

# Aurobindo Pharma Ltd.

## BUY

Sector: Pharmaceuticals

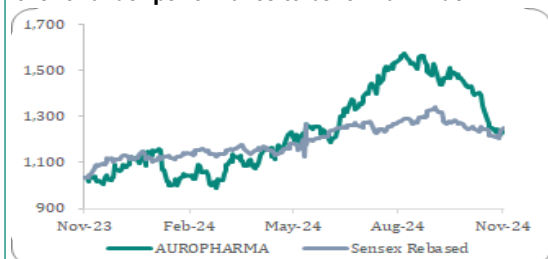
27<sup>th</sup> November 2024

<b>Key Changes</b>	<b>Target</b> ▲	<b>Rating</b> ●	<b>Earnings</b> ▲	<b>Target</b>	<b>Rs. 1,540</b>		
Stock Type	Bloomberg Code	Sensex	NSE Code	BSE Code	Time Frame	<b>CMP</b>	<b>Rs. 1,229</b>
Mid Cap	ARBP:IN	80,004	AUROPHARMA	524804	12 Months	<b>Return</b>	<b>+25%</b>

Data as of: 26-11-2024

Company Data			
Market Cap (Rs.cr)	71,405		
52 Week High — Low (Rs.)	1,593 - 959		
Enterprise Value (Rs. cr)	72,359		
Outstanding Shares (cr)	58.1		
Free Float (%)	48.0		
Dividend Yield (%)	0.4		
6m average volume (cr)	0.1		
Beta	0.4		
Face value (Rs. )	1.0		
Shareholding (%)	Q4FY24	Q1FY25	Q2FY25
Promoters	51.8	51.8	51.8
FII's	18.0	16.7	16.6
MFs/Institutions	23.3	24.8	25.1
Public	6.0	6.0	5.9
Others	0.9	0.7	0.6
Total	100.0	100.0	100.0
Promoter Pledge	20.9	20.9	20.4
Price Performance	3 Month	6 Month	1 Year
Absolute Return	-19.3%	0.5%	20.2%
Absolute Sensex	-1.2%	6.2%	21.4%
Relative Return	-18.1%	-5.7%	-1.2%

\*over or under performance to benchmark index



Y.E March (cr)	FY24A	FY25E	FY26E
Sales	29,002	32,204	35,441
Growth (%)	16.7	11.0	10.1
EBITDA	5,843	6,815	7,941
EBITDA Margin (%)	20.1	21.2	22.4
PAT Adjusted	3,365	3,756	4,471
Growth (%)	74.6	11.6	19.0
Adjusted EPS	57.4	64.7	77.0
Growth (%)	74.6	12.6	19.0
P/E	19.0	19.1	16.1
P/B	2.1	2.2	2.0
EV/EBITDA	11.4	10.7	8.9
ROE (%)	10.6	11.6	12.2
D/E	0.2	0.2	0.1

## Higher volume and new launches drive revenue

Aurobindo Pharma Ltd (ARBP) is a leading vertically-integrated pharmaceuticals company. Its business units comprise formulations, custom synthesis, peptides, aurozymes, research and development (R&D) and active pharmaceutical ingredients (API).

- In Q2FY25, consolidated revenue rose 8.0% YoY to Rs. 7,796cr, driven by strong base product sales in the U.S., continued growth trajectory in Europe, and growth markets.
- The company's U.S. revenue increased to Rs. 3,530cr, (+4.3% YoY, excluding revenue of Puerto Rico), aided by volume gains and new product launches. Europe revenue rose to Rs. 2,105cr (+19.0% YoY) on a robust performance across all key geographies within the region. Growth markets grew to Rs. 812cr (+44.0% YoY), supported by sales across markets and expansion into new geographies.
- EBITDA increased 11.6% YoY to Rs. 1,566cr, driven by stable raw material prices. Along with an EBITDA margin expansion of 70bps YoY to 20.1%.
- The company expects FY25 EBITDA margin to be in the range of 21-22%.
- The company's reported PAT increased 8.6% YoY to Rs. 817cr. However, PAT growth was partly offset by higher total tax expense. Aurobindo expects a tax rate of ~30% for FY25.

