

February 10, 2025

Q3FY25 Result Update

☑ Change in Estimates | ☑ Target | ☑ Reco

Change in Estimates

	Current		Previous	
	FY26E	FY27E	FY26E	FY27E
Rating	BUY		ACCUMULATE	
Target Price	1,510		1,475	
Sales (Rs. m)	3,50,340	3,81,509	3,47,054	3,74,405
% Chng.	0.9	1.9		
EBITDA (Rs. m)	74,819	82,218	74,881	81,632
% Chng.	(0.1)	0.7		
EPS (Rs.)	75.1	84.6	74.7	83.6
% Chng.	0.5	1.3		

Key Financials - Consolidated

Y/e Mar	FY24	FY25E	FY26E	FY27E
Sales (Rs. m)	2,89,719	3,14,521	3,50,340	3,81,509
EBITDA (Rs. m)	58,131	65,381	74,819	82,218
Margin (%)	20.1	20.8	21.4	21.6
PAT (Rs. m)	35,227	35,611	43,612	49,154
EPS (Rs.)	60.1	61.3	75.1	84.6
Gr. (%)	86.6	2.0	22.5	12.7
DPS (Rs.)	6.0	3.0	7.1	7.1
Yield (%)	0.5	0.3	0.6	0.6
RoE (%)	12.4	11.5	12.7	12.8
RoCE (%)	12.6	13.3	14.5	14.7
EV/Sales (x)	2.4	2.2	2.0	1.8
EV/EBITDA (x)	12.0	10.7	9.2	8.1
PE (x)	19.8	19.4	15.9	14.1
P/BV (x)	2.3	2.1	1.9	1.7

Key Data ARBN.BO | ARBP IN

52-W High / Low	Rs.1,593 / Rs.959
Sensex / Nifty	77,860 / 23,560
Market Cap	Rs.692bn / \$ 7,917m
Shares Outstanding	581m
3M Avg. Daily Value	Rs.1373.15m

Shareholding Pattern (%)

Promoter's	51.82
Foreign	16.29
Domestic Institution	25.21
Public & Others	6.68
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	(8.2)	(18.7)	19.9
Relative	(7.8)	(17.0)	11.1

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Margins to improve

Quick Pointers:

- Operational cost towards Pen G stood at Rs 600Mn in Q3 vs Rs800mn in Q2.
- Sees a stable injectable base of \$85-90M in the U.S. and \$45M in the EU

Aurobindo Pharma's (ARBP) Q3FY25 EBITDA of Rs16.3bn (up 2% YoY) with OPM of 20.4%, largely in line with our estimate. Given attractive valuations (8x EV/EBITDA and 14x P/E on FY27E) and earning triggers, we upgrade stock from "Accumulate" to "Buy" with revised TP of Rs1,510/share (Rs1475 earlier). Our FY26/27E EPS estimates broadly remains unchanged.

Other expenses remained elevated on the back of higher PenG-related operational cost and supply disruptions due to ongoing remediation. However, mgmt. stated remediation related cost has been completed. We expect margins to improve with ramp up in PenG facility, Vizag pant commercialization and launches in US. 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 FY26.

- Higher revenues aided by RoW and EU markets:** Overall Revenue came in at Rs79.8bn, up 9% YoY, 4% beat to our estimate. US revenues ex Puerto Rico increased 4% QoQ. In CC terms US revenues were up by 3% QoQ at \$435mn, we est \$430mn. Revenues from US injectable sales including specialty were to tune of \$76mn vs \$81mn in Q2FY25. EU sales were up 23% YoY while RoW business grew 39% YoY. ARV formulations came in higher (up 71% YoY). API sales were down by 2% YoY.
- In line with EBITDA, other expenses stay elevated:** Gross margins came in lower at 58.4% (down 40bps QoQ; up 130 bps YoY). R&D spent stood at Rs 4.5bn (5.6% of revenue), up 13% YoY. Other expenses ex R&D came in higher, up 20% YoY and flat QoQ. Resultant EBITDA margins came in at 20.4% up 30bps QoQ. EBITDA came at Rs16.3bn (up 2% YoY), in line with our estimates. Forex loss during the quarter stood at Rs 498mn. Resultant PAT at Rs8.5bn. Adj for forex PAT was in line.
- Key concall takeaways: US:** Revenue from oral generics rose 4% YoY to \$297M, driven by volume gains and new launches. The QoQ decline in US Injectable & Specialty revenue due to likely lower gRevlimid sales and holiday-related disruptions. Management sees a stable injectable base of \$85-90M in the U.S. and \$45M in the EU. Overall price erosion was neutral. The company filed 4 ANDAs, launched 7 products, and received final approval for 8 ANDAs. **Eugia:** The supply-related issues impacted performance over the last 2 quarters, with a quarterly impact of ~\$10M. Despite this, Eugia has been growing at 20% in Europe. Utilization stands at 50%, with expectations to reach 70-75%. Management plans to scale up production, primarily from Eugia, and has completed all remediation costs. **Europe:** Targets 6-7 product launches in the EU and semi-regulated markets by FY26. Filgrastim marketing

