

Aurobindo Pharma

Estimate change	↔
TP change	↑
Rating change	↔

CMP: INR1,462 TP: INR1,500 (+3%) Neutral

Operationally in-line quarter; broad-based growth across segments

Efforts under way to resolve regulatory issue/scale up Pen-G production

- Aurobindo Pharma (ARBP) delivered in-line operational performance in 1QFY25. The robust execution across key markets was partly offset by seasonality and higher remediation costs for the quarter.
- We largely maintain our estimates for FY25/FY26. We value ARBP at 18x 12M forward earnings to arrive at our TP of INR1,500.
- ARBP is progressing well on: a) scaling up its Pen-G production, b) resolving regulatory issues at the Eugia site III, c) clinical development of the biosimilar portfolio, and d) strengthening the US generic pipeline. We model a 15% earnings CAGR over FY24-26. Considering limited upside from the current level, **we reiterate our Neutral rating on the stock.**

Product mix drives margin on a YoY basis

- ARBP's 1QFY25 sales grew 10.5% YoY to INR75.7b (our estimate: INR77b). Overall formulation sales grew 11% YoY to INR64.8b. The US formulation revenue grew 7.6% YoY to INR35.6b (CC: +5.7% YoY to USD426m; 47% of sales). Europe formulation sales grew 7.9% YoY to INR19.8b (26% of sales). Growth markets sales jumped 45.9% YoY to INR7.1b (9.4% of sales). ARV revenue grew 20.2% YoY to INR2.3b (3% of sales). API sales rose 5.7% YoY basis to INR10.9b (14% of sales).
- Gross margin (GM) expanded 540bp YoY to 59.4%.
- Ex-remediation costs, EBITDA margin expanded 560bp YoY to 22.4% (our estimate: 22.1%) led by improved gross margin offset by increase in employee cost/other expense (+30bp/+80bp YoY as a % of sales).
- EBITDA was up 41% YoY to INR16.2b (our estimate: INR17.0b).
- Adjusting for the forex gain of INR10m, PAT grew at a higher rate of 52% YoY to INR9.0b (our est.: INR9.7b), led by 1.5x YoY jump in other income, offset by a higher tax outgo.

Highlights from the management commentary

- ARBP aims to sustain the growth momentum and maintain its EBITDA margin of 21-22% for FY25. Adj. for remediation related measures, it achieved 22.4% EBITDA margin in 1QFY25.
- While injectable sales were impacted due to remediation measures in 1QFY25, ARBP aspires to achieve USD600m sales for FY25.
- With respect to b-Denosumab, recruitment for the Phase III clinical trial has been completed in May'24 for the EU market. The trial would be completed in Jun'25. ARBP expects to file the product in the US/EU by 2QFY26.
- ARBP plans to file b-Omalizumab in 3QFY26 with the EMA and FDA, b-Trastuzumab by 2QFY25 in the US, and b-Tocilizumab by 2Q/FY25/3QFY25 in India and EM.

Bloomberg	ARBP IN
Equity Shares (m)	586
M.Cap.(INRb)/(USDb)	856.5 / 10.2
52-Week Range (INR)	1498 / 815
1, 6, 12 Rel. Per (%)	11/31/44
12M Avg Val (INR M)	2250

Financials & Valuations (INR b)

Y/E MARCH	2024	2025E	2026E
Sales	290.0	309.4	339.8
EBITDA	58.4	70.2	75.1
Adj. PAT	32.8	38.9	43.2
EBIT Margin (%)	14.9	17.3	16.9
Cons. Adj. EPS (INR)	56.0	66.3	73.8
EPS Gr. (%)	46.1	18.3	11.3
BV/Sh. (INR)	509.3	572.0	641.8

Ratios

Net D:E	0.0	-0.1	-0.1
RoE (%)	11.6	12.3	12.2
RoCE (%)	10.7	11.2	11.3
Payout (%)	6.6	6.1	5.4

Valuations

P/E (x)	26.2	22.1	19.9
EV/EBITDA (x)	14.7	11.7	10.8
Div. Yield (%)	0.3	0.3	0.3
FCF Yield (%)	-0.6	4.4	1.8
EV/Sales (x)	3.0	2.7	2.4

Shareholding pattern (%)

As On	Jun-24	Mar-24	Jun-23
Promoter	51.8	51.8	51.8
DII	24.8	23.3	15.7
FII	16.7	18.0	24.1
Others	6.7	6.9	8.3

FII Includes depository receipts

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Investors are advised to refer through important disclosures made at the last page of the Research Report.