## Outlook & Valuation

Aurobindo Pharma's revenue grew during the quarter on account of increased revenue from the U.S., and Europe. The company witnessed growth in volume, and it has launched new products, which supported its topline. EBITDA margin is expected to improve as against FY24, which indicates better profitability for the company in the future. Additionally, Aurobindo expects stable pricing environment in the US market, indicates firm foundation for the future performance. Europe and growth markets are expected to continue their positive momentum. Therefore, **we maintain our rating on the stock to BUY, with a revised target price of Rs. 1,540, based on 20x FY26x Adj. EPS.**

## Quarterly Financials Consol.

Rs.cr	Q2FY25	Q2FY24	YoY (%)	Q1FY25	QoQ (%)	H1FY25	H1FY24	YoY (%)
Sales	7,796	7,219	8.0	7,567	3.0	15,363	14,070	9.2
EBITDA	1,566	1,403	11.6	1,620	-3.3	3,186	2,555	24.7
Margin (%)	20.1	19.4	70bps	21.4	-130bps	20.7	18.2	250bps
EBIT	1,184	986	20.1	1,215	-2.6	2,399	1,811	32.5
PBT	1,207	1,076	12.3	1,324	-8.8	2,531	1,888	34.1
Rep. PAT	817	752	8.6	918	-11.0	1,735	1,322	31.3
Adj PAT	817	757	8.0	919	-11.1	1,737	1,398	24.2
Adj. EPS (Rs)	14.1	12.9	8.9	15.7	-10.3	29.8	23.9	25.3

## Key concall highlights

- The company filed 10 ANDAs in the U.S. market received approval for eight products and launched 14 new products during the quarter.
- During the quarter, total R&D (incl. depreciation) rose to Rs. 410cr and was 5.3% of sales vs 4.5% in Q1FY25.
- In Q2FY25, total formulations revenue rose to Rs. 6,640cr, up 11.3% YoY, while total API revenue decreased 0.9% YoY to Rs. 1,156cr.
- ARV formulation business declined 22.8% YoY to Rs. 193cr (or USD 23mn). The decline was on account of cut-off sales and spillover to the next quarter.
- The base business (excluding transient sales) grew 7% QoQ and is expected to continue its positive momentum in the upcoming quarter. Higher R&D costs and freight costs impacted the base business growth.
- In Q2FY25, net capital expenditure was around USD 80mn and a net cash outflow of USD 235mn, owing to a buyback and increased working capital.
- Aurobindo expects to achieve breakeven in the Penicillin-G product facility by Q4FY25 and the product expected to start contributing positively from FY26 onwards.

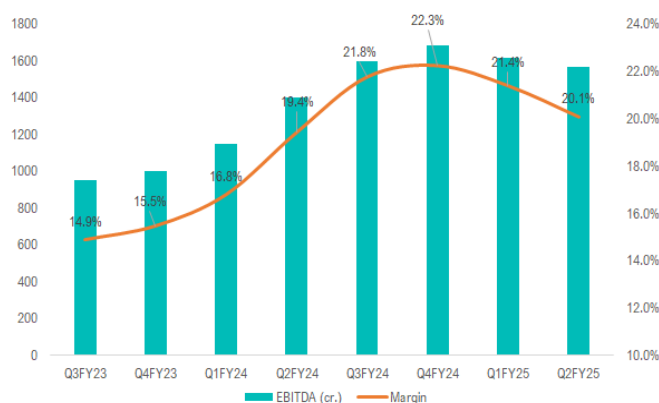
## Revenue



## API Revenue



## EBITDA



## PAT



## Change in Estimates

Year / Rs cr	Old estimates		New estimates		Change -%	
	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
Revenue	31,147	33,182	32,204	35,441	3.4	6.8
EBITDA	6,541	7,155	6,815	7,941	4.2	11
Margins (%)	21.0	21.6	21.2	22.4	20bps	80bps
Adj. PAT	3,719	4,168	3,756	4,471	1.0	7.3
EPS	63.5	71.1	64.7	77.0	1.9	8.2



