

August 13, 2024

Q1FY25 Result Update

Change in Estimates | Target | Reco

Change in Estimates

	Current		Previous	
	FY25E	FY26E	FY25E	FY26E
Rating	ACCUMULATE		ACCUMULATE	
Target Price	1,525		1,300	
Sales (Rs. m)	3,15,219	3,42,491	3,15,219	3,42,491
% Chng.	-	-	-	-
EBITDA (Rs. m)	68,338	75,757	68,275	75,683
% Chng.	0.1	0.1	0.1	0.1
EPS (Rs.)	67.7	76.2	67.7	76.1
% Chng.	0.1	0.1	0.1	0.1

Key Financials - Consolidated

Y/e Mar	FY23	FY24	FY25E	FY26E
Sales (Rs. m)	2,48,551	2,90,019	3,15,219	3,42,491
EBITDA (Rs. m)	37,184	58,430	68,338	75,757
Margin (%)	15.0	20.1	21.7	22.1
PAT (Rs. m)	18,877	35,527	39,687	44,644
EPS (Rs.)	32.2	60.6	67.7	76.2
Gr. (%)	(28.7)	88.2	11.7	12.5
DPS (Rs.)	5.0	6.0	7.0	7.0
Yield (%)	0.3	0.4	0.5	0.5
RoE (%)	7.3	12.5	12.6	12.6
RoCE (%)	8.4	12.7	13.9	14.3
EV/Sales (x)	3.4	3.0	2.7	2.4
EV/EBITDA (x)	22.7	14.7	12.5	11.1
PE (x)	45.4	24.1	21.6	19.2
P/BV (x)	3.2	2.9	2.6	2.3

Key Data

ARBN.BO | ARBP IN

52-W High / Low	Rs.1,498 / Rs.815
Sensex / Nifty	79,649 / 24,347
Market Cap	Rs.857bn/ \$ 10,200m
Shares Outstanding	586m
3M Avg. Daily Value	Rs.2041.21m

Shareholding Pattern (%)

Promoter's	51.80
Foreign	16.73
Domestic Institution	24.77
Public & Others	6.70
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	10.2	43.5	69.4
Relative	11.4	28.1	38.9

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Strong margins

Quick Pointers:

- Ramp up of Pen-G and China facility from October 2024.
- Impact of Rs1bn at PBT due to remediation cost and new plant commercialization expenses.

Our FY25/26E EPS estimates remains unchanged. Aurobindo Pharma's (ARBP) Q1FY25 EBITDA of Rs16.2bn (down 4% QoQ) with OPM of 21.4% was marginally below our estimate. We expect margins to further scale up. Pick up in US sales hinge on timely niche approvals along with stabilization of pricing pressure in the base business. We believe ARBP has multiple growth drivers in place with investments in vaccines, injectables, biosimilars and PLI which are expected to be reflected from FY25. At CMP, the stock is trading at 19x FY26E P/E. We value company at 20x FY26E EPS and assign a TP of Rs1,525/share. Maintain 'Accumulate' rating.

