

# Aurobindo Pharma Ltd

## Q2FY25



## Aurobindo Pharma Ltd.

Supply chain issues will be stabilized; New launches to drive growth

CMP*	Target	Potential Upside	Market Cap (INR Mn)	Recommendation	Sector
INR 1,267	INR 1,591	25.6%	INR 734,743	BUY	Pharmaceuticals

### Result Highlights of Q2FY25:

- Aurobindo Pharma's revenue was in-line with our estimates. However, EBITDA and Adj. PAT missed our estimates due to higher -than-expected other expenses, lower-than-expected other income and higher-than-expected finance cost.
- We expect revenue to grow at 8.7% CAGR and Adj. PAT to grow at 17.7% CAGR for FY24-FY26E, respectively. We maintain FY26E EPS estimates at INR 79.6 and PE multiple of 20.0x (unchanged) showing our optimism that company is addressing supply chain issues in injectables, and expects stabilization in the coming quarters, new product launches in the US and Europe, is expected to support long-term growth.
- Additionally, the company is working on improving its API business through backward integration, aiming to reduce dependency on external suppliers and enhance margins over time. Therefore, we arrive at a target price INR 1,591 (unchanged). We revise our rating to "BUY" from "ACCUMULATE" based on the stock price correction.

### MARKET DATA

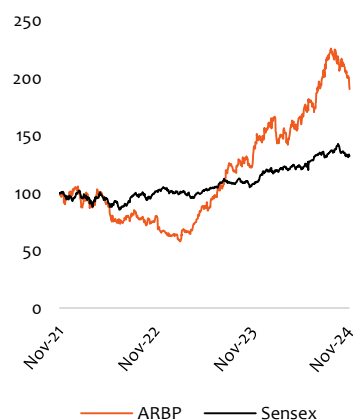
Shares outs (Mn)	581
Mkt Cap (INR Mn)	734,743
52 Wk H/L (INR)	1,592/903
Volume Avg (3m K)	1,190
Face Value (INR)	1
Bloomberg Code	ARBP IS Equity

### KEY FINANCIALS

INR Millions	FY23	FY24	FY25E	FY26E	FY27E
Revenue	248,554	290,019	311,407	342,583	377,071
EBITDA	37,186	58,430	63,601	75,328	82,911
Adj PAT	19,275	33,648	34,011	46,612	52,816
Adj. EPS (INR)	32.9	57.4	58.0	79.6	90.1
EBITDA Margin (%)	15.0%	20.1%	20.4%	22.0%	22.0%
NPM (%)	7.8%	11.6%	10.9%	13.6%	14.0%

Source: Company, DevenChoksey Research

### SHARE PRICE PERFORMANCE



### MARKET INFO

SENSEX	78,675
NIFTY	23,883

### Volume growth and new product launches drive top-line

- For Q2FY25, the revenue increased 8.0% YoY (3.0% QoQ) to INR 77,961 Mn. This was due to strong double-digit growth in Europe (+19.0% YoY), Growth market (+44.0% YoY) which was partially offset by subdued growth in US and API segment.
- Europe (27.0% of revenue) grew by 19.0% YoY (+6.2% QoQ) to INR 21,050 Mn fuelled by launching new products and increasing sales volume for existing products. Additionally, the company effectively managed inventory and ensured timely product releases.
- Growth market (10.4% of revenue) grew by 44.0% YoY (+14.5% QoQ) to INR 8,120 Mn as the company entered new geographies within growth markets, widening its reach and expanding the product portfolio to meet varied market demands.
- US (45.3% of revenue) grew by 1.7% YoY (-0.7% QoQ) to INR 35,300 Mn the YoY subdued growth was led by decline in the injectable and specialty segment mainly due to supply chain disruptions. API (14.8% of revenue) declined by 0.9% YoY (+5.9% QoQ) to INR 11,560 Mn.

### Profitability margins enhanced by stable raw material costs and a better product mix.

- Gross margins expanded 366 bps YoY (-57 bps QoQ) to 58.8% due to stable raw material costs and improved product mix.
- EBITDA increased 11.6% YoY (-3.3% QoQ) to INR 15,661 Mn. EBITDA margin expanded 65 bps YoY (-131 bps QoQ) to 20.1% which was primarily driven by gross margins.
- However, higher R&D expenses, increase in freight costs and rise in employee expenses attributed to currency fluctuations in European markets impacted the overall profitability.