## Consolidated Financials

### Profit & Loss

Y.E March (Rs. cr)	FY22A	FY23A	FY24A	FY25E	FY26E
<b>Sales</b>	<b>23,455</b>	<b>24,855</b>	<b>29,002</b>	<b>32,204</b>	<b>35,441</b>
% change	-5.3	6.0	16.7	11.0	10.1
<b>EBITDA</b>	<b>4,387</b>	<b>3,758</b>	<b>5,843</b>	<b>6,815</b>	<b>7,941</b>
% change	-17.7	-14.3	55.5	16.6	16.5
Depreciation	1,127	1,245	1,522	1,688	1,807
<b>EBIT</b>	<b>3,260</b>	<b>2,514</b>	<b>4,321</b>	<b>5,127</b>	<b>6,134</b>
Interest	49	140	290	347	396
Other Income	-159	-12	-209	-16	-15
<b>PBT</b>	<b>3,373</b>	<b>2,613</b>	<b>4,380</b>	<b>5,334</b>	<b>6,350</b>
% change	-54.1	-22.5	67.7	21.8	19.0
Tax	726	685	1,211	1,579	1,880
Tax Rate (%)	21.5	26.2	27.6	29.6	29.6
<b>Reported PAT</b>	<b>2,647</b>	<b>1,928</b>	<b>3,169</b>	<b>3,755</b>	<b>4,470</b>
<b>PAT att. to common shareholder-</b>	<b>2,648</b>	<b>1,928</b>	<b>3,173</b>	<b>3,756</b>	<b>4,471</b>
Adj.*	128	-	192	-	-
<b>Adj. PAT</b>	<b>2,776</b>	<b>1,928</b>	<b>3,365</b>	<b>3,756</b>	<b>4,471</b>
% change	10.2	-30.6	74.6	12.6	19.0
No. of shares (cr)	58.6	58.6	58.6	58.1	58.1
<b>Adj EPS (Rs.)</b>	<b>47.4</b>	<b>32.9</b>	<b>57.4</b>	<b>64.7</b>	<b>77.0</b>
% change	10.2	-30.6	74.6	12.6	19.0
DPS (Rs.)	4.5	7.5	4.5	6.0	7.0

### Cashflow

Y.E March (Rs. cr)	FY22A	FY23A	FY24A	FY25E	FY26E
<b>Net inc. + Depn.</b>	<b>3,774</b>	<b>3,172</b>	<b>4,691</b>	<b>5,443</b>	<b>6,277</b>
Non-cash adj.	46	-134	-1,271	89	335
Other adjustments					
Changes in W.C	1,197	-651	-985	-665	-1,232
<b>C.F. Operation</b>	<b>5,016</b>	<b>2,387</b>	<b>2,435</b>	<b>4,867</b>	<b>5,380</b>
Capital exp.	-2,324	-2,393	-2,720	-1,932	-2,126
Change in inv.	-1,017	-71	-628	182	-438
Other invest.CF	129	-1,514	-908	-	-
<b>C.F - Investment</b>	<b>-3,212</b>	<b>-3,978</b>	<b>-4,256</b>	<b>-1,751</b>	<b>-2,565</b>
Issue of equity	-	-	-	-	-
Issue/repay debt	-2,687	2,365	1,315	-1,365	-1,056
Dividends paid	-264	-440	-264	-348	-407
Other finance.CF	-18	-111	-251	-1,097	-396
<b>C.F - Finance</b>	<b>-2,969</b>	<b>1,814</b>	<b>800</b>	<b>-2,811</b>	<b>-1,859</b>
Chg. in cash	-1,164	223	-1,021	305	957
<b>Closing Cash</b>	<b>4,163</b>	<b>4,396</b>	<b>3,393</b>	<b>3,699</b>	<b>4,655</b>