- Revenues growth aided by RoW and EU markets:** Formulations business witnessed growth of 10.5% YoY and flat QoQ at Rs75.6bn. US revenues ex Puerto Rico was up 13% YoY. In CC terms US revenues declined by 1.4% QoQ at \$426mn, we est \$450mn. Revenues from US injectable sales including specialty were to tune of \$102mn. EU sales was up 16% YoY while RoW business grew 46% YoY. ARV formulations were up by 21% YoY. API sales were up by 6% YoY.
- Healthy EBITDA margins at 21.4%:** Gross margins came in at 59.4% (flat QoQ). R&D spend stood lower at Rs 3.4bn (4.5% of revenue), down 13% YoY. EBITDA margins came in at 21.4% down QoQ by 90bps. EBITDA came at Rs16.2bn (down 4% QoQ), below our estimates of Rs17bn. Tax rate came in higher at 30.6%. EPS of Rs15.7/share for Q1FY25 was largely in line.
- Key concall takeaways: Margin:** Other expenses were higher due to new PenG plant commercialization, remediation cost and certain associated cost due to production delays that impacted PBT by Rs1bn. Guided for 21-22% EBITDA margins in FY25. **US** growth remained impacted on the back of seasonality. Price stability persists. Filed 8 ANDAs during the period. Launched 10 products including 1 injectable product. Received final approval for 10 ANDAs incl 1 specialty product. Key approvals such as Isotretinoin, Estradiol etc likely to contribute in coming quarters. Sales from gRevlimid was stable QoQ. On gMirabegron, settlement is in place. Remediation cost for the quarter stood at \$9mn. Guided for \$2mn spend for Q2FY25. Global specialty business to touch +\$600mn in FY25 vs \$141mn reported in Q1. **Europe:** Increase was mainly supported by sales across markets and new geographies. EU margins have reached mid teen levels which are likely to sustain. **Vizag plant:** Hopes to start filings for European markets. US filings are on track with 3-4 products in FY25. Intends to file bDenosumab (immunology) product for both European medicine agency and USFDA in Q2FY26. Plans to launch **Trastuzumab** in H2FY25 in domestic markets. Its **biosimilar** and complex products are progressing as per plans. Clinical trials are at advanced stage. Spent \$365mn so far in biosimilar. **PenG** Commercialization of Pen-G remains on track with ramp up from October 2024. Pen-G products to approximately add 20-30 batches per month. Net cash (incl investments) stands at \$101mn. Net Capex of \$74 mn. ETR to remain in the range of 27-28%. Non usage of biologics deferred tax credit led to higher tax rates in Q1FY25.

Exhibit 1: 1QFY25 Result Overview (Rs m): Revenues up YoY, GMs remain steady

Y/e March	1QFY25	1QFY24	YoY gr. (%)	4QFY24	QoQ gr. (%)	FY24	FY23	YoY gr. (%)
Net Sales	75,670	68,505	10.5	75,802	(0.2)	290,019	248,554	16.7
Raw Material	30,727	31,547	(2.6)	30,609	0.4	126,029	112,933	11.6
% of Net Sales	40.6	46.1		40.4		43.5	45.4	
Personnel Cost	10,720	9,520	12.6	10,263	4.4	39,229	35,223	11.4
% of Net Sales	14.2	13.9		13.5		13.5	14.2	
Others	18,028	15,925	13.2	18,059	(0.2)	66,330	62,817	5.6
% of Net Sales	23.8	23.2		23.8		22.9	25.3	
Total Expenditure	59,475	56,992	4.4	58,931	0.9	231,587	210,972	9.8
EBITDA	16,196	11,514	40.7	16,871	(4.0)	58,432	37,582	55.5
Margin (%)	21.4	16.8		22.3		20.1	15.1	
Depreciation	4,042	3,266	23.8	3,543	14.1	15,217	12,446	22.3
EBIT	12,154	8,248	47.4	13,328	(8.8)	43,215	25,136	71.9
Other Income	2,209	1,163	89.9	1,213	82.1	4,597	2,906	58.2
Forex gain / (loss)	-	377	(100.0)	143		984	(396)	
Interest	1,110	566	96.4	894	24.2	2,897	1,405	106.2
PBT	13,253	8,846	49.8	13,647	(2.9)	45,899	26,242	74.9
Extra-Ord. Inc./Exps.	-	698		1,222		1,919	-	
Total Taxes	4,057	2,423	67.4	3,226	25.8	12,110	6,849	76.8
ETR (%)	30.6	27.4		23.6		26.4	26.1	
Minority interest	(14)	(28)		(127)		(172)	(117)	
Reported PAT	9,182	5,697	61.2	9,073	1.2	31,698	19,277	64.4

