

Q4FY24 Aurobindo Pharma Ltd



Aurobindo Pharma Ltd

Stable demand and pricing support strong growth

| | | | | | |
|-------------------|---------------------|--------------------------|-------------------------------------|-------------------------------------|---------------------------|
| CMP INR 1,219* | Target INR 1,295 | Potential Upside 6.2% | Market Cap (INR Mn) INR 7,11,593 | Recommendation ACCUMULATE | Sector Pharmaceuticals |
|-------------------|---------------------|--------------------------|-------------------------------------|-------------------------------------|---------------------------|

Result Highlights of Q4FY24:

- Aurobindo Pharma's revenue beat our estimate due to strong growth across geographies especially in the US and growth markets. The EBITDA beat our estimate due to lower than expected cost of goods sold and better product mix.
- Currently, the stock is trading at 19.2x/16.6x, based on FY25E/FY26E EPS respectively. We increase the target price to INR 1,295/share (previously: INR 1,090) and maintain our ACCUMULATE rating on the stock, implying an FY26E PE multiple of 17.6x.
- To mitigate risks associated with Eugia 3's OAI (Official Action Indicated) status, the Company is preparing its Vizag plant as a backup, having completed the audit and expecting product approval soon. Key areas to watch include the ramp-up of the Penicillin-G project in FY25E and the pipeline of 14 biosimilar products, poised to drive growth in the medium term.

MARKET DATA

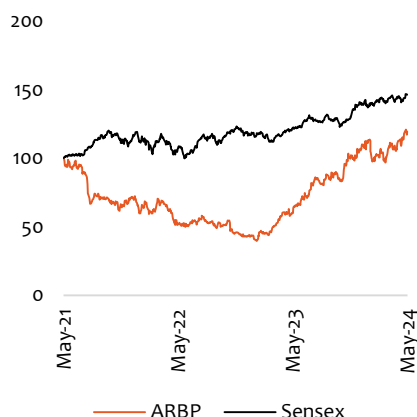
| | |
|---------------------|-----------|
| Shares outs (Mn) | 586 |
| Equity Cap (INR Mn) | 2,98,428 |
| Mkt Cap (INR Mn) | 7,11,593 |
| 52 Wk H/L (INR) | 1,246/585 |
| Volume Avg (3m K) | 1,730 |
| Face Value (INR) | 1 |
| Bloomberg Code | ARBP IS |

KEY FINANCIALS

| INR Millions | FY22 | FY23 | FY24 | FY25E | FY26E |
|--------------------|---------|---------|---------|---------|---------|
| Revenue | 234,555 | 248,554 | 290,019 | 314,490 | 342,154 |
| EBITDA | 43,868 | 37,186 | 58,430 | 67,035 | 74,932 |
| EBITDA margin (%) | 18.7% | 15.0% | 20.1% | 21.3% | 21.9% |
| Adj PAT | 27,761 | 19,275 | 33,648 | 37,315 | 43,117 |
| Adj PAT margin (%) | 11.8% | 7.8% | 11.6% | 11.9% | 12.6% |
| Adj EPS | 47.4 | 32.9 | 57.4 | 63.7 | 73.6 |
| P/E (x) | 25.8 | 37.1 | 21.3 | 19.2 | 16.6 |

Source: Company, KRChoksey Research

SHARE PRICE PERFORMANCE



MARKET INFO

| | |
|--------|--------|
| SENSEX | 74,502 |
| NIFTY | 22,704 |

Strong growth across geographies drive top-line

- For Q4FY24, Aurobindo Pharma's revenue increased by 17.1% YoY (+3.1% QoQ) to INR 75,802. For FY24, the revenue increased by 16.7% to INR 290,019 Mn.
- The quarterly revenue was driven by strong growth in the US of about 19.5% YoY (-3.1% QoQ) to INR 36,390 Mn which contributed 48.0% of total revenue. The growth was mainly driven by volume gains, stable demand and new product launches.
- Europe grew 10.4% YoY (+6.0% QoQ) to INR 18,320 Mn which contributed 24.2% of total revenue. The growth market experienced a YoY increase of 43.9% (+35.9% QoQ) to INR 8,520 Mn which contributed 11.2% of revenue.
- The API segment had a muted growth of 0.2% YoY (-0.3% QoQ) to INR 10,190 Mn which contributed 13.4% of revenue.
- In Q4FY24, the Company commercialized four manufacturing facilities, including those for Pen-G, 6-APA, and injectables. Operations at these plants are expected to ramp up in the upcoming quarters, contributing to revenue and profitability.