approvals are expected in two months for the EU. It already has a Bevacizumab biosimilar approval in the UK, with commercial supplies to the EU set for July. The clinical study for the bDenosumab biosimilar is on track for completion by May 2025, with EU filing in October and US filing in Q4 FY26. The China plant, with a 2bn unit OSD capacity, was commercialized in November and is ramping up well. It is expected to contribute in FY26, with production scaling up from April, primarily for EU markets. **Trastuzumab:** Secured MHRA approval and is engaging with regulators in emerging markets. Recruitment is expected to complete by 1HY26, with filing planned for Q1/Q2 FY27E. A domestic marketing and sales team is being set up, likely to be in place by year-end. **Vizag plant:** GLP pipeline, including Liraglutide, Semaglutide, and Deraglutide, is covered by the Vizag plant. Capacity is spread across 3 phases, with revenues expected from FY26 and a ramp-up from FY27. **Peptides:** GLP-1 launch in India is expected post-study, with an announcement in 2-3 quarters. Focus remains on oncology and diabetes. **R&D:** 30% to 35% of the R&D spend is towards biosimilars. **Margin:** PenG operational costs stood at Rs 600mn. The company remains on track to achieve an EBITDA margin of 21-22% for FY25. Average finance cost was 5.6%, while net debt declined QoQ from \$133mn to \$84M in Q3FY25.

Exhibit 1: 3QFY25 Result Overview (Rs m): Strong revenues, Other expenses remain high

Y/e March	3QFY25	3QFY24	YoY gr. (%)	2QFY25	QoQ gr. (%)	9MFY25	9MFY24	YoY gr. (%)
Net Sales	79,785	73,518	8.5	77,960	2.3	2,33,415	2,14,217	9.0
Raw Material	33,154	31,506	5.2	32,103	3.3	95,984	95,420	0.6
<i>% of Net Sales</i>	<i>41.6</i>	<i>42.9</i>		<i>41.2</i>		<i>41.1</i>	<i>44.5</i>	
Personnel Cost	11,316	9,897	14.3	11,095	2.0	33,130	28,966	14.4
<i>% of Net Sales</i>	<i>14.2</i>	<i>13.5</i>		<i>14.2</i>		<i>14.2</i>	<i>13.5</i>	
Others	19,038	16,102	18.2	19,102	(0.3)	56,168	48,280	16.3
<i>% of Net Sales</i>	<i>23.9</i>	<i>21.9</i>		<i>24.5</i>		<i>24.1</i>	<i>22.5</i>	
Total Expenditure	63,507	57,505	10.4	62,299	1.9	1,85,281	1,72,666	7.3
EBITDA	16,278	16,013	1.7	15,661	3.9	48,135	41,552	15.8
<i>Margin (%)</i>	<i>20.4</i>	<i>21.8</i>		<i>20.1</i>		<i>20.6</i>	<i>19.4</i>	
Depreciation	4,185	4,233	(1.1)	3,823	9.5	12,050	11,673	3.2
EBIT	12,093	11,780	2.7	11,838	2.2	36,085	29,878	20.8
Other Income	1,573	1,625	(3.2)	1,360	15.7	4,644	4,368	6.3
Forex gain / (loss)	498	452	10.3	(146)		353	1,127	
Interest	1,185	756	56.8	1,127	5.1	3,422	2,003	70.9
PBT	11,983	12,650	(5.3)	12,071	(0.7)	37,306	32,243	15.7
Extra-Ord. Inc./Exps.	-	-		-		-	698	
Total Taxes	3,543	3,225	9.9	3,905	(9.3)	11,505	8,885	29.5
ETR (%)	29.6	25.5		32.4		30.8	27.6	
Minority interest	16	(26)		3		5	(45)	
Reported PAT	8,456	9,400	(10.0)	8,169	3.5	25,807	22,616	14.1