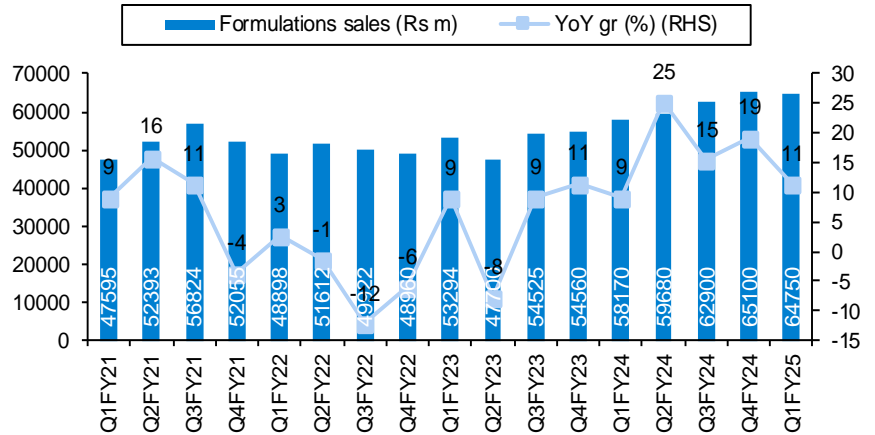
Source: Company, PL

Exhibit 2: Growth across RoW and EU markets

Major sources of revenues	1QFY25	1QFY24	YoY gr. (%)	4QFY24	QoQ gr. (%)	FY24	FY23	YoY gr. (%)
Formulations	64,750	58,170	11.3	65,100	(0.5)	245,850	210,079	17.0
% of Net Sales	85.6	84.9		86.5		85.3	84.5	
USA	35,550	33,040	7.6	35,880	(0.9)	140,330	116,549	20.4
% of Net Sales	47.0	48.2		47.7		48.7	46.9	
Europe & Emerging Markets	26,910	23,230	15.8	26,840	0.3	96,950	83,989	15.4
% of Net Sales	35.6	33.9		35.6		33.6	33.8	
ARV	2,290	1,900	20.5	2,380	(3.8)	8,570	9,541	(10.2)
% of Net Sales	3.0	2.8		3.2		3.0	3.8	
API	10,920	10,330	5.7	10,190	7.2	42,400	38,475	10.2
% of Net Sales	14.4	15.1		13.5		14.7	15.5	
Betalactam	7,910	7,190	10.0	6,980	13.3	29,700	24,473	21.4
% of Net Sales	10.5	10.5		9.3		10.3	9.8	
Non-Betalactam	3,010	3,140	(4.1)	3,210	(6.2)	12,700	14,002	(9.3)
% of Net Sales	4.0	4.6		4.3		4.4	5.6	