Favourable product mix and better utilization boost margins

- EBITDA increased 68.3% YoY (+5.4% QoQ) to INR 16,871 Mn. EBITDA margins expanded 677 bps YoY (+48 bps QoQ) to 22.3%. This expansion was driven by softening raw material prices, a favorable product and business mix, and improved operating efficiencies with better capacity utilization.
- Adj PAT increased 129.5% YoY (+11.6% QoQ) to INR 10,451 Mn. The Adj PAT margin expanded 675 bps YoY (+105 bps QoQ) to 13.8%. The reported PAT grew 79.5% YoY (-2.9% QoQ) to INR 9,088 Mn.
- The Company has given guidance on EBITDA margin of about 21.0% to 22.0% for FY25E.

SHARE HOLDING PATTERN (%)

| Particulars | Mar-24 | Dec-23 | Sep-23 |
|-------------|--------|--------|--------|
| Promoters | 51.8 | 51.8 | 51.8 |
| FIIIs | 18.0 | 20.7 | 22.5 |
| DIIIs | 23.3 | 20.6 | 18.3 |
| Others | 6.9 | 6.9 | 7.4 |
| Total | 100.0 | 100.0 | 100.0 |

*Based on Today's closing

8.6%

Revenue CAGR between FY24 and FY26E

13.2%

Adj. PAT CAGR between FY24 and FY26E

Aurobindo Pharma Ltd

Key Concall Highlights:

- In the US, the Company's **extensive product portfolio** effectively ensured both **product and price stability**.
- The **QoQ decline** in US sales was primarily attributed to **reduced sales from Eugia and seasonal factors**.
- In Q4FY24, the Company filed 11 ANDAs, received approval for 17 ANDAs, and **launched seven products**.
- Revenue from **injectables and specialty business in USA** increased **28.0% YoY** to USD 104 Mn.
- **Net capex** for Q4FY24 is **USD 70 Mn** which mainly includes approximately USD 33 Mn towards the **Pen-G project**. Additionally, net capex for FY24 stood at USD 422 Mn.
- In Q4FY24, the business had a net cash flow of USD 12 Mn before the Pen-G investments and investments in the new market. The gross debt was USD 758 Mn.
- For FY24, the **R&D expenditure** stood at INR 14,800 Mn which was **5.1% of revenue**.
- The **growth drivers** include backward integration to **strengthen the supply chain** for key raw materials, as evidenced by the **recent commercialization of the Pen-G and 6-APA facilities**.
- The **Vizag plant** serves as a **backup to mitigate risks from Eugia 3**. The audit at Vizag has been completed, and the Company is hopeful to **receive its first approval soon**.
- In the **biosimilar business**, the Company has obtained marketing authorization for **trastuzumab in India**, marking its first product authorization. The **product is planned for launch in H2FY25E**.

Valuation and view:

Aurobindo Pharma experienced robust revenue growth in Q4FY24, propelled by double-digit growth across various regions. Profitability margins expanded due to a favorable product mix and improved utilization. The Company's strong performance was due to increased sales driven by new product launches, expansion into emerging markets, volume increases, and stable pricing. To mitigate risks associated with Eugia 3's OAI (Official Action Indicated) status, the Company is preparing its Vizag plant as a backup, having completed the audit and expecting product approval soon. Key areas to watch include the ramp-up of the Penicillin-G project in FY25E and the pipeline of 14 biosimilar products, poised to drive growth in the medium term. **The stock has increased 22.3% since our last update. Currently, the stock is trading at 19.2x/16.6x, based on FY25E/FY26E EPS respectively. We expect the revenue to grow at 8.6% CAGR and Adj PAT to grow at 13.2% CAGR over FY24-FY26E. We increase the target price to INR 1,295/share (previously: INR 1,090) and maintain our ACCUMULATE rating on the stock, implying an FY26E PE multiple of 17.6x.**