Motilal Oswal research is available on www.motilaloswal.com/Institutional-Equities, Bloomberg, Thomson Reuters, Factset and S&P Capital.

Quarterly performance (Consolidated)

(INR b)

Y/E March	FY24				FY25E				FY24	FY25E	FY25E	
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE			1QE	vs Est
Net Sales	68.5	72.2	73.5	75.8	75.7	77.8	78.7	77.2	290.0	309.4	76.6	-1.2%
YoY Change (%)	9.9	25.8	14.7	17.1	10.5	7.7	7.1	1.8	16.7	6.7	11.8	
EBITDA	11.5	14.0	16.0	16.9	16.9	17.8	18.0	17.5	58.4	70.2	16.9	0.1%
YoY Change (%)	12.4	33.4	67.8	68.3	47.2	26.9	12.1	3.8	44.9	20.2	47.0	
Margins (%)	16.8	19.4	21.8	22.3	22.4	22.9	22.8	22.7	20.1	22.7	22.1	
Depreciation	3.3	4.2	4.2	3.5	4.0	4.1	4.2	4.4	15.2	16.7	3.6	
EBIT	8.2	9.9	11.8	13.3	12.9	13.7	13.8	13.1	43.2	53.5	13.3	
YoY Change (%)	10.7	30.7	86.1	103.0	56.5	39.4	16.7	-1.9	54.9	23.7	61.8	
Interest	0.6	0.7	0.8	0.9	1.1	1.1	1.0	0.9	2.9	4.1	0.9	
Other Income	0.8	1.9	1.2	1.4	1.2	1.4	1.4	1.5	5.2	5.5	1.0	
PBT before EO expense	8.5	11.0	12.2	13.8	13.0	14.0	14.2	13.7	45.5	54.9	13.4	-3.4%
Forex loss/(gain)	-0.4	0.3	-0.5	0.1	0.0	0.0	0.0	0.0	-0.4	0.0	0.0	
Exceptional (expenses)/income	-0.7	0.0	0.0	-1.2	0.2	0.0	0.0	0.0	-1.9	0.2	0.0	
PBT	8.1	10.7	12.7	12.4	13.3	14.0	14.2	13.7	44.0	55.2	13.4	-1.4%
Tax	2.4	3.2	3.2	3.2	4.1	4.0	4.1	3.8	12.1	16.0	3.6	
Rate (%)	29.7	30.1	25.5	26.0	30.6	28.5	29.0	28.0	27.5	29.0	27.0	
Minority Interest	0.0	-0.1	0.1	0.1	0.0	0.0	0.0	0.1	0.1	0.1	0.1	
Reported PAT	5.7	7.6	9.4	9.1	9.2	10.0	10.1	9.7	31.7	39.0	9.7	-5.3%
Adj PAT	5.9	7.8	9.0	10.1	9.0	10.0	10.1	9.7	32.8	38.9	9.7	-7.1%
YoY Change (%)	0.9	17.2	87.4	96.3	51.9	29.0	11.5	-3.5	46.1	18.3	63.6	
Margins (%)	8.7	10.8	12.3	13.3	11.9	12.9	12.8	12.6	11.3	12.6	12.7	

E: MOFSL Estimates

Key performance Indicators (Consolidated)

(INR b)

