

Consistency in our performance

Vice-Chairman's review

Committed to global patient care

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We are committed to consolidating our capabilities with focus on scale, geographic outreach and portfolio maximisation, while upholding our organisational values and delivering the highest standards of quality, patient care and customer advocacy.

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Dear Shareholders,

We are living in extraordinary times. The entire world is being affected directly and indirectly by the COVID-19 pandemic. The pandemic is not only the most serious global health crisis since the 1918 Great Influenza (Spanish flu) but is also set to become one of the most economically exorbitant pandemics in recent history.

Against this backdrop, the International Monetary Fund (IMF) projects global growth to contract significantly. As a responsible member of the global pharma fraternity, we crafted our own business continuity plan in keeping with the safety protocol mandated by governments. Even as much of the world paused, we operated our facilities to manufacture

critical products, fulfilling delivery commitments to our customers globally. We are proud of our employees and other stakeholders for their commitment during the crisis for ensuring business continuity.

FY20 saw us perform without any major supply disruptions. Our procurement teams continuously monitored the supply of APIs and other packaging materials, keeping adequate inventories. Our logistics department followed up with airlines/ ocean liners to ensure that commodities were picked up by the first available connection. We have been working to mitigate geographical dependence by identifying alternative suppliers across the world for sourcing raw materials. In effect, we are developing multiple source of supplies.

We ensured the well-being of our workforce through a proactive rollout of pre- and post-lockdown measures around social distancing, personal hygiene, sanitisation and work from home, employee counselling and doctor support, among others.

We also played our part as a responsible corporate by making monetary contributions to various national and state level relief funds. We distributed PPE kits, sanitisers, medicines and food items, among other necessities. Also, we undertook sanitisation activities across several locations.

GROWTH BLUEPRINT

COVID-19 impacted select business segments like generic injectables due to a decline in in-patient volumes and out-patient footfalls in the hospitals. However, we have seen volume improvement in other businesses, which offset the decline. Overall, we have not seen any material impact on our businesses in FY20.

I am happy to report that our revenue from operations grew 18.1% to ₹230,985 million in FY20, compared to ₹195,636 million in FY19. Simultaneously, our EBITDA increased 23.1% to ₹48,643 million in FY20, compared to ₹39,519 million in FY19, with margin at 21.1% (increased from 20.2% in FY19). Our net profit rose by 19.7% to ₹28,310 million in FY20, compared to ₹23,647 million in FY19. Our earnings per share touched ₹48.3 in FY20, compared to ₹40.4 in FY19.

Our international sales now comprise 92% of our total revenue, with the remaining 8% coming from domestic sales. We witnessed growth across all our geographies in the Formulations business. Our diversified product basket has helped us maintain the growth momentum in our core geographies such as USA and Europe. We remained focused on strengthening our existing businesses, developing a differentiated & specialty product basket and regulatory compliance.

We have consistently reduced our net debt in all the four quarters of the year under review. Our net debt to EBITDA came down to 0.56x as on 31 March 2020 from 1.27x in 2019. We are aiming to become a zero net debt company in the next two years.

SANDOZ ACQUISITION UPDATE

During FY19, we entered into a definitive agreement with Sandoz Inc., USA to acquire their dermatology and oral solids businesses. In April 2020, we mutually terminated the agreement with Sandoz Inc. as approval from the US Federal Trade Commission (US FTC) for the transaction was not obtained within the anticipated timelines.

COMPLIANCE COMMITMENT

We remain committed to maintain the highest compliance standards, enabling the supply of quality medicines and promoting healthier lives. As a learning organisation, we are continuously improving our processes by conducting rigorous training on best practices and implementation of those practices.

TEAMWORK COUNTS

We are a team of over 23,000 professionals from 35 countries working at our various divisions - API manufacturing, formulations manufacturing, R&D etc. We nurture a performance culture through continuous capability building and robust performance measurement. We are fostering leadership at all levels through trust, inclusiveness, empowerment and openness for better outcomes. We are proud of each member of our team for her/his steadfast commitment in ensuring business continuity and growth, despite challenges.

SOCIAL ENDEAVOURS

We are driven by the belief of 'giving back to society' and making a positive impact on the lives of people. Aurobindo Pharma Foundation is an expression of the Company's vision towards sustainable and inclusive growth and

development globally. As part of our societal commitment, we continue to work on our key priorities of promoting education, supporting preventive healthcare, eradicating hunger, poverty and malnutrition, making safe drinking water available, encouraging environmental sustainability, sustaining ecological balance and conservation of natural resources, encouraging rural sports and helping set up old-age homes.

THE WAY FORWARD

Adversity, they say, is a litmus test for societies and business enterprises. During the year, the pandemic tested the resilience of our supply chains and the commitment of our people to rise above temporary challenges. Our operational teams kept the engine running and ensured continuous supply. We believe there may be some impact on select businesses in FY21 as well.

We are committed to consolidating our capabilities with focus on scale, geographic outreach and portfolio maximisation, while upholding our organisational values and delivering the highest standards of quality, patient care and customer advocacy.

We will continue to strengthen our capabilities and leverage our strategic investments to create long-term value for all stakeholders.

K. Nithyananda Reddy
Vice-Chairman