Revenue segments

| Segments Result (INR Mn) | Q4FY23 | Q1FY24 | Q2FY24 | Q3FY24 | Q4FY24 |
|--------------------------------|---------------|---------------|---------------|---------------|---------------|
| Formulation | 54,560 | 58,170 | 60,530 | 62,900 | 65,610 |
| USA | 30,450 | 33,040 | 34,700 | 37,560 | 36,390 |
| Europe | 16,600 | 18,370 | 17,690 | 17,280 | 18,320 |
| Growth Markets | 5,920 | 4,750 | 5,640 | 6,270 | 8,520 |
| Anti-retrovirals | 1,590 | 2,010 | 2,500 | 1,790 | 2,380 |
| API | 10,180 | 10,330 | 11,660 | 10,220 | 10,190 |
| Betalactum | 6,380 | 7,190 | 8,160 | 7,370 | 6,980 |
| Non-Betalactum | 3,800 | 3,140 | 3,500 | 2,850 | 3,210 |
| Revenue from Operations | 64,740 | 68,500 | 72,190 | 73,120 | 75,800 |

| Segments Result (% YoY) | Q4FY23 | Q1FY24 | Q2FY24 | Q3FY24 | Q4FY24 |
|--------------------------------|--------------|--------------|--------------|--------------|--------------|
| Formulation | 11.4% | 9.1% | 26.9% | 15.4% | 20.3% |
| USA | 11.6% | 11.2% | 31.6% | 25.1% | 19.5% |
| Europe | 7.7% | 18.7% | 16.7% | 1.6% | 10.4% |
| Growth Markets | 51.3% | 10.3% | 24.8% | 25.7% | 43.9% |
| Anti-retrovirals | -32.6% | -47.0% | 52.2% | -28.7% | 49.7% |
| API | 11.5% | 14.0% | 20.3% | 7.1% | 0.1% |
| Betalactum | 7.4% | 30.4% | 28.3% | 18.3% | 9.4% |
| Non-Betalactum | 19.2% | -11.6% | 4.9% | -14.0% | -15.5% |
| Revenue from Operations | 11.4% | 9.8% | 25.8% | 14.1% | 17.1% |

| Revenue Mix (%) | Q4FY23 | Q1FY24 | Q2FY24 | Q3FY24 | Q4FY24 |
|--------------------------------|---------------|---------------|---------------|---------------|---------------|
| Formulation | 84.3% | 84.9% | 83.8% | 86.0% | 86.6% |
| USA | 47.0% | 48.2% | 48.1% | 51.4% | 48.0% |
| Europe | 25.6% | 26.8% | 24.5% | 23.6% | 24.2% |
| Growth Markets | 9.1% | 6.9% | 7.8% | 8.6% | 11.2% |
| Anti-retrovirals | 2.5% | 2.9% | 3.5% | 2.4% | 3.1% |
| API | 15.7% | 15.1% | 16.2% | 14.0% | 13.4% |
| Betalactum | 9.9% | 10.5% | 11.3% | 10.1% | 9.2% |
| Non-Betalactum | 5.9% | 4.6% | 4.8% | 3.9% | 4.2% |
| Revenue from Operations | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% |

Source: Company, KRChoksey Research

Aurobindo Pharma Ltd

KEY FINANCIALS

Exhibit 1: Profit & Loss Statement

| INR Millions | FY 22 | FY 23 | FY 24 | FY 25E | FY 26E |
|-----------------------------|---------|---------|---------|---------|---------|
| Revenues | 234,555 | 248,554 | 290,019 | 314,490 | 342,154 |
| COGS | 101,403 | 112,933 | 126,029 | 131,142 | 140,625 |
| Gross profit | 133,152 | 135,621 | 163,990 | 183,348 | 201,529 |
| Employee cost | 73,718 | 96,525 | 107,761 | 113,845 | 122,833 |
| Other expenses | 54,775 | 63,212 | 66,330 | 73,857 | 80,406 |
| EBITDA | 43,868 | 37,186 | 58,430 | 67,035 | 74,932 |
| EBITDA Margin | 18.7% | 15.0% | 20.1% | 21.3% | 21.9% |
| Depreciation & amortization | 11,265 | 12,446 | 15,217 | 17,297 | 18,818 |
| EBIT | 32,603 | 24,741 | 43,213 | 49,738 | 56,113 |
| Interest expense | 486 | 1,405 | 2,897 | 3,184 | 2,859 |
| Other income | 3,204 | 2,906 | 5,574 | 4,088 | 4,448 |
| PBT | 34,040 | 26,242 | 43,971 | 50,642 | 57,703 |
| Tax | 7,256 | 6,849 | 12,110 | 13,167 | 14,426 |
| Minority interest | -10 | 2 | -40 | 60 | 60 |
| PAT | 26,482 | 19,275 | 31,729 | 37,315 | 43,117 |
| Adj. PAT | 27,761 | 19,275 | 33,648 | 37,315 | 43,117 |
| EPS (INR) | 45.2 | 32.9 | 54.2 | 63.7 | 73.6 |
| Adj. EPS | 47.4 | 32.9 | 57.4 | 63.7 | 73.6 |