Y/E March	FY24				FY25E				FY24	FY25E	FY25E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE			
Formulations	58.2	59.7	62.9	65.1	64.8	64.8	67.4	68.9	244.2	265.9	66.0
YoY Change (%)	9.2	25.1	15.4	19.3	11.3	8.6	7.1	5.9	16.2	8.9	20.9
ARV form.	1.9	2.5	1.8	2.4	2.3	2.3	2.1	2.2	8.7	8.9	2.9
YoY Change (%)	-49.8	52.4	-28.7	49.7	20.2	-10.0	20.0	-9.0	-9.0	2.0	80.4
US generic form.	33.0	33.9	37.6	35.9	35.6	36.7	38.9	40.9	138.7	152.0	37.4
YoY Change (%)	11.2	28.3	25.1	17.8	7.6	8.3	3.6	13.9	19.0	9.6	22.9
EU and ROW form.	23.2	23.3	23.6	26.8	26.9	25.9	26.3	25.9	96.8	105.0	25.7
YoY Change (%)	17.4	18.5	7.0	19.2	15.8	11.0	11.7	-3.5	15.3	8.4	14.0
APIs	10.3	11.7	10.2	10.2	10.9	12.9	11.3	8.3	42.4	43.5	8.3
YoY Change (%)	14.0	20.3	7.1	0.2	5.7	11.0	11.0	-18.9	10.2	2.5	-18.2
Cost Break-up											
RM Cost (% of Sales)	46.1	44.8	42.9	40.4	40.6	40.9	40.7	40.2	43.5	40.6	43.2
Staff Cost (% of Sales)	13.9	13.2	13.5	13.5	14.2	13.9	13.9	13.6	13.5	13.9	13.4
R&D Expenses(% of Sales)	5.7	4.2	5.4	5.2	4.5	4.7	4.9	5.5	5.1	4.9	5.2
Other Cost (% of Sales)	17.6	18.3	16.5	18.7	18.4	17.6	17.7	18.0	17.5	17.9	17.6
Gross Margin (%)	53.9	55.2	57.1	59.6	59.4	59.1	59.3	59.8	56.5	59.4	56.8
EBITDA Margin (%)	16.8	19.4	21.8	22.3	22.4	22.9	22.8	22.7	20.1	22.7	20.6
EBIT Margin (%)	12.0	13.7	16.0	17.6	17.1	17.7	17.5	16.9	14.9	17.3	14.7

E: MOFSL Estimates

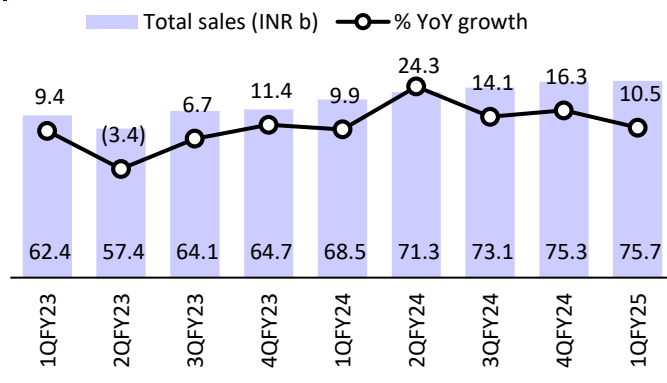


Conference call highlights

- ARBP completed the Phase I study for Omalizumab in Australia. It is undergoing large-scale Phase III clinical trials in the EU market. The completion of trials is expected by 2QFY26. Subsequently, the filing is expected in the US/EU by 3QFY26.
- ARBP expects a revenue run-rate of USD850m, with mid-teens profit margins in Europe.
- The company plans commercialization of the China plant in 3QFY25, with a ramp up expected in 4QFY25.
- ARBP expects the Eugia Vizag plant to start European filings from 3QFY25, while the US filings are on track. Revenue from the facility is expected in FY26.
- Remediation cost for Eugia III plant stood at USD9m, impacting EBITDA for 1QFY25. The company expects a remediation cost of USD2m in 2QFY25.
- Management expects a 10-15% higher revenue contribution from Revlimid from 2QFY25 onwards.
- The US price erosion stood at low single digits.