### SHARE HOLDING PATTERN (%)

Particulars	Sept-24	Jun-24	Mar-24
Promoters	51.8	51.8	51.8
FIIIs	16.6	16.7	18.0
DIIIs	25.1	24.8	23.3
Others	6.5	6.7	6.9
Total	100	100	100

\*Based on the previous closing

Note: All the market data is as of previous closing

8.7%

Revenue CAGR between FY24 and FY26E

17.7%

Adj. PAT CAGR between FY24 and FY26E

## Aurobindo Pharma Ltd.

### Key Concall Highlights:

- The company aims to achieve internally targeted **EBITDA margins of 21.0% to 22.0% for FY25E**.
- The company is currently conducting **Phase 3 clinical trials** for four of its **biosimilar products**. The products in Phase 3 clinical trials include **denosumab** (a biosimilar to Prolia), **omalizumab** (a biosimilar to Xolair), an **oncology** product (a biosimilar to Avastin), and an **ophthalmic** product.
- The company **filed 10 ANDAs** and received **final approval of 8 ANDAs** during Q2FY25.
- The company has received approval for a first-in-class **linaclotide peptide**, used in **irritable bowel syndrome**, for the domestic market.
- The company expects the **supply chain to stabilize in CY26E**, with key products such as **denosumab and omalizumab coming into the market during that time**.
- The company has introduced **newer launches in the US business**, which has **contributed to volume growth**.
- The company is developing a **robust product pipeline** through **focused investments in R&D**, which will fuel long-term and sustainable growth.
- The company is actively **addressing supply chain challenges**, particularly in the **injectable and specialty segments**. With **production** expected to **stabilize**, especially for **injectables from its Eugia-III facility**, the business aims to recover its **growth trajectory by Q4FY25E**.
- The company **anticipates sustained growth in Europe**, aiming to achieve close to **EUR 900 Mn for FY25E**. Growth is expected to be supported by **new product launches and expanding sales in existing markets**.
- Although the **API business** has experienced **pricing pressure**, Aurobindo Pharma expects **stable demand and volume gains to offset price erosion**.
- The company is emphasizing **backward integration**, particularly in products like **Penicillin-G** and other essential APIs. These initiatives are intended to reduce **dependency on external suppliers, improve cost efficiency, and enhance margins over time**.
- The company expects to achieve **breakeven in the Penicillin-G product facility by Q4FY25E** and start **contributing positively from FY26E onwards**.

### Valuation and view:

For Q2FY25, the company high single digit revenue growth, driven by significant performance in Europe and Growth markets, although the US and API segments saw subdued growth. The European market benefitted from new product launches and increased sales volumes, while the Growth markets saw a sharp rise due to expansion into new geographies and an enriched product portfolio. However, growth in the US was constrained by supply chain disruptions, particularly in the injectable and specialty segments.

We expect revenue to grow at 8.7% CAGR and Adj. PAT to grow at 17.7% CAGR for FY24-FY26E, respectively. Currently, the stock is trading at a PE multiple of 21.8x/15.9x based on FY25E/FY26E EPS, respectively. We maintain FY26E EPS estimates at INR 79.6 and PE multiple of 20.0x (unchanged) showing our optimism that company is addressing supply chain issues in injectables, and expects stabilization in the coming quarters, new product launches in the US and Europe, is expected to support long-term growth. Additionally, the company is working on improving its API business through backward integration, aiming to reduce dependency on external suppliers and enhance margins over time. Therefore, we arrive at a target price INR 1,591 (unchanged). The stock price has corrected by 15.9% since our last update, therefore we revise our rating to “BUY” from “ACCUMULATE” which will have an upside potential of 25.6%.