Source: Company, KRChoksey Research

Exhibit 2: Cash Flow Statement

| INR Millions | FY 22 | FY 23 | FY 24 | FY 25E | FY 26E |
|---|----------|----------|----------|----------|----------|
| Net Cash Generated From Operations | 50,165 | 23,868 | 24,345 | 54,381 | 54,283 |
| Net Cash Flow from/(used in) Investing Activities | (32,116) | (39,778) | (42,560) | (25,299) | (26,993) |
| Net Cash Flow from Financing Activities | (29,693) | 18,144 | 8,004 | (3,606) | (1,895) |
| Net Inc/Dec in cash equivalents | (11,644) | 2,234 | (10,210) | 25,476 | 25,395 |
| Opening Balance | 53,299 | 41,625 | 43,923 | 33,854 | 59,331 |
| Adjustments | (31) | 104 | 222 | 0 | 0 |
| Closing Balance Cash and Cash Equivalents | 41,625 | 43,963 | 33,935 | 59,331 | 84,725 |

Source: Company, KRChoksey Research

Exhibit 3: Key Ratios

| Key Ratio | FY 22 | FY 23 | FY 24 | FY 25E | FY 26E |
|-----------------------|-------|-------|-------|--------|--------|
| EBITDA Margin (%) | 18.7% | 15.0% | 20.1% | 21.3% | 21.9% |
| Tax rate (%) | 21.3% | 26.1% | 27.5% | 26.0% | 25.0% |
| Net Profit Margin (%) | 11.8% | 7.8% | 11.6% | 11.9% | 12.6% |
| RoE (%) | 11.3% | 7.2% | 11.3% | 11.3% | 11.7% |
| RoCE (%) | 13.3% | 8.7% | 13.5% | 13.5% | 13.7% |
| EPS (INR) | 45.2 | 32.9 | 54.2 | 63.7 | 73.6 |