### Balance Sheet

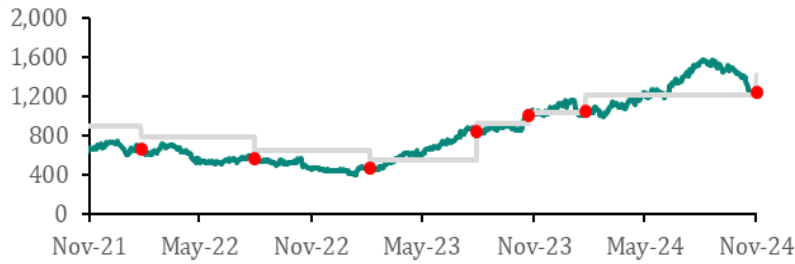
Y.E March (Rs. cr)	FY22A	FY23A	FY24A	FY25E	FY26E
Cash	4,163	4,396	3,393	3,699	4,655
Accts. Receivable	4,012	4,466	4,817	5,233	5,848
Inventories	7,554	8,511	9,808	10,717	11,771
Other Cur. Assets	2,394	4,172	6,187	6,245	6,587
Investments	539	302	227	272	327
<b>Gross Fixed Assets</b>	<b>10,897</b>	<b>12,918</b>	<b>12,918</b>	<b>14,850</b>	<b>16,976</b>
Net Fixed Assets	7,728	7,995	11,546	11,743	12,002
CWIP	2,938	4,496	2,739	2,786	2,848
Intangible Assets	3,613	3,922	4,077	4,133	4,252
Def. Tax -Net	289	677	1,213	1,581	1,882
Other Assets	692	951	1,065	1,109	1,158
<b>Total Assets</b>	<b>33,922</b>	<b>39,890</b>	<b>45,072</b>	<b>47,519</b>	<b>51,329</b>
Current Liabilities	6,032	7,251	8,019	8,916	9,598
Provisions	172	173	226	230	235
Debt Funds	2,373	4,862	6,315	4,950	3,894
Other Liabilities	771	753	661	915	1,032
Equity Capital	59	59	59	58	58
Res. & Surplus	24,517	26,781	29,784	32,442	36,506
<b>Shareholder Funds</b>	<b>24,576</b>	<b>26,840</b>	<b>29,843</b>	<b>32,500</b>	<b>36,564</b>
Minority Interest	-2	12	8	8	7
<b>Total Liabilities</b>	<b>33,922</b>	<b>39,890</b>	<b>45,072</b>	<b>47,519</b>	<b>51,329</b>
BVPS	419	458	509	560	630

### Ratio

Y.E March	FY22A	FY23A	FY24A	FY25E	FY26E
<b>Profitability. &amp; Return</b>					
EBITDA margin (%)	18.7	15.1	20.1	21.2	22.4
EBIT margin (%)	13.9	10.1	14.9	15.9	17.3
Net profit margin.(%)	11.3	7.8	10.9	11.7	12.6
ROE (%)	10.8	7.2	10.6	11.6	12.2
ROCE (%)	12.1	7.9	11.9	13.7	15.2
<b>W.C &amp; Liquidity</b>					
Receivables (days)	62.4	65.6	60.6	59.3	60.2
Inventory (days)	271.9	275.1	284.1	276.3	275.8
Payables (days)	97.3	125.1	129.0	131.9	130.0
Current ratio (x)	2.2	1.9	2.0	2.1	2.4
Quick ratio (x)	1.1	0.9	0.9	1.0	1.1
<b>Turnover &amp; Leverage</b>					
Gross asset T.O (x)	2.8	2.4	2.4	2.5	2.6
Total asset T.O (x)	0.7	0.7	0.7	0.7	0.7
Int. covge. ratio (x)	67.0	17.9	14.9	14.8	15.5
Adj. debt/equity (x)	0.1	0.2	0.2	0.2	0.1
<b>Valuation</b>					
EV/Sales (x)	1.6	1.2	2.3	2.3	2.0
EV/EBITDA (x)	8.5	8.2	11.4	10.7	8.9
P/E (x)	14.1	15.7	19.0	19.1	16.1
P/BV (x)	1.6	1.1	2.1	2.2	2.0