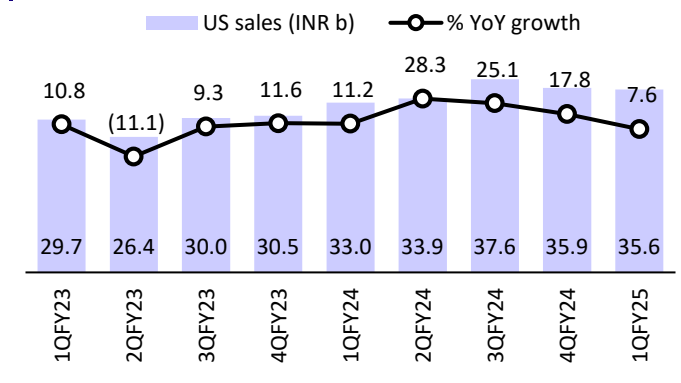
Key Exhibits

Exhibit 1: Revenue grew 10.5% YoY in 1QFY25



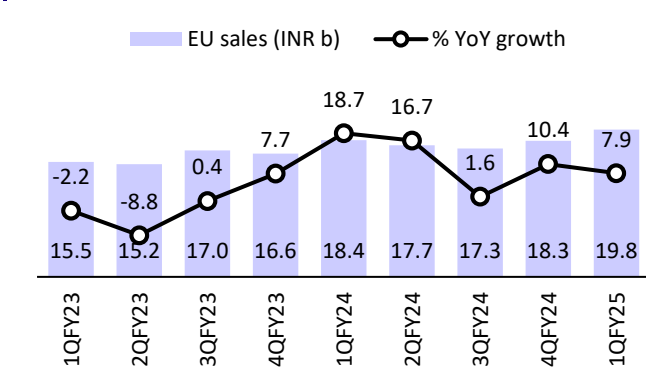
Source: MOFSL, Company

Exhibit 2: The US sales rose 7.6% YoY in 1Q in INR terms



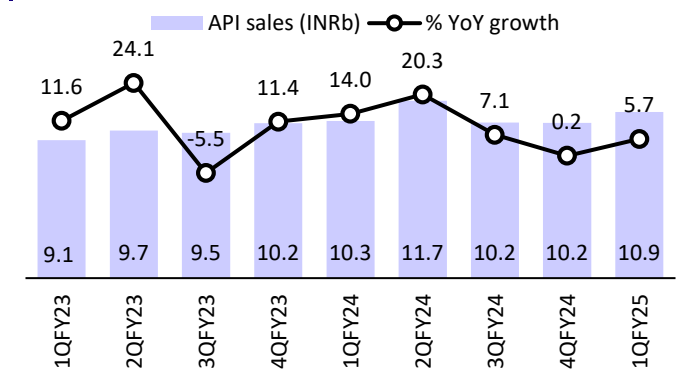
Source: MOFSL, Company

Exhibit 3: The EU sales increased 7.9% YoY in 1QFY25



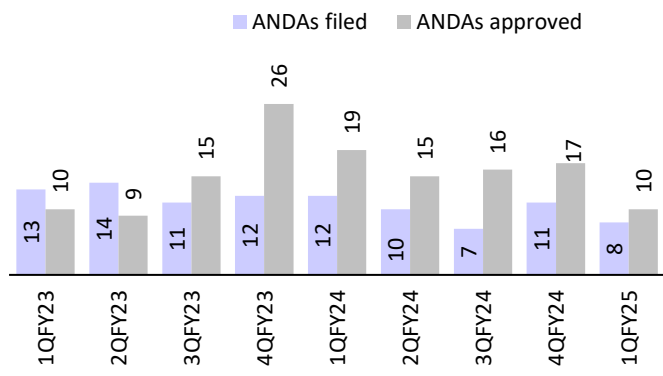
Source: MOFSL, Company

Exhibit 4: API sales grew 5.7% YoY in 1QFY25



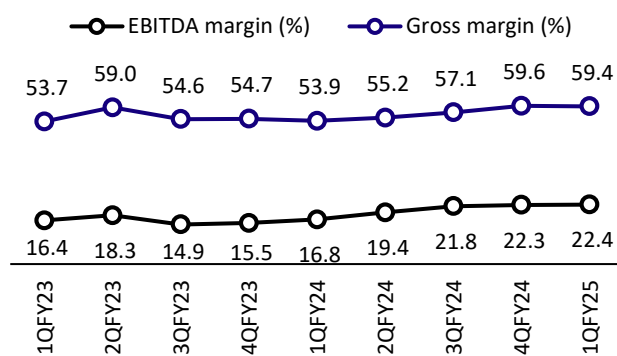
Source: MOFSL, Company

Exhibit 5: ARBP filed eight ANDAs in 1QFY25



Source: MOFSL, Company

Exhibit 6: EBITDA margin expanded 560bp YoY in 1QFY25



Source: MOFSL, Company

Strengthening the niche pipeline across markets

US: Remediation measures largely done; injectable sales to pick up soon

- In 1QFY25, ARBP’s US sales grew 11.6% YoY in CC terms to USD426m. Specialty & Injectable revenue in the US stood at ~USD102m (23.9% of US sales).
- One-off remediation charges for the Eugia III plant facility stood at USD9m in 1FY25, which is expected to moderate to USD2m in 2QFY25. Post-2Q, the company expects growth in injectable sales, back to pre-disruption stage.
- Remediation and associated production delays affected EBITDA by INR1b.
- Overall, it has a pipeline of 144 ANDAs awaiting approval. Additionally, ARBP is planning to launch its biosimilar portfolio in the US market in the near to medium term, which would further drive the growth.
- Accordingly, we expect 10% sales CAGR over FY24-26 to INR167b (USD2b).