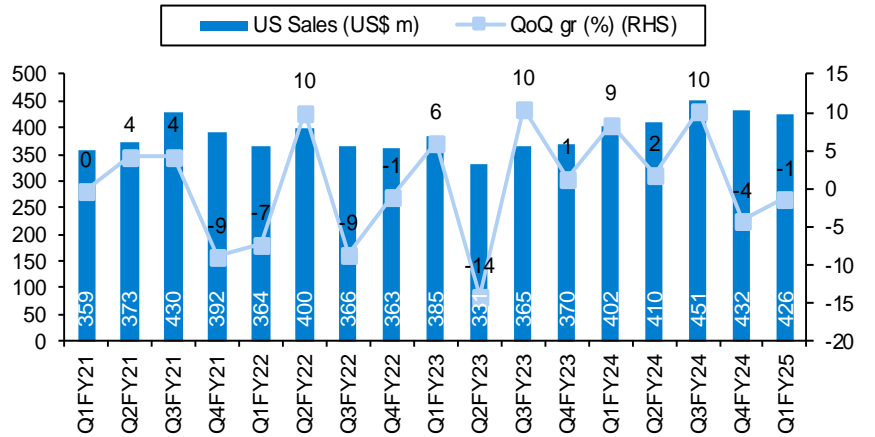
Source: Company, PL

Exhibit 3: Growth trajectory continues despite decline in US sales QoQ



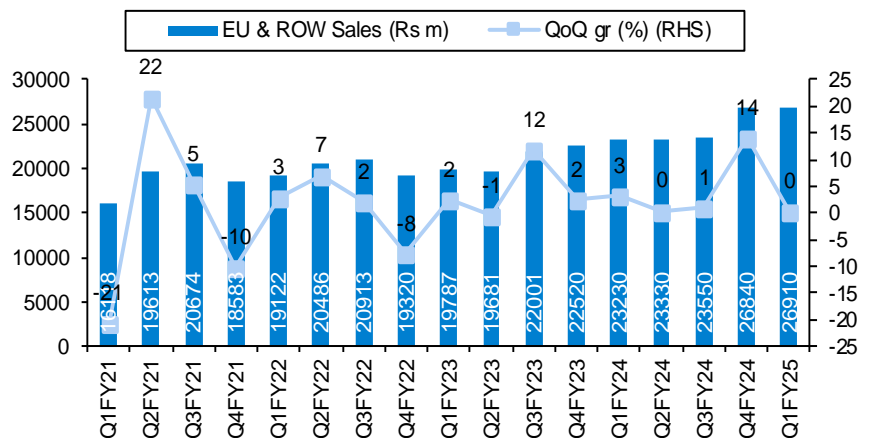
Source: Company, PL

Exhibit 4: Seasonality impacted sales



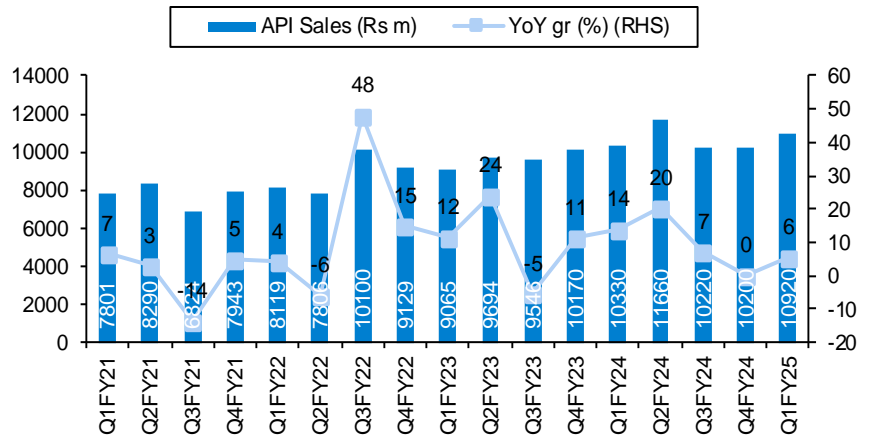
Source: Company, PL

Exhibit 5: Growth momentum continues YoY



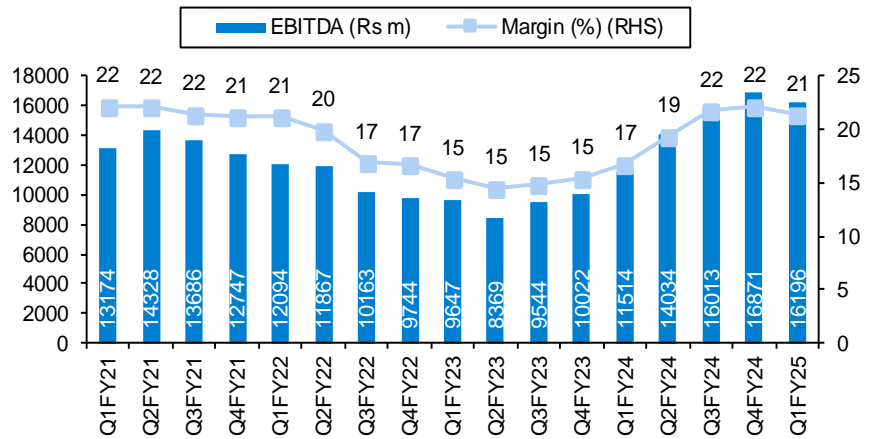
Source: Company, PL

Exhibit 6: API growth supported by debottlenecking



Source: Company, PL

Exhibit 7: Incremental plant utilization supported performance



Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY23	FY24	FY25E	FY26E
Net Revenues	2,48,551	2,90,019	3,15,219	3,42,491
YoY gr. (%)	6.0	16.7	8.7	8.7
Cost of Goods Sold	1,12,933	1,26,029	1,33,452	1,43,847
Gross Profit	1,35,619	1,63,990	1,81,766	1,98,644
Margin (%)	54.6	56.5	57.7	58.0
Employee Cost	35,223	39,229	42,368	45,757
Other Expenses	63,212	66,330	71,060	77,131
EBITDA	37,184	58,430	68,338	75,757
YoY gr. (%)	(15.2)	57.1	17.0	10.9
Margin (%)	15.0	20.1	21.7	22.1
Depreciation and Amortization	12,446	15,217	16,130	17,259
EBIT	24,738	43,214	52,209	58,498
Margin (%)	10.0	14.9	16.6	17.1
Net Interest	1,405	2,897	2,700	2,500
Other Income	2,510	5,574	5,200	5,500
Profit Before Tax	25,844	45,890	54,709	61,498
Margin (%)	10.4	15.8	17.4	18.0
Total Tax	6,849	12,110	14,771	16,604
Effective tax rate (%)	26.5	26.4	27.0	27.0
Profit after tax	18,995	33,780	39,937	44,894
Minority interest	118	172	250	250
Share Profit from Associate	-	-	-	-
Adjusted PAT	18,877	35,527	39,687	44,644
YoY gr. (%)	(28.7)	88.2	11.7	12.5
Margin (%)	7.6	12.2	12.6	13.0
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	18,877	35,527	39,687	44,644
