antibiotics, ARVs/Orals                          | <b>APL Healthcare Unit I</b><br>Pharma OTC, Solid Orals   |
| <b>Unit XII</b><br>Antibiotics, injectables and Orals                   | <b>APL Healthcare Unit IV (formerly known as Unit X)</b><br>Non-antibiotics, Solid Orals          |
| <b>Unit XV</b><br>Non-antibiotics, Solid & Liquid Orals (EU)            | <b>Curateq)* (formerly known as Unit XVII)</b><br>Biosimilars                                     |
| <b>Eugia Unit I</b><br>Oncology and Hormones                            | <b>Auro Vaccines (formerly known as Unit XVIII)*</b><br>Vaccines                                  |
| <b>Eugia Unit II (formerly known as AuroNext)</b><br>Penem formulations |   |

\*yet to start commercial production (Integrated facilities with both drug substance and drug product capabilities)

- Active Pharmaceutical Ingredients (API) units in India**
- |  |  |
|--|--|
| <b>Unit I</b><br>General APIs, Cephalosporin, Oncology | <b>Unit XVII (Formerly known as Silicon LS)</b><br>Penem (Non-sterile) |
| <b>Unit II</b><br>Intermediates                        | <b>Auro Peptides</b><br>Peptides                                       |
| <b>Unit V</b><br>Antibiotics (Sterile and Non-sterile) |  |
| <b>Unit VIA</b><br>Cephalosporins (Sterile)            |  |
| <b>Unit VIII</b><br>General APIs (Non-sterile)         |  |
| <b>Unit IX</b><br>Intermediates                        |  |
| <b>Unit XI</b><br>Non antibiotics                      |  |
| <b>Unit XIV</b><br>General APIs                        |  |



# Vice Chairman & Managing Director's review

## Preparing to emerge stronger



At Aurobindo Pharma we remain committed to becoming one of the most sustainable organisations in the pharmaceutical industry. We are diligently working towards the goals set for reducing carbon emissions, replacing traditional fuel sources with renewable energy, mindful management of water and waste and conservation of biodiversity.

### Dear Shareholders,

The challenges caused by the Covid pandemic during FY21 continued into FY22 and some new challenges got added. The start of the Russia-Ukraine war in Q4 FY22 set the stage for all-round commodity price volatility which significantly affected margins and profitability in our key product segments. However, the diversified spread of our product portfolio and the vast number of markets that we operate in helped to minimize and mitigate the extent of negative impact, and we were successful in maintaining an EBITDA margin of 18.7% despite these headwinds.

We have a very strong presence in the US market, which accounts for almost half of our formulations revenues and houses the largest number of our manufacturing facilities, outside of India. However, this business was one of the hardest hit this year due to increasing competition on pricing of formulations vis-à-vis unprecedented rise in input materials. Our Europe business, on the other hand, grew at a steady pace of around 10-15% as did our growth markets in countries like Canada and Brazil. We have completed the development of our injectables manufacturing facility in the US and expect a good pick up in demand realizations from that region in the coming years.

### SHIFTING GEARS, REALIGNING PRIORITIES

Two challenging years, back-to-back, have helped us to put our priorities into perspective. We will be shifting gears and realigning our business over the

near- to medium-term – continuing with some of our focus areas and reducing dependence on the rest. Our strong background in generic formulations has created an overdependence on raw material procurement, input prices and logistical performance – all of which are factors beyond our control. Unpredictability in any of these dimensions can potentially corrode overall growth. We are keen to moderate this impact over time.

We will continue to drive our injectables business where we envisage strong growth and healthy margins, and a working model that premiumizes value addition. Our biosimilars portfolio growth has been gaining steady momentum, and in FY22, we filed two oncology biosimilars with the European Medicine Agency. Additionally, three more are at Phase 3 licensure clinical trials stage, of which one is expected to complete these trials by early FY23. As we build our biosimilars pipeline, we are optimistic about the new revenue streams starting in the next 1-2 years.