### Revenue segments

Segments Result (INR Mn)	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25
<b>Formulation</b>	<b>60,530</b>	<b>62,900</b>	<b>65,610</b>	<b>64,750</b>	<b>66,400</b>
USA	34,700	37,560	36,390	35,550	35,300
Europe	17,690	17,280	18,320	19,820	21,050
Growth Markets	5,640	6,270	8,520	7,090	8,120
Anti-retrovirals	2,500	1,790	2,380	2,290	1,930
<b>API</b>	<b>11,660</b>	<b>10,220</b>	<b>10,190</b>	<b>10,920</b>	<b>11,560</b>
Betalactum	8,160	7,370	6,980	7,910	8,370
Non-Betalactum	3,500	2,850	3,210	3,010	3,190
<b>Total Revenue</b>	<b>72,190</b>	<b>73,120</b>	<b>75,800</b>	<b>75,670</b>	<b>77,960</b>

Segments Result (% YoY)	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25
<b>Formulation</b>	<b>26.9%</b>	<b>15.4%</b>	<b>20.3%</b>	<b>11.3%</b>	<b>9.7%</b>
USA	31.6%	25.1%	19.5%	7.6%	1.7%
Europe	16.7%	1.6%	10.4%	7.9%	19.0%
Growth Markets	24.8%	25.7%	43.9%	49.3%	44.0%
Anti-retrovirals	52.2%	-28.7%	49.7%	13.9%	-22.8%
<b>API</b>	<b>20.3%</b>	<b>7.1%</b>	<b>0.1%</b>	<b>5.7%</b>	<b>-0.9%</b>
Betalactum	28.3%	18.3%	9.4%	10.0%	2.6%
Non-Betalactum	4.9%	-14.0%	-15.5%	-4.1%	-8.9%
<b>Total Revenue</b>	<b>25.8%</b>	<b>14.1%</b>	<b>17.1%</b>	<b>10.5%</b>	<b>8.0%</b>

Source: Company, DevenChoksey Research

## Aurobindo Pharma Ltd.

### Result Snapshot

Particulars (Mn)	Q2FY25	Q1FY25	Q2FY24	QoQ	YoY
Revenue from Operations	77,961	75,670	72,194	3.0%	8.0%
Total Expenditure	62,299	59,475	58,162	4.7%	7.1%
Cost of Raw Materials	27,419	24,667	27,089	11.2%	1.2%
Purchase of Stock	7,470	6,800	6,311	9.9%	18.4%
Changes in Inventories	-2,786	-740	-1,032	NA	NA
Employee Cost	11,095	10,720	9,550	3.5%	16.2%
Other Expenses	19,102	18,028	16,245	6.0%	17.6%
EBITDA	15,661	16,196	14,032	-3.3%	11.6%
EBITDA Margin (%)	20.1%	21.4%	19.4%	-131 bps	65 bps
Depreciation	3,823	4,042	4,175	-5.4%	-8.4%
EBIT	11,839	12,154	9,857	-2.6%	20.1%
Other Income	1,360	2,209	1,870	-38.4%	-27.3%
Interest Expense	1,127	1,110	682	1.5%	65.3%
Exceptional items	0	0	0	NA	NA
Share of Associates/ minority interest	3	-14	9	NA	NA
Foreign exchange gain (net)	0	0	298	NA	NA
PBT	12,075	13,239	10,756	-8.8%	12.3%
Tax	3,905	4,057	3,237	-3.7%	20.6%
Minority Interest	-4	-10	-52	NA	NA
PAT	8,174	9,192	7,572	-11.1%	8.0%
PAT Margin	10.5%	12.1%	10.5%	-166 bps	0 bps
Adj PAT	8,174	9,192	7,870	-11.1%	3.9%
Adj PAT Margin	10.5%	12.1%	10.9%	-166 bps	-42 bps
EPS	14.0	15.7	12.8	-11.1%	8.0%
Adj EPS	14.0	15.7	13.4	-11.1%	3.9%