YoY gr. (%)	(28.7)	88.2	11.7	12.5
Margin (%)	7.6	12.2	12.6	13.0
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	18,877	35,527	39,687	44,644
Equity Shares O/s (m)	586	586	586	586
EPS (Rs)	32.2	60.6	67.7	76.2

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY23	FY24	FY25E	FY26E
Non-Current Assets				
Gross Block	1,83,333	2,35,597	2,63,597	2,91,597
Tangibles	1,83,333	2,35,597	2,63,597	2,91,597
Intangibles	-	-	-	-
Acc: Dep / Amortization	64,160	79,376	95,506	1,12,764
Tangibles	64,160	79,376	95,506	1,12,764
Intangibles	-	-	-	-
Net fixed assets	1,19,173	1,56,221	1,68,092	1,78,833
Tangibles	1,19,173	1,56,221	1,68,092	1,78,833
Intangibles	-	-	-	-
Capital Work In Progress	44,964	27,394	27,394	27,394
Goodwill	-	-	-	-
Non-Current Investments	5,427	3,722	3,722	3,722
Net Deferred tax assets	2,879	8,561	8,561	8,561
Other Non-Current Assets	-	-	-	-
Current Assets				
Investments	-	-	-	-
Inventories	85,112	98,082	1,03,634	1,12,600
Trade receivables	44,664	48,167	56,135	60,992
Cash & Bank Balance	60,842	62,783	62,389	72,495
Other Current Assets	-	-	-	-
Total Assets	3,91,267	4,34,252	4,63,035	5,01,872
Equity				
Equity Share Capital	586	586	586	586
Other Equity	2,67,813	2,97,842	3,32,737	3,72,587
Total Networkth	2,68,399	2,98,428	3,33,322	3,73,173
Non-Current Liabilities				
Long Term borrowings	42,426	41,803	36,803	31,803
Provisions	-	-	-	-
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	6,190	21,349	21,349	21,349
Trade payables	38,713	44,542	43,181	46,917
Other current liabilities	38,299	36,611	36,611	36,611
Total Equity & Liabilities	3,91,267	4,34,252	4,63,035	5,01,872