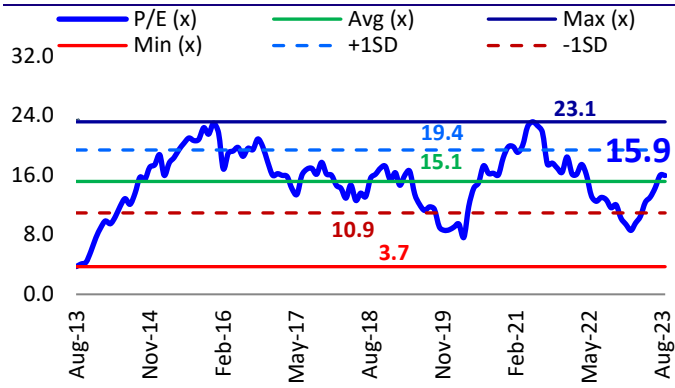
EU: Focus on expanding the differentiated portfolio

- In 1QFY25, the EU sales grew 30.6% YoY to INR19.8b. ARBP continued to witness robust demand across the base portfolio and new launches.
- ARBP plans to file b-Omalizumab in 3QFY26 with the EMA and FDA, b-Trastuzumab by 2QFY25 in the US, and b-Tocilizumab by 2Q/FY25/3QFY25 in India and EM.
- ARBP has already filed for three biosimilars with the EMA. It plans to leverage the existing field force to grow the sales.
- We expect a 10% sales CAGR over FY24-26 to INR86.7b on the back of new product launches, market share gains, and expansion in new geographies.

Reiterate Neutral

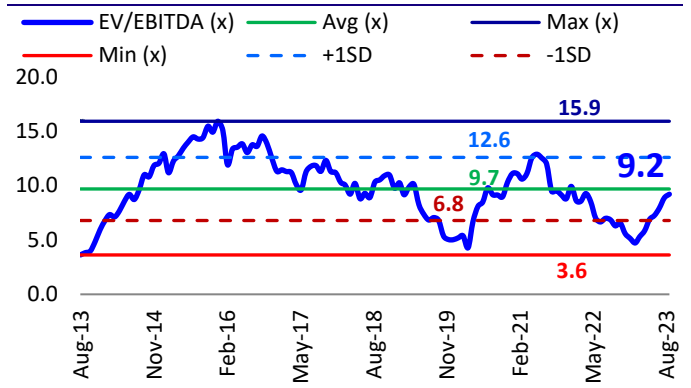
- We largely maintain our estimates for FY25/FY26. We value ARBP at 18x 12M forward earnings to arrive at our TP of INR1,500.
- ARBP is progressing well on: a) scaling up its Pen-G production, b) resolving regulatory issues at the Eugia site III, c) clinical development of the biosimilar portfolio, and d) strengthening the US generic pipeline. We model a 15% earnings CAGR over FY24-26. Considering limited upside from the current level, **we reiterate our Neutral rating on the stock.**