Closer home, we have been working consistently on the opportunities unleashed by the government's Production Linked Incentive (PLI) scheme with the penicillin and allied areas throwing up some very attractive prospects. We have initiated building capacities in these areas and invested this year ₹2,677.7 million and the total capital for this project is expected to be around ₹18,500 million to ₹19,000 million which will help us to significantly enhance our backward integration, make our production value chain more resilient and improve control over costs and sustainable profit margins. The supply

chain difficulties faced this year with sourcing from China only underlines the importance of having a diversified sourcing base and for import substitution.

### DEVELOPING NEW MARKETS, BALANCING DOMESTIC AND GLOBAL DEMAND

The domestic market too promises strong growth in the therapeutic areas and our team has been reviewing all existing and emerging possibilities. As India's GDP growth outstrips most other global economies, we will be able to cater both domestic and international demand. We have been consistently growing our presence in the China market, which is one of the largest healthcare markets in the world other than also being a dominant supply base. We are creating an oral formulation facility in China and plan to fulfil our international demand apart from domestic contribution. We began local manufacturing in that country from January 2022 and aim to shift 30 products from India into China. Of these, two have been approved and we expect another 10-15 products to receive their approvals in this year. We also intend to transfer a few products from Europe to the China facility. With a total target of reaching 40 products in China, if we are successful in realizing our plans then there should be significant accretion to both our topline and bottomline spreads.

### TAKING THE R&D ROUTE TO CREATE DIFFERENTIATED PRESENCE

Our long history in the pharma industry has its roots in our R&D strength. The nine R&D centres that we run today are supported by a pool of world-class talent, and highly trained regulatory and intellectual property teams. We are building a diversified portfolio of finished dosage forms in orals, liquids, topicals, biosimilars, nasal, and parenteral products targeted at the global markets, and

in FY22 our primary R&D focus was complex parenteral products. Our long-term goal envisions a shift to a higher mix of branded products within the categories where we have a dominant presence. An array of distinctive brands will enable us to make our own space and to shift from the crowded generics market, with a better command over profitability and user segments. Our new product development capability along our manufacturing flexibility and very large geographic presence would act as force multipliers. In FY22, our R&D investment towards future pipeline growth totalled ₹15,814 million, with a significant share going towards the biosimilars pipeline.

### COMMITTED TO ESG AND CREATING A BETTER FUTURE FOR ALL

At Aurobindo Pharma we remain committed to becoming one of the most sustainable organisations in the pharmaceutical industry. We are diligently working towards the goals set for reducing carbon emissions, replacing traditional fuel sources with renewable energy, mindful management of water and waste and conservation of biodiversity. Adoption of sustainable packaging techniques and practices for controlling material wastage steadily increased over the year, as did our efforts to keep 'greening' our supply chain. We have successfully built capabilities to generate solar power, and during the year 43,000 MWh of solar energy were generated and consumed. In our concerted attempts to control and eradicate 'beyond-the-fence' water pollution, and reduce the AMR burden, we have started retreating the wastewater generated during product manufacturing at API manufacturing facilities, with the goal of reusing the treated wastewater.

The dynamic, competitive landscape that the pharma industry operates in requires our people to be fully equipped to handle the emerging challenges so that patient safety, product quality and compliance remain of the best standards. It is equally important to balance employee health, wellbeing, career advancement needs and personal growth with the organizational needs. At Aurobindo Pharma, we make the best career development opportunities available through our diverse suite of learning and development activities.

Commitment towards the society underlies what we do everyday and our work with our adjacent communities reflects our social purpose. Prevention of malnutrition, control and eradication of disease amongst rural communities, sustainable agriculture, womens' empowerment are some of the social development areas that we are involved in as we attempt to do our bit towards a healthier society and a sustainable planet.