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY23	FY24	FY25E	FY26E
PBT	25,844	45,890	54,709	61,498
Add. Depreciation	12,446	15,217	16,130	17,259
Add. Interest	1,405	2,897	2,700	2,500
Less Financial Other Income	2,510	5,574	5,200	5,500
Add. Other	1,900	(5,242)	-	-
Op. profit before WC changes	41,594	58,762	73,538	81,257
Net Changes-WC	(10,950)	(16,751)	(18,668)	(14,254)
Direct tax	(7,172)	(17,666)	(14,771)	(16,604)
Net cash from Op. activities	23,472	24,345	40,099	50,398
Capital expenditures	(34,889)	(35,851)	(28,000)	(28,000)
Interest / Dividend Income	-	-	-	-
Others	-	-	-	-
Net Cash from Inv. activities	(34,889)	(35,851)	(28,000)	(28,000)
Issue of share cap. / premium	-	-	-	-
Debt changes	24,972	14,613	(5,000)	(5,000)
Dividend paid	(4,395)	(2,636)	(4,793)	(4,793)
Interest paid	354	302	(2,700)	(2,500)
Others	9,429	1,168	-	-
Net cash from Fin. activities	30,359	13,447	(12,493)	(12,293)
Net change in cash	18,942	1,941	(394)	10,105
Free Cash Flow	(3,732)	(11,270)	12,099	22,398

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY23	FY24	FY25E	FY26E
Per Share(Rs)				
EPS	32.2	60.6	67.7	76.2
CEPS	53.5	86.6	95.3	105.7
BVPS	458.1	509.3	568.9	636.9
FCF	(6.4)	(19.2)	20.7	38.2
DPS	5.0	6.0	7.0	7.0
Return Ratio(%)				
RoCE	8.4	12.7	13.9	14.3
ROIC	7.5	11.6	13.0	13.6
RoE	7.3	12.5	12.6	12.6
Balance Sheet				
Net Debt : Equity (x)	0.0	-	0.0	(0.1)
Net Working Capital (Days)	134	128	135	135
Valuation(x)				
PER	45.4	24.1	21.6	19.2
P/B	3.2	2.9	2.6	2.3
P/CEPS	27.3	16.9	15.3	13.8
EV/EBITDA	22.7	14.7	12.5	11.1
EV/Sales	3.4	3.0	2.7	2.4
Dividend Yield (%)	0.3	0.4	0.5	0.5

Source: Company Data, PL Research

Quarterly Financials (Rs m)

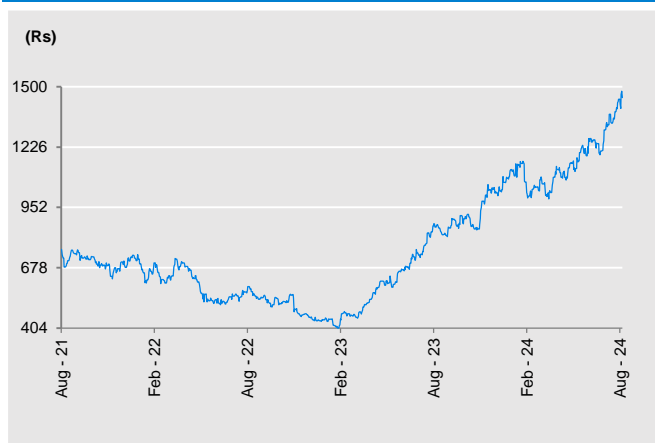
Y/e Mar	Q2FY24	Q3FY24	Q4FY24	Q1FY25
Net Revenue	72,194	73,518	75,802	75,670
YoY gr. (%)	25.8	14.7	17.1	10.5
Raw Material Expenses	32,367	31,506	30,609	30,727
Gross Profit	39,827	42,012	45,193	44,943
Margin (%)	55.2	57.1	59.6	59.4
EBITDA	14,034	16,013	16,871	16,196
YoY gr. (%)	67.7	67.8	68.3	40.7
Margin (%)	19.4	21.8	22.3	21.4
Depreciation / Depletion	4,175	4,233	3,543	4,042
EBIT	9,859	11,780	13,328	12,154
Margin (%)	13.7	16.0	17.6	16.1
Net Interest	682	756	894	1,110
Other Income	1,579	1,625	1,499	2,209
Profit before Tax	10,756	12,650	13,932	13,253
Margin (%)	14.9	17.2	18.4	17.5
Total Tax	3,237	3,225	3,226	4,057
Effective tax rate (%)	30.1	25.5	23.2	30.6
Profit after Tax	7,519	9,426	10,707	9,196
Minority interest	9	(26)	(127)	(14)
Share Profit from Associates	-	-	-	-
Adjusted PAT	7,528	9,400	11,516	9,182
YoY gr. (%)	82.4	91.0	122.5	61.2
Margin (%)	10.4	12.8	15.2	12.1
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	7,528	9,400	11,516	9,182
YoY gr. (%)	82.4	91.0	122.5	43.6
Margin (%)	10.4	12.8	15.2	12.1
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	7,528	9,400	11,516	9,182
Avg. Shares O/s (m)	-	-	-	-
EPS (Rs)	12.8	16.1	15.9	15.7