Exhibit 7: P/E chart



Source: MOFSL, Company, Bloomberg

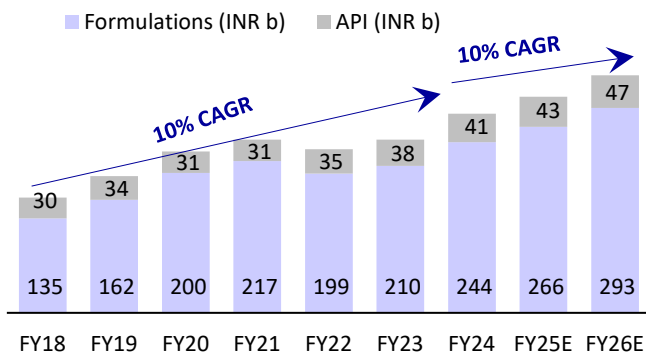
Exhibit 8: EV/EBITDA chart



Source: MOFSL, Company, Bloomberg

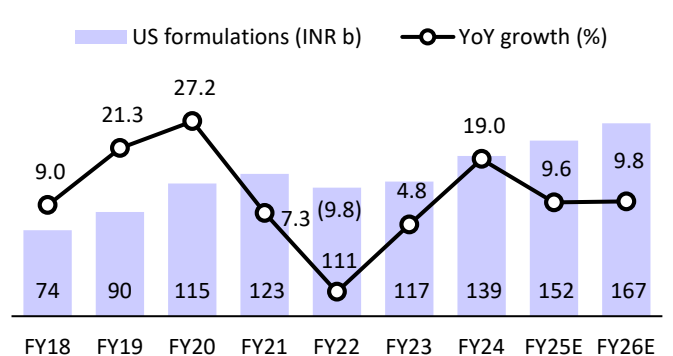
Story in charts

Exhibit 9: Expect sales CAGR of 10% over FY24-26



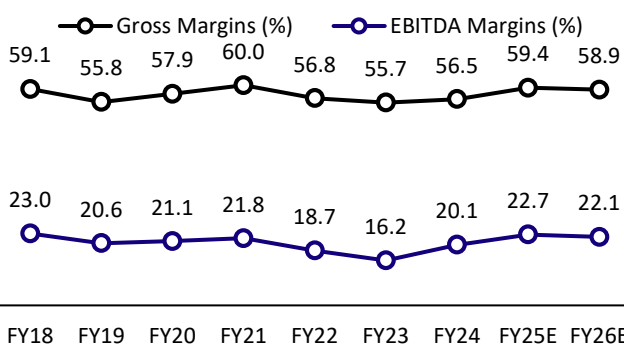
Source: Company, MOFSL

Exhibit 10: The US sales to clock 10% CAGR over FY24-26



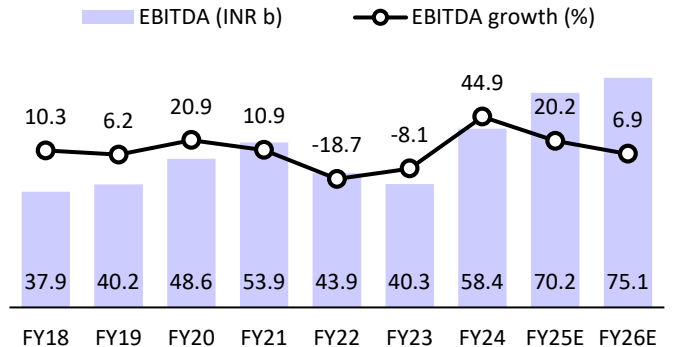
Source: Company, MOFSL

Exhibit 11: EBITDA margin to expand over FY24-26



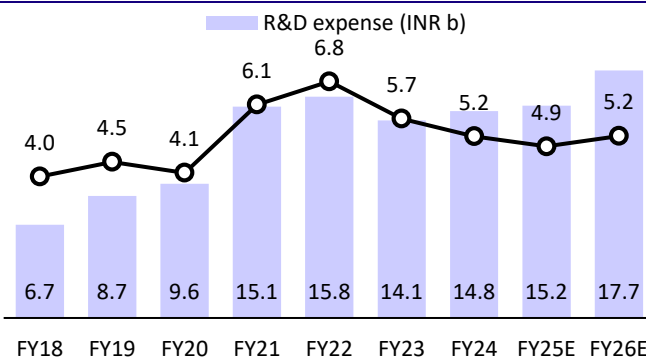
Source: Company, MOFSL

Exhibit 12: EBITDA to clock 13% CAGR over FY24-26



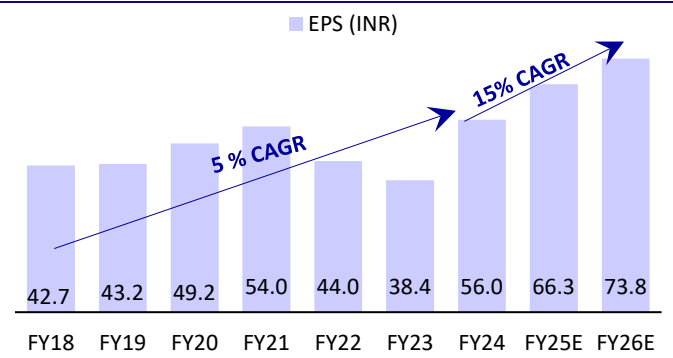
Source: Company, MOFSL

Exhibit 13: R&D expenses to be stable over FY24-26



Source: Company, MOFSL

Exhibit 14: Expect EPS CAGR of 15% over FY24-26



Source: Company, MOFSL

Financials and valuations

Consolidated - Income Statement								(INR b)
Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Total Income from Operations	195.6	231.0	247.7	234.6	248.6	290.0	309.4	339.8
Change (%)	18.6	18.1	7.3	-5.3	6.0	16.7	6.7	9.8
Total Expenditure	155.4	182.3	193.8	190.7	208.2	231.6	239.1	264.7
EBITDA	40.2	48.6	53.9	43.9	40.3	58.4	70.2	75.1
Margin (%)	20.6	21.1	21.8	18.7	16.2	20.1	22.7	22.1
Depreciation	6.7	9.7	10.6	11.3	12.4	15.2	16.7	17.8
EBIT	33.5	39.0	43.4	32.6	27.9	43.2	53.5	57.3
Int. and Finance Charges	1.6	1.6	0.7	0.5	1.4	2.9	4.1	2.3
Other Income	1.2	0.9	2.4	2.5	2.9	5.2	5.5	4.4
PBT bef. EO Exp.	33.1	38.2	45.0	34.6	29.4	45.5	54.9	59.4
EO Items	-2.2	-0.7	29.0	-0.6	-1.0	2.3	-0.2	0.0
PBT after EO Exp.	30.9	37.6	74.0	34.0	28.4	47.8	54.7	59.4
Current Tax	7.3	9.1	20.1	7.3	6.8	12.1	16.0	16.0
Tax Rate (%)	23.5	24.3	27.2	21.3	24.1	25.3	29.3	27.0
Less: Minority Interest	0.0	0.1	0.6	0.3	-0.1	0.1	0.1	0.1
Reported PAT	23.6	28.3	53.3	26.5	21.4	35.6	38.5	43.2