Source: Company, KRChoksey Research

Aurobindo Pharma Ltd

Exhibit 4: Balance Sheet

| INR Millions | FY 22 | FY 23 | FY 24 | FY 25E | FY 26E |
|--|----------------|----------------|----------------|----------------|----------------|
| Non-current assets | | | | | |
| Property, plant and equipment | 72,204 | 75,434 | 112,608 | 119,963 | 127,964 |
| Capital work-in-progress | 29,376 | 44,964 | 27,394 | 27,394 | 27,394 |
| Goodwill (Net) | 4,754 | 5,961 | 5,952 | 5,952 | 5,952 |
| Other intangible assets | 23,282 | 28,843 | 26,368 | 24,324 | 22,100 |
| Intangible assets under development | 8,096 | 8,936 | 11,293 | 11,293 | 11,293 |
| Financial assets | | | | | |
| Investments | 5,390 | 3,017 | 2,269 | 7,862 | 8,554 |
| Loans | 63 | 56 | 58 | 70 | 77 |
| Other financial assets | 1,289 | 1,504 | 3,510 | 1,903 | 2,070 |
| Deferred tax assets (Net) | 2,886 | 6,775 | 12,126 | 11,007 | 11,975 |
| Non-current tax assets (Net) | 3,190 | 2,885 | 3,833 | 3,651 | 3,972 |
| Other non-current assets | 7,460 | 5,069 | 3,247 | 3,247 | 3,247 |
| Total non-current assets | 157,990 | 183,443 | 208,659 | 216,666 | 224,597 |
| Current assets | | | | | |
| Inventories | 75,539 | 85,112 | 98,082 | 101,282 | 110,191 |
| Financial assets | | | | | |
| Trade receivables | 40,123 | 44,664 | 48,167 | 53,796 | 58,528 |
| Cash and cash equivalents | 41,625 | 43,963 | 33,935 | 59,331 | 84,725 |
| Bank balances other than (iii) above | 275 | 16,879 | 28,848 | 28,848 | 28,848 |
| Loans | 127 | 124 | 129 | 129 | 129 |
| Other financial assets | 16,341 | 2,904 | 2,631 | 15,138 | 16,469 |
| Other current assets | 3,409 | 20,301 | 29,758 | 22,385 | 24,354 |
| Total current assets | 181,227 | 215,457 | 242,056 | 281,413 | 323,750 |
| TOTAL ASSETS | 339,217 | 398,900 | 450,715 | 498,079 | 548,348 |
| EQUITY AND LIABILITIES | | | | | |
| Equity | | | | | |
| Equity share capital | 586 | 586 | 586 | 586 | 586 |
| Other equity | 245,174 | 267,813 | 297,842 | 330,680 | 368,622 |
| Equity attributable to the equity shareholders | 245,760 | 268,399 | 298,428 | 331,266 | 369,208 |
| Non-controlling interests | -19 | 120 | 80 | 140 | 200 |
| Total equity | 245,741 | 268,519 | 298,508 | 331,406 | 369,408 |
| Liabilities | | | | | |
| Non-current liabilities | | | | | |
| Financial liabilities | | | | | |
| Borrowings | 2,492 | 6,190 | 21,349 | 15,000 | 15,000 |
| Lease obligations | 3,186 | 3,215 | 2,525 | 2,525 | 2,525 |
| Provisions | 1,718 | 1,727 | 2,257 | 2,596 | 2,985 |
| Deferred tax liabilities (Net) | 4,110 | 3,896 | 3,566 | 4,100 | 4,716 |
| Other non-current liabilities | 411 | 415 | 519 | 519 | 519 |
| Total non-current liabilities | 11,917 | 15,444 | 30,216 | 24,740 | 25,744 |
| Current liabilities | | | | | |
| Financial liabilities | | | | | |
| Borrowings | 21,236 | 42,426 | 41,803 | 51,335 | 56,468 |
| Lease obligations | 1,599 | 1,032 | 799 | 799 | 799 |
| Trade payables | 27,031 | 38,713 | 44,542 | 46,708 | 50,086 |
| Other financial liabilities | 17,747 | 17,214 | 21,016 | 22,951 | 24,611 |
| Other current liabilities | 11,662 | 11,433 | 8,774 | 15,083 | 16,173 |
| Provisions | 1,706 | 2,005 | 2,568 | 2,568 | 2,568 |
| Current tax liabilities (Net) | 580 | 2,116 | 2,490 | 2,490 | 2,490 |
| Total current liabilities | 81,560 | 114,938 | 121,991 | 141,934 | 153,195 |
| Total liabilities | 93,477 | 130,381 | 152,207 | 166,674 | 178,940 |
| TOTAL EQUITY AND LIABILITIES | 339,217 | 398,900 | 450,715 | 498,079 | 548,348 |

Source: Company, KRChoksey Research

Aurobindo Pharma Ltd

| Aurobindo Pharma Ltd. | | | |
|-----------------------|-----------|----------|----------------|
| Date | CMP (INR) | TP (INR) | Recommendation |
| 29-May-24 | 1,219 | 1,295 | ACCUMULATE |
| 15-Feb-24 | 998 | 1,090 | ACCUMULATE |
| 21-Nov-23 | 1030 | 1,090 | ACCUMULATE |
| 24-Aug-23 | 836 | 907 | ACCUMULATE |
| 31-May-23 | 657 | 665 | Hold |
| 18-Aug-22 | 580 | 626 | ACCUMULATE |
| 02-Jun-22 | 533 | 605 | ACCUMULATE |

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|---|----------------|
| Our Rating | Upside |
| Buy | More than 15% |
| Accumulate | 5% – 15% |
| Hold | 0 – 5% |
| Reduce | -5% – 0 |
| Sell | Less than – 5% |