Source: Company Data, PL Research

Key Operating Metrics

Y/e Mar	FY23	FY24	FY25E	FY26E
US Formulations	1,16,538	1,42,090	1,47,667	1,57,837
EU & ROW	83,990	96,830	1,04,265	1,13,186
ARV formulations	9,540	8,680	9,545	10,309
APIs	38,480	42,410	45,922	49,727

Source: Company Data, PL Research

Price Chart
Recommendation History


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	08-Jul-24	Accumulate	1,300	1,304
2	28-May-24	Accumulate	1,300	1,196
3	08-Apr-24	Accumulate	1,120	1,124
4	13-Feb-24	Accumulate	1,120	1,026
5	08-Jan-24	Accumulate	1,065	1,124
6	11-Nov-23	Accumulate	1,065	980
7	07-Oct-23	Accumulate	900	901
8	14-Aug-23	Accumulate	900	871

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Apollo Hospitals Enterprise	BUY	7,050	6,335
2	Aster DM Healthcare	BUY	400	368
3	Aurobindo Pharma	Accumulate	1,300	1,304
4	Cipla	Accumulate	1,680	1,575
5	Divi's Laboratories	Accumulate	5,000	4,991
6	Dr. Reddy's Laboratories	Reduce	6,000	6,879
7	Eris Lifesciences	BUY	1,250	1,128
8	Fortis Healthcare	BUY	515	486
9	Glenmark Pharmaceuticals	Reduce	570	1,017
10	HealthCare Global Enterprises	BUY	420	377
11	Indoco Remedies	Accumulate	320	322
12	Ipca Laboratories	Reduce	1,150	1,193
13	J.B. Chemicals & Pharmaceuticals	BUY	2,100	1,930
14	Jupiter Life Line Hospitals	BUY	1,360	1,330
15	Krishna Institute of Medical Sciences	BUY	2,400	2,192
16	Lupin	BUY	2,300	1,994
17	Max Healthcare Institute	BUY	975	916
18	Narayana Hrudayalaya	BUY	1,350	1,218
19	Sun Pharmaceutical Industries	BUY	1,885	1,715
20	Sunteck Realty	BUY	600	471
21	Torrent Pharmaceuticals	Accumulate	3,300	3,162
22	Zydus Lifesciences	Accumulate	1,305	1,301

PL's Recommendation Nomenclature (Absolute Performance)

Buy	: > 15%
Accumulate	: 5% to 15%
Hold	: +5% to -5%
Reduce	: -5% to -15%
Sell	: < -15%
Not Rated (NR)	: No specific call on the stock
Under Review (UR)	: Rating likely to change shortly

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