Source: Company, DevenChoksey Research



## Aurobindo Pharma Ltd.

### Exhibit 1: Profit & Loss Statement

INR Mn	FY23	FY24	FY25E	FY26E	FY27E
Revenues	248,554	290,019	311,407	342,583	377,071
COGS	112,933	126,029	127,799	137,067	150,866
Gross profit	135,621	163,990	183,608	205,516	226,205
Employee cost	96,525	107,761	107,574	119,253	131,258
Other expenses	63,212	66,330	75,739	83,939	92,389
EBITDA	37,186	58,430	63,601	75,328	82,911
Depreciation	12,446	15,217	15,963	16,291	16,474
EBIT	24,741	43,213	47,638	59,037	66,437
Finance Costs	1,405	2,897	3,969	2,840	2,590
Other Income	2,906	5,574	6,322	6,166	6,787
PBT	26,242	43,971	49,991	62,363	70,634
Tax	6,849	12,110	15,941	15,591	17,659
PAT	19,275	31,729	34,011	46,612	52,816
EPS (INR)	32.9	54.2	58.0	79.6	90.1
Adj. PAT	19,275	33,648	34,011	46,612	52,816
Adj. EPS (INR)	32.9	57.4	58.0	79.6	90.1

### Exhibit 3: Cash Flow Statement

INR Mn	FY23	FY24	FY25E	FY26E	FY27E
CFFO	23,868	24,345	33,868	50,102	56,766
CFFI	(39,778)	(42,560)	(22,045)	(22,912)	(23,206)
CFFF	18,144	8,004	(6,957)	(10,565)	(10,661)
Net Inc/Dec in cash	2,234	(10,210)	4,866	16,625	22,900
Opening Cash	41,625	43,923	33,854	38,720	55,345
Adjustment	104	222	0	0	0
Closing Cash	43,963	33,935	38,720	55,345	78,245

### Exhibit 4: Key Ratio

INR Mn	FY23	FY24	FY25E	FY26E	FY27E
EBITDA Margin (%)	15.0%	20.1%	20.4%	22.0%	22.0%
Tax rate (%)	26.1%	27.5%	31.9%	25.0%	25.0%
Net Profit Margin (%)	7.8%	11.6%	10.9%	13.6%	14.0%
RoE (%)	7.2%	11.3%	10.3%	12.5%	24.3%
RoCE (%)	8.7%	13.5%	13.8%	15.2%	22.6%
EPS (INR)	32.9	54.2	58.0	79.6	90.1
PE (x)	38.5	22.1	21.8	15.9	14.1

### Exhibit 2: Balance Sheet

INR Mn	FY23	FY24	FY25E	FY26E	FY27E
Equity					
Equity Capital	586	586	586	586	586
Other Equity	267,933	297,922	329,173	372,116	420,706
Total Equity	268,519	298,508	329,759	372,702	421,292
Non-Current Liabilities					
Borrowings	6,190	21,349	20,000	15,000	10,000
Deferred tax liabilities (Net)	3,896	3,566	4,100	4,716	5,423
Other Non-Current Liabilities	5,358	5,301	5,639	6,028	6,476
Total Non-Current Liabilities	15,444	30,216	29,740	25,744	21,899
Current Liabilities					
Borrowings	42,426	41,803	41,803	41,803	41,803
Trade Paybles	38,713	44,542	42,016	45,063	49,600
Other current liabilities	33,799	35,647	38,447	40,810	44,329
Total Current Liabilities	114,938	121,991	122,266	127,677	135,732
Total Liabilities	130,381	152,207	152,006	153,421	157,631
Non-Current Assets					
Property Plants and Equipments	75,434	112,608	120,064	126,961	133,341
Capital work-in-progress	44,964	27,394	27,394	27,394	27,394
Other Non-current assets	63,046	68,657	67,076	67,987	69,467
Total Non-Current Assets	183,443	208,659	214,534	222,342	230,201
Current Assets					
Inventories	85,112	98,082	110,912	122,016	134,299
Trade Receivables	44,664	48,167	59,722	65,701	72,315
Cash and Bank	60,842	62,783	67,568	84,193	107,093
Oher current assets	24,839	33,024	29,028	31,870	35,015
Total Current Assets	215,457	242,056	267,230	303,780	348,722
Total Assets	398,900	450,715	481,764	526,123	578,923

Source: Company, DevenChoksey Research

## Aurobindo Pharma Ltd.

### Aurobindo Pharma Ltd.

Date	CMP (INR)	TP (INR)	Recommendation
13-Nov-24	1,267	1,591	BUY
14-Aug-24	1,506	1,591	ACCUMULATE
29-May-24	1,221	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

### Rating Legend (Expected over a 12-month period)

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

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