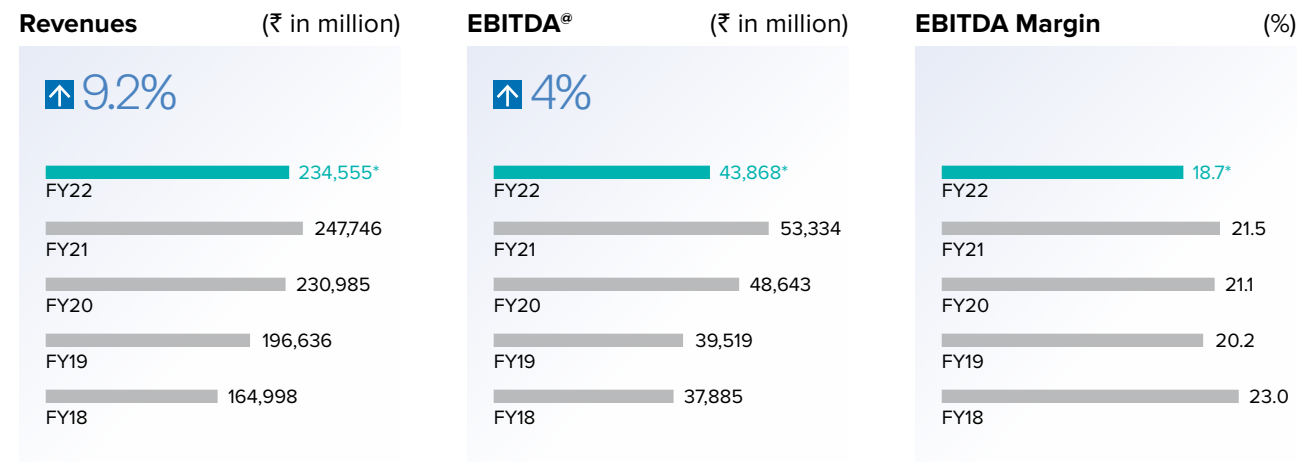
As we look forward to a year that promises to be different from the one we have left behind, we are preparing ourselves for the many opportunities that are getting uncovered. Disease, inequity in access to health, reducing resources are issues that keep our purpose fresh and relevant. There are miles to be covered, for challenges are always opportunities in disguise and we are more than ready for it.

