

AUROBINDO PHARMA LIMITED



Company Background

Aurobindo Pharma Limited was established in 1986. The company, headquartered at Hyderabad in India, manufactures active pharmaceutical ingredients (API) and generic pharmaceuticals. It offers a broad product portfolio of over 90 drugs with its major product areas being antibiotics, anti-retro virals, CVS, CNS, gastroenterologicals and anti-allergics.

Aurobindo Pharma has 12 manufacturing plants that conform to GMP/ISO regulations, along with modern research and development (R&D) facilities. It has Asia's largest sterile API facility. The company has its consumer base in India and over 100 other countries, with branch offices in the USA, the UK and Italy, and subsidiaries in India, Hong Kong, Thailand, Brazil, China, the USA and Europe.

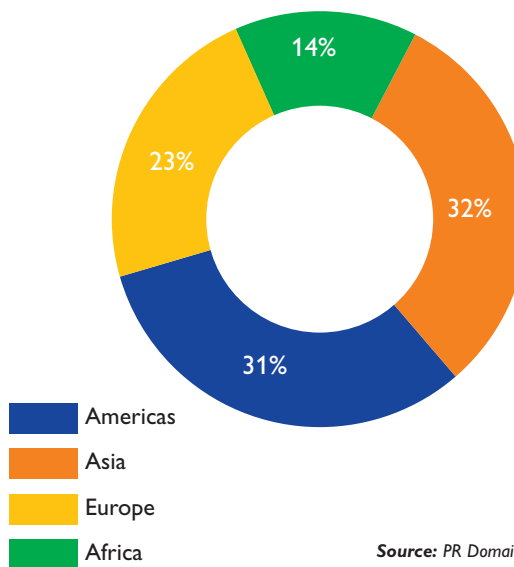
In 2004, the company featured in the Forbes' list of Asia's 100 fastest-growing companies. It ranks among the top five pharmaceutical manufacturing companies in India, and is also one of the five largest manufacturers of synthetic penicillin in the world.

Aurobindo Pharma generated revenues of EUR 315.8 million in the financial year 2005-06. It generates 47 per cent of its revenues from the domestic market and 53 per cent from exports. With the company expecting most of its future business from the international market, the share of exports in its total revenues is likely to shoot

up to 70 per cent. As on April 2006, the company employed 6,024 personnel.

The following pie chart depicts Aurobindo Pharma's export break-up by geography for the quarter ending 30 June 2006:

Export Break-up of Aurobindo Pharma for the Quarter Ending 30 June 2006



Source: PR Domain News Release

Aurobindo Pharma in the EU

Aurobindo Pharma marks its presence in the EU with its subsidiaries and marketing offices in the Netherlands, the UK and Italy. The company sells bulk drugs in the European market and is expecting further approvals from the EU. It has filed 15 formulation dossiers and 43 DMFs/COS in Europe. Recently, it received its first formulation approval for Sertraline by the UK Medicines and Healthcare Products Regulatory Agency.

Aurobindo Pharma in the Netherlands

Aurobindo Pharma has its 100-per cent owned subsidiary, Helix Healthcare B.V. (HHB), in Netherlands. It was set up to capitalise on the business opportunities in Europe. The subsidiary's main focus is on R&D and investments in different business units, and it would serve as a platform for investing in the subsidiaries planned in the UK, Canada and South Africa. Aurobindo Pharma invested approximately EUR 77,000 in the form of equity in HHB.

Aurobindo Pharma in the UK

In 2006, Aurobindo Pharma acquired a UK-based pharmaceutical company, Milpharm Limited, which sells generic formulations in the UK. The acquisition was facilitated by its wholly-owned subsidiary, Aurex Generics Limited, UK. Milpharm had sales of EUR 11.3 million for the year ending 30 September 2005. This acquisition would provide Aurobindo Pharma with 100 marketing authorisations of Milpharm (approved by MHRA, UK), thereby offering it a sound platform to launch its products in Europe. The company also has its branch office in Middlesex in the UK.

Aurobindo Pharma in Other EU Countries

Apart from the above mentioned countries, Aurobindo Pharma has a branch office in Milano, Italy.

Factors for Success

Vertical Integration

Aurobindo Pharma is vertically integrated across its processes, making its products cost efficient. The company is present throughout the value chain, starting from the drug's R&D to its filing and getting patent approval, manufacturing and marketing.

Robust Infrastructure and High R&D Spending

The growth of Aurobindo Pharma should be credited to its robust infrastructure. In the last five years, the company has spent around EUR 335 million on creating infrastructure for its manufacturing facilities and R&D centres. Aurobindo Pharma has been spending heavily on R&D. The company has over 550 R&D scientists, and it spent 14 per cent of its total revenues on R&D and regulatory expenses in FY 05. It has a strong pipeline of products across various therapeutic categories, which would strengthen its hold in the market.

Economies of Scale

Aurobindo Pharma, with its huge domestic market, has the advantage of achieving economies of scale. This advantage not only facilitates its penetration into the global markets but also gives it an edge over its competitors.

Future Plans

Strategic Acquisitions

Aurobindo Pharma's future growth is expected to come mainly from its international operations. Therefore, the company plans to focus on the Europe and the US markets. It intends to spend up to EUR 165 million on acquisitions, mainly in Europe, where it is considering at least four to five acquisitions each in the range of EUR 15 to 40 million. This is expected to provide the company a wide marketing presence in this region.

Focus on API sales

In EU, Aurobindo Pharma will focus on the sales of API and dossiers, along with the finished formulation contracts. It plans to acquire several generic pharmaceutical companies for supplying API, and aims at marketing its own formulations to large distributors and generic companies.

Strengthening Marketing Infrastructure

Aurobindo Pharma has concentrated its efforts on developing the infrastructure of its manufacturing and R&D facilities across the globe. The company now intends to strengthen its marketing infrastructure, in addition to its established manufacturing infrastructure in India. It aims to increase profitability by manufacturing and supplying products from its own facilities.

Capitalising on Patent Expiries

In the next five years, patents worth several billion dollars are set to expire. The company plans to benefit from the opportunity presented by capturing a sizeable portion of the market thus created.

www.aurobindo.com