## Recommendation Summary - last 3 years



Dates	Rating	Target
18-Aug-21	BUY	892
18-Feb-22	BUY	784
24-Aug-22	BUY	645
1-Mar-23	BUY	554
23-Aug-23	HOLD	915
17-Nov-23	HOLD	1,037
19-Feb-24	BUY	1,209
27-Nov-24	BUY	1,540

### Rating Criteria

Ratings	Large caps	Midcaps	Small Caps
<b>Buy</b>	Upside is above 10%	Upside is above 15%	Upside is above 20%
<b>Accumulate</b>	-	Upside is between 10%-15%	Upside is between 10%-20%
<b>Hold</b>	Upside is between 0% - 10%	Upside is between 0%-10%	Upside is between 0%-10%
<b>Reduce/sell</b>	Downside is more than 0%	Downside is more than 0%	Downside is more than 0%
<b>Not rated/Neutral</b>			

#### Definition:

**Buy:** Acquire at Current Market Price -CMP, with the target mentioned in the research note; **Accumulate:** Partial buying or to accumulate as CMP dips in the future; **Hold:** Hold the stock with the expected target mentioned in the note.; **Reduce:** Reduce your exposure to the stock due to limited upside.; **Sell:** Exit from the stock; **Not rated/Neutral:** The analyst has no investment opinion on the stock.

#### Symbols definition:



Upgrade



No Change



Downgrade

To satisfy regulatory requirements, we attribute 'Accumulate' as Buy and 'Reduce' as Sell.

The recommendations are based on 12 month horizon, unless otherwise specified. The investment ratings are on absolute positive/negative return basis. It is possible that due to volatile price fluctuation in the near to medium term, there could be a temporary mismatch to rating. For reasons of valuations/ return/lack of clarity/event we may revisit rating at appropriate time. Please note that the stock always carries the risk of being upgraded to BUY or downgraded to a HOLD, REDUCE or SELL.

Not rated/Neutral- The analyst has no investment opinion on the stock under review.

### DISCLAIMER & DISCLOSURES

**Certification:** I, Arun Kailasan, author of this Report, hereby certify that all the views expressed in this research report reflect our personal views about any or all of the subject issuer or securities. This report has been prepared by the Research Team of Geojit Financial Services Limited, hereinafter referred to as Geojit.

**For General disclosures and disclaimer:** Please Visit : <https://www.geojit.com/research-disclosures#fundamental-research>

CRISIL has provided research support in preparation of this research report and the investment rational contained herein along with financial forecast. The target price and recommendation provided in the report are strictly Geojit's views and are NOT PROVIDED by CRISIL. Further, CRISIL expresses no opinion on valuation and the associated recommendations. CRISIL has no financial liability whatsoever, to the subscribers / users of this report.

Group companies of Geojit Financial Services Limited are Geojit Technologies Private Limited -Software Solutions provider, Geojit Credits Private Limited -NBFC, Geojit Investment Limited -financial Services Company, Geojit Techloan Private Ltd- P2P lending Geojit IFSC Ltd - a company incorporated under IFSC Regulations, Qurum Business Group Geojit Securities LLC - a joint venture in Oman engaged in Financial Services , Barjeel Geojit Financial Services LLC -a joint venture in UAE engaged in Financial Services, Aloula Geojit Capital Company -a joint venture in Saudi Arabia -Under Liquidation and BBK Geojit Business Consultancy and Information KSC -C -a joint venture in Kuwait-engaged in Financial services . In the context of the SEBI Regulations on Research Analysts -2014, Geojit affirms that we are a SEBI registered Research Entity and in the course of our business as a stock market intermediary, we issue research reports /research analysis etc. that are prepared by our Research Analysts. We also affirm and undertake that no disciplinary action has been taken against us or our Analysts in connection with our business activities.