**K. Nithyananda Reddy**  
Vice Chairman & Managing Director

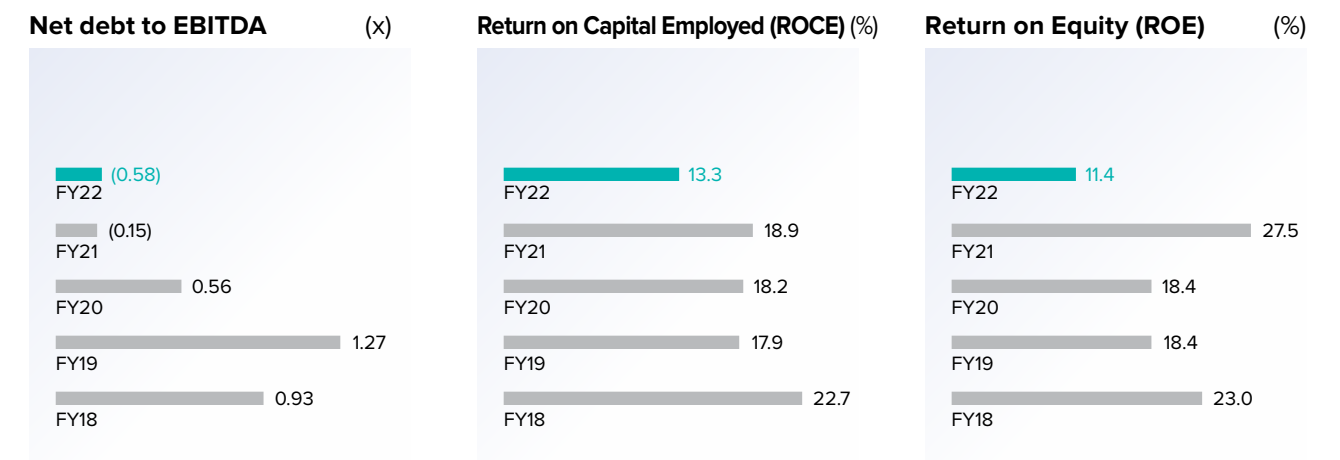
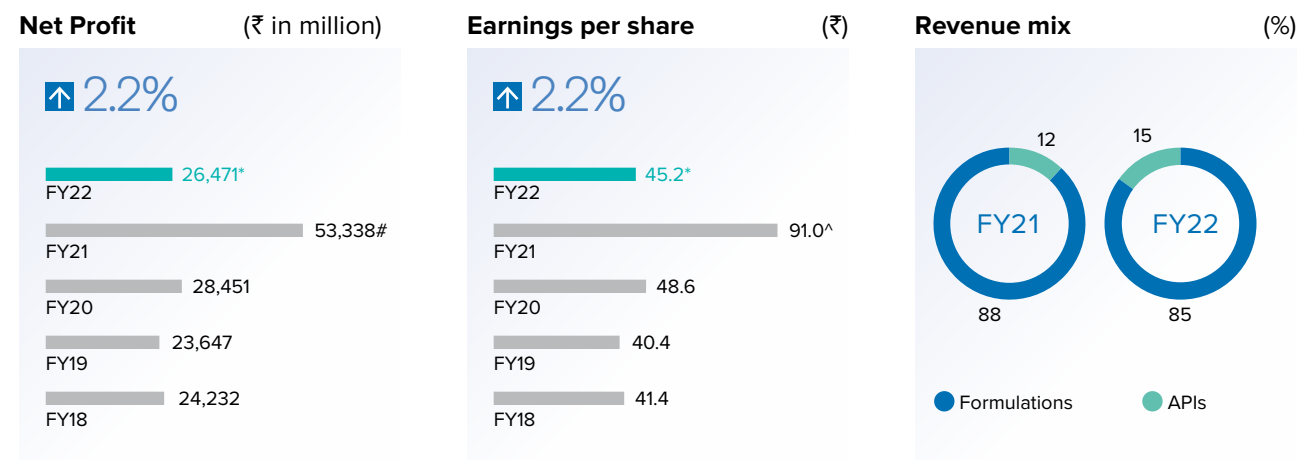
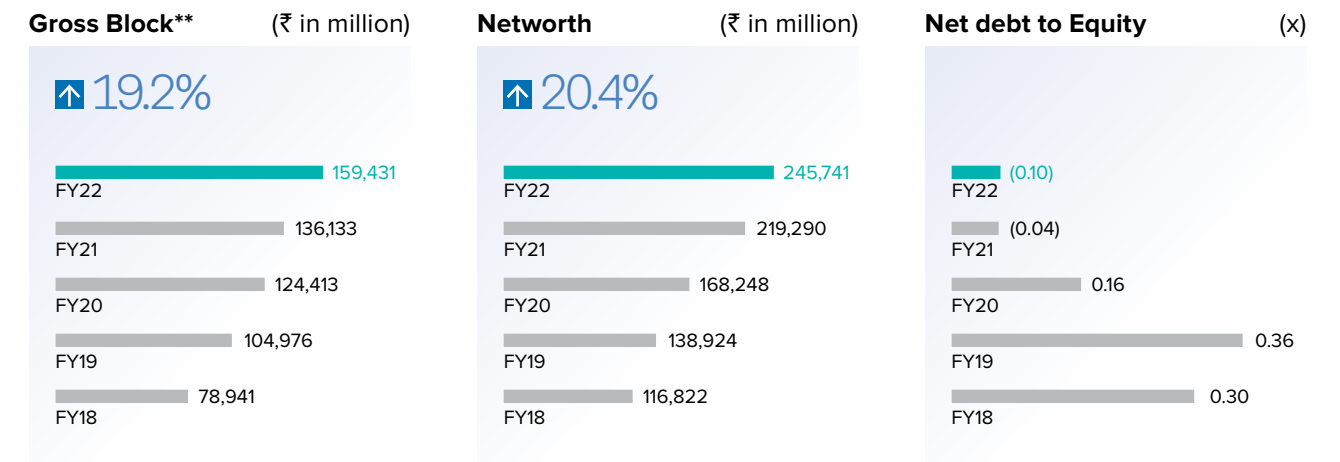
## Key performance indicators