Adjusted PAT	25.3	28.8	31.7	25.8	22.5	32.8	38.9	43.2
Change (%)	1.1	13.9	9.9	-18.5	-12.9	46.1	18.3	11.3
Margin (%)	12.9	12.5	12.8	11.0	9.0	11.3	12.6	12.7

Consolidated - Balance Sheet								(INR b)
Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Equity Share Capital	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6
Total Reserves	138.3	167.5	218.7	245.2	267.8	297.8	334.5	375.4
Net Worth	138.9	168.1	219.3	245.8	268.4	298.4	335.1	376.0
Minority Interest	0.0	0.0	0.0	0.0	0.1	0.1	0.1	0.1
Deferred Liabilities	1.0	1.4	1.2	1.2	-2.9	-8.6	-8.7	-8.9
Total Loans	67.5	54.2	49.7	23.7	48.6	63.2	49.5	38.8
Capital Employed	207.4	223.7	270.2	270.7	314.3	353.1	375.9	406.0
Gross Block	98.0	116.4	134.3	158.4	175.4	227.7	240.7	253.7
Less: Accum. Deprn.	18.3	28.0	38.5	49.8	62.2	77.4	94.2	112.0
Net Fixed Assets	79.7	88.4	95.8	108.7	113.2	150.3	146.5	141.7
Goodwill on Consolidation	8.3	9.2	4.3	4.8	6.0	6.0	6.0	6.0
Capital WIP	13.4	16.2	24.3	29.4	45.0	27.4	27.4	27.4
Total Investments	3.6	5.5	5.9	10.0	5.4	3.7	3.7	3.7
Curr. Assets, Loans&Adv.	157.7	168.3	203.8	183.6	222.6	251.3	260.4	297.5
Inventory	72.5	77.0	90.3	75.5	85.1	98.1	91.2	115.6
Account Receivables	34.1	43.2	35.0	40.1	44.7	48.2	55.9	64.2
Cash and Bank Balance	19.6	28.4	54.7	41.9	60.8	62.8	86.5	90.9
Loans and Advances	31.5	19.7	23.7	26.0	31.9	42.2	26.8	26.8
Curr. Liability & Prov.	55.3	63.9	63.8	65.6	77.9	85.5	68.1	70.3
Account Payables	25.5	25.4	27.9	27.0	38.7	44.5	37.5	39.7
Other Current Liabilities	26.1	33.5	32.6	35.2	35.4	36.1	30.0	30.0
Provisions	3.6	4.9	3.3	3.4	3.7	4.8	0.6	0.6
Net Current Assets	102.4	104.3	140.0	117.9	144.7	165.8	192.3	227.2
Deferred Tax assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Misc Expenditure	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Appl. of Funds	207.4	223.7	270.2	270.7	314.3	353.1	375.9	406.0