In compliance with the above mentioned SEBI Regulations, the following additional disclosures are also provided which may be considered by the reader before making an investment decision:

#### 1. Disclosures regarding Ownership:

Geojit confirms that:

- (i)it/its associates have no financial interest or any other material conflict in relation to the subject company (ies) covered herein, at the time of publication of the research report
- (ii)it/its associates have no actual beneficial ownership of 1% or more in relation to the subject company (ies) covered herein. at the end of the month immediately preceding the date of publication of the research report.

Further, the Analyst confirms that:(i) He, his associates and his relatives have no financial interest in the subject company (ies) covered herein, and they have no other material conflict in the subject company, at the time of publication of the research report (ii) He, his associates and his relatives have no actual/beneficial ownership of 1% or more in the subject company covered, at the end of the month immediately preceding the date of publication of the research report

#### 2. Disclosures regarding Compensation:

During the past 12 months, Geojit or its Associates:

- (a) Have not received any compensation from the subject company; (b) Have not managed or co-managed public offering of securities for the subject company (c) Have not received any compensation for investment banking or merchant banking or brokerage services from the subject company. (d) Have not received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company (e) Have not received any compensation or other benefits from the subject company or third party in connection with the research report (f) The subject company is / was not a client during twelve months preceding the date of distribution of the research report.

#### 3. Disclosure by Geojit regarding the compensation paid to its Research Analyst:

Geojit hereby confirms that no part of the compensation paid to the persons employed by it as Research Analysts is based on any specific brokerage services or transactions pertaining to trading in securities of companies contained in the Research Reports.

#### 4. Disclosure regarding the Research Analyst's connection with the subject company:

It is affirmed that I, Arun Kailasan, Research Analyst (s) of Geojit have not served as an officer, director or employee of the subject company

#### 5. Disclosure regarding Market Making activity:

Neither Geojit/its Analysts have engaged in market making activities for the subject company.

6. "Registration granted by SEBI, membership of BASL -in case of IAs and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors."

7. Standard Warning: "Investment in securities market are subject to market risks. Read all the related documents carefully before investing."

Please ensure that you have read the "Risk Disclosure Documents for Capital Market and Derivatives Segments" as prescribed by the Securities and Exchange Board of India before investing.

Geojit Financial Services Ltd. Registered Office: 34/659-P, Civil Line Road, Padivattom, Kochi-682024, Kerala, India. Phone: +91 484-2901000, Website: www.geojit.com. For investor queries: customercare@geojit.com. **Compliance officer:** Ms. Indu K. Address: Geojit Financial Services Limited, 34/659 P, Civil Line Road, Padivattom, Kochi - 682024; Phone: +91 484-2901367; Email: [compliance@geojit.com](mailto:compliance@geojit.com). **For grievances: Grievance Officer:** Mr Nitin K; Address: Geojit Financial Services Limited,34/659 P, Civil Line Road, Padivattom, Kochi - 682024; Phone: +91 484-2901363; Email: [grievances@geojit.com](mailto:grievances@geojit.com). Corporate Identity Number: L67120KL1994PLC008403, SEBI Stock Broker Registration No INZ000104737, Research Entity SEBI Reg No: INH200000345, Investment Adviser SEBI Reg No: INA200002817, Portfolio Manager: INP000003203, Depository Participant: IN-DP-325-2017, ARN Regn.Nos:0098, IRDA Corporate Agent -Composite No.: CA0226.