# Delivering consistent performance

## Profit and loss metrics



## Balance sheet metrics



#Includes exceptional items gain of ₹23,397 million (Net of tax) on sale of Natrol

\*FY22 numbers does not have Natrol and hence not comparable

^Excluding exceptional items, EPS for FY 21 stood at ₹ 51.6 per share

@EBITDA = Earnings before interest, taxes, depreciation and amortisation expense, which has been arrived at by obtaining the Profit before share of profit of Joint Ventures, Associates, Exceptional Items and Tax for the year and adding back finance costs, depreciation and amortisation expense and reducing other income.

↑ 5-year CAGR

\*\*Represents gross carrying value of Property Plant & Equipment, Goodwill, Other Intangible Assets and Right of Use Assets



## Business highlights

# Momentum across global markets

The pharmaceutical industry is one of the most highly regulated industries, with the government enforcing strenuous quality standards to safeguard public health. The industry has transformed over the last decade due to the continuous advancements in technology and research, and it is estimated to witness rapid development and evolution in the coming times.

### FORMULATIONS

#### US

₹111,221 million  
Revenue from the US

47.4%  
Contribution to the total revenue mix

11%  
5-year CAGR in US

#### EUROPE

₹64,803 million  
Revenue from Europe

27.6%  
Contribution to the total revenue mix

10%  
5-year CAGR in Europe

7%  
y-o-y growth

#### GROWTH MARKETS

₹15,039 million  
Revenue from growth markets

6.4%  
Contribution to the total revenue mix

14%  
5-year CAGR in Growth Markets

5%  
y-o-y growth

### ARVs

#### ANTIRETROVIRAL DRUGS

₹8,330 million  
Revenue from ARV

3.6%  
Contribution to the total revenue mix

### API

#### ACTIVE PHARMACEUTICAL INGREDIENT

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

₹35,156 million  
Revenue from APIs

15%  
Contribution to the total revenue mix

4%  
5-year CAGR in API

14%  
y-o-y growth



# Business model

## Resources we utilised

### Financial Capital

Our strong balance sheet and a high liquidity buffer enable us to consistently invest in growth opportunities and create long-term value for stakeholders

₹245,741 million  
Shareholders' fund  
₹25,232 million  
Net Cash  
Figures as on March 31, 2022

### Manufactured Capital

We have large-scale manufacturing facilities across key markets approved by the USFDA, EMA, and other regulatory agencies

24  
State-of-the-art manufacturing and packaging facilities, globally

### Intellectual Capital

Dedicated, cutting-edge global R&D centres for developments of new FDFs and APIs

9 R&D Centres worldwide  
727 ANDAs filed  
261 DMFs filed  
792 Patent applications filed  
4,164 dossiers | 3,623 DMFs  
Product registrations in other markets (excluding USA)

### Human Capital

We have a diverse and skilled workforce with people from 34 countries

23,000+  
Size of global team  
1,500+  
R&D team size

### Social and Relationship Capital

₹536 million  
Investment in CSR activities FY22

### Natural Capital

Our strong focus towards conserving the environment

3,11,176 GJ of Renewable energy used  
2,98,804 KL of treated wastewater reused

### OPERATING CONTEXT

Analysing the external environment in which we operate to identify risks and opportunities. This enables us to align our strategic priorities.