E: MOFSL Estimates

Financials and valuations

Ratios								
Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Basic (INR)								
EPS	43.2	49.2	54.0	44.0	38.4	56.0	66.3	73.8
Cash EPS	54.6	65.7	72.0	63.3	59.7	82.0	94.9	104.2
BV/Share	237.1	286.9	374.3	419.5	458.4	509.3	572.0	641.8
DPS	2.5	2.5	2.5	3.5	4.0	4.0	4.0	4.0
Payout (%)	6.8	5.2	2.7	7.7	10.9	6.6	6.1	5.4
Valuation (x)								
P/E	34.0	29.9	27.2	33.3	38.3	26.2	22.1	19.9
Cash P/E	26.9	22.4	20.4	23.2	24.6	17.9	15.5	14.1
P/BV	6.2	5.1	3.9	3.5	3.2	2.9	2.6	2.3
EV/Sales	4.6	3.8	3.5	3.6	3.4	3.0	2.7	2.4
EV/EBITDA	22.6	18.2	15.9	19.2	21.0	14.7	11.7	10.8
Dividend Yield (%)	0.2	0.2	0.2	0.2	0.3	0.3	0.3	0.3
FCF per share	1.6	50.4	12.5	35.7	-13.5	-8.9	65.0	26.7
Return Ratios (%)								
RoE	19.8	18.8	16.3	11.1	8.7	11.6	12.3	12.2
RoCE	14.4	14.1	13.6	10.3	8.0	10.7	11.2	11.3
RoIC	16.9	17.1	17.6	13.7	10.8	14.0	14.6	15.4
Working Capital Ratios								
Fixed Asset Turnover (x)	2.0	2.0	1.8	1.5	1.4	1.3	1.3	1.3
Inventory (Days)	277	280	308	298	266	265	275	270
Debtor (Days)	68	61	58	58	62	58	61	65
Creditor (Days)	109	96	98	99	109	121	119	101
Working Cap. (Days)	235	246	267	258	219	203	217	234
Leverage Ratio (x)								
Current Ratio	2.9	2.6	3.2	2.8	2.9	2.9	3.8	4.2
Interest Cover Ratio	21	24	58	67	20	15	13	25
Net Debt/Equity	0.3	0.2	0.0	-0.1	0.0	0.0	-0.1	-0.1

Consolidated - Cash Flow Statement

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
(INR b)								
OP/(Loss) before Tax	30.9	37.4	45.0	34.6	29.4	45.5	54.9	59.4
Depreciation	6.7	9.7	10.6	11.3	12.4	15.2	16.7	17.8
Interest / Dividend received	1.4	1.2	-1.6	-2.0	-1.5	-2.3	-1.4	-2.1
Direct Taxes Paid	-7.7	-7.3	-20.1	-7.3	-6.8	-12.1	-16.0	-16.0
(Inc)/Dec in WC	-14.8	2.8	-9.3	9.2	-7.8	-19.1	-2.9	-30.4
CF from Operations	16.4	43.8	24.5	45.8	25.7	27.2	51.3	28.7
Others	0.1	0.0	8.7	4.4	-1.0	2.3	-0.2	0.0
CF from Operating incl EO	16.5	43.8	33.3	50.2	24.7	29.5	51.1	28.7
(inc)/dec in FA	-15.6	-14.3	-26.0	-29.2	-32.6	-34.7	-13.0	-13.0
Free Cash Flow	0.9	29.5	7.3	20.9	-7.9	-5.2	38.1	15.7
(Pur)/Sale of Investments	-13.4	-1.4	0.4	4.1	-4.5	-1.7	0.0	0.0
CF from Investments	-29.0	-15.7	6.0	-32.1	-39.8	-36.4	-13.0	-13.0
Inc/(Dec) in Debt	26.2	-13.1	-4.5	-26.0	25.0	14.5	-13.7	-10.7
Interest Paid	-1.5	-1.3	-0.7	-0.5	-1.4	-2.9	-4.1	-2.3
Dividend Paid	-1.6	-1.9	-1.5	-2.1	-2.3	-2.3	-2.3	-2.3
Others	-3.4	-2.8	-6.9	-1.2	12.8	-0.4	5.7	4.1
CF from Fin. Activity	19.8	-19.1	-13.6	-29.7	34.0	8.9	-14.4	-11.2
Inc/Dec of Cash	7.3	9.1	25.6	-11.6	18.9	1.9	23.7	4.4
Opening Balance	12.6	19.6	28.4	54.7	41.9	60.8	62.8	86.5
Others incl. impact of fx	-0.3	-0.2	0.7	-1.2	0.0	0.0	0.0	0.0
Closing Balance	19.6	28.4	54.7	41.9	60.8	62.8	86.5	90.9

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NOTES

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UNDER REVIEW	Rating may undergo a change
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