### KEY MARKETS

USA  
Europe  
Growth Markets

### Research and Development

### Effective sales and marketing

### Filing and registration

### Supply chain management

### Robust manufacturing

### VALUE CHAIN

### STRATEGIC PRIORITIES

Expanding manufacturing scale and market presence

Diversifying portfolio

Continuous innovation for product development and operational excellence

### OUR KEY THERAPEUTIC SEGMENT

Central nervous systems (CNS)  
Antiretrovirals (ARVs)  
Cardiovascular (CVS)  
SSP – Orals & Sterile  
Anti-infectives  
Anti-diabetics  
Cephalosporins - Orals

### SUSTAINABILITY FOCUS

Fostering environmental stewardship  
Nurturing and empowering talent  
Promoting inclusive growth

# How we create value

## The value we created

Sustainable earnings growth and return for shareholders.  
₹26,471 million PAT

₹234,555 million Revenue  
₹43,868 million EBITDA  
₹9.00 Dividend per share declared in FY22 (Face value ₹1.00 per share)

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

Improved health and quality of life for patients across geographies  
36+ billion diverse dosage forms manufactured in FY22

19 ANDA Filings approved in FY22  
22 New products launched in FY22

Creating employment opportunities and skills development

Uplifting lives in the communities where we operate.

864K People benefitted from our CSR initiatives in FY22

4.9% (44,485 tCo2 e reduction compared to FY21)  
Reduction in carbon footprint  
1,43,700 KL reduction in consumption in water over FY 2020-21



## Operating landscape

# Analysing external environment

The pharmaceutical industry is one of the most highly regulated industries, with the government enforcing strenuous quality standards to safeguard public health. The industry has transformed over the last decade due to the continuous advancements in technology and research, and it is estimated to witness rapid development and evolution in the coming times.

This complex and dynamic environment provides opportunities for us to maximise the value we create for our stakeholders through an innovative and agile strategy combined with effective risk management.



## Global pharmaceutical market

The global pharmaceutical market is expected to grow at a 3-6% CAGR between 2021 and 2026, reaching approximately \$1.8 trillion in total market size from \$1.4 trillion in 2021.

### Growth drivers

#### AGEING POPULATION

Demand for over the counter (OTC) medicines, generics, and branded pharmaceutical products will rise in many developed markets and developing countries due to an ageing population. In particular, demand for chronic disease treatments will rise in the mid- and long-term.

#### IMPROVED HEALTHCARE AND MEDICINE ACCESS

Greater access to healthcare and medications, as well as increased disposable household incomes, is expected to boost pharmaceutical consumption in emerging markets. Initially, generic and over-the-counter medicine suppliers will benefit from these trends.



#### GROWTH FROM NEW MEDICINES

Over the next five years, 300 new medicines are expected to be launched, contributing \$196 billion in spending.

#### GROWTH FROM KEY THERAPY AREAS

Oncology and immunology are expected to grow at a CAGR of 9-12% and 6-9% between 2021-2026, respectively, driven by significant increases in new treatments and medicine use.

#### RAPID GROWTH OF BIOSIMILARS

Biosimilars will continue to grow rapidly at a CAGR of 15% over the next decade, reaching \$75 billion by 2030, from \$17.5 billion in 2020. The growth will be driven by the rise of branded medicines and the aggressive measures by governments to reduce healthcare expenditure. Globally, incremental savings from biosimilars are expected to reach \$215 billion between 2021 and 2026.

#### CONSTRAINTS

##### Stricter regulations

Increasing healthcare regulatory requirements for clinical trials and product launches.

##### Price pressure

Government efforts to contain or reduce public healthcare costs has been a key constraint.

### Aurobindo's response

- Accelerating biosimilars
- Growing API business
- Leveraging the PLI schemes
- Tapping into domestic market
- Expanding China operations



[Source: Atradius, Global Use of Medicines 2022 by IQVIA, IQVIA Blog]