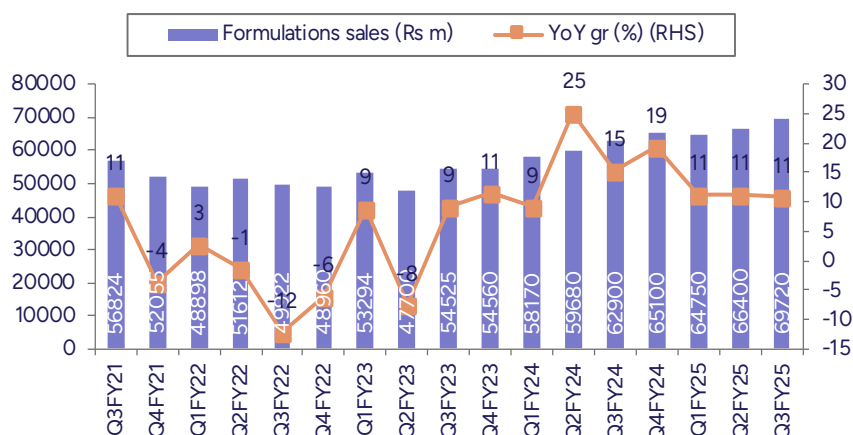
Source: Company, PL

Exhibit 2: RoW and EU markets support growth

Major sources of revenues	3QFY25	3QFY24	YoY gr. (%)	2QFY25	QoQ gr. (%)	9MFY25	9MFY24	YoY gr. (%)
Formulations	69,720	62,900	10.8	66,400	5.0	2,00,870	1,80,750	11.1
% of Net Sales	87.4	86.0		85.2		86.1	84.9	
USA	36,710	37,560	(2.3)	35,300	4.0	1,07,560	1,04,450	3.0
% of Net Sales	46.0	51.4		45.3		46.1	49.0	
Europe & Emerging Markets	29,940	23,550	27.1	29,170	2.6	86,020	70,110	22.7
% of Net Sales	37.5	32.2		37.4		36.9	32.9	
ARV	3,070	1,790	71.5	1,930	59.1	7,290	6,190	17.8
% of Net Sales	3.8	2.4		2.5		3.1	2.9	
API	10,060	10,220	(1.6)	11,560	(13.0)	32,540	32,210	1.0
% of Net Sales	12.6	14.0		14.8		13.9	15.1	
Betalactum	7,220	7,370	(2.0)	8,370	(13.7)	23,500	22,720	3.4
% of Net Sales	9.0	10.1		10.7		10.1	10.7	
Non-Betalactum	2,840	2,850	(0.4)	3,190	(11.0)	9,040	9,490	(4.7)
% of Net Sales	3.6	3.9		4.1		3.9	4.5	

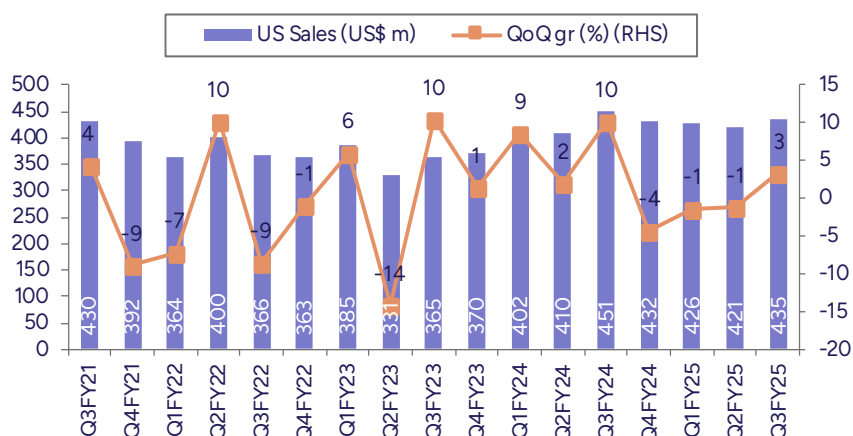
Source: Company, PL

Exhibit 3: Growth momentum maintained



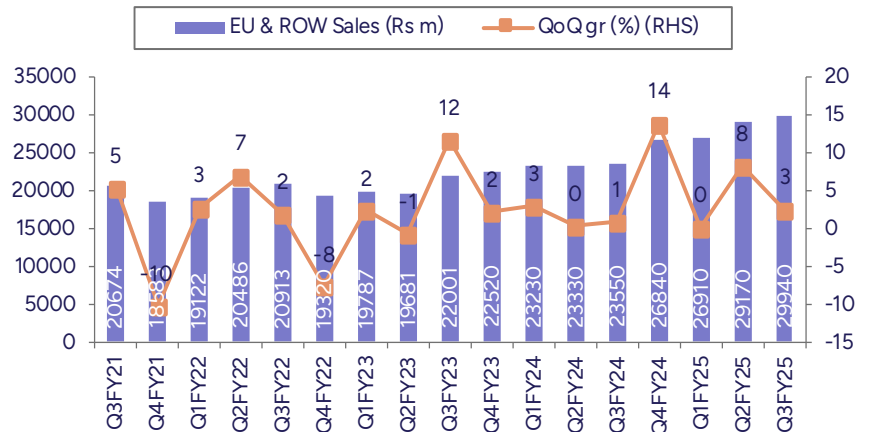
Source: Company, PL

Exhibit 4: Witnessed recovery in US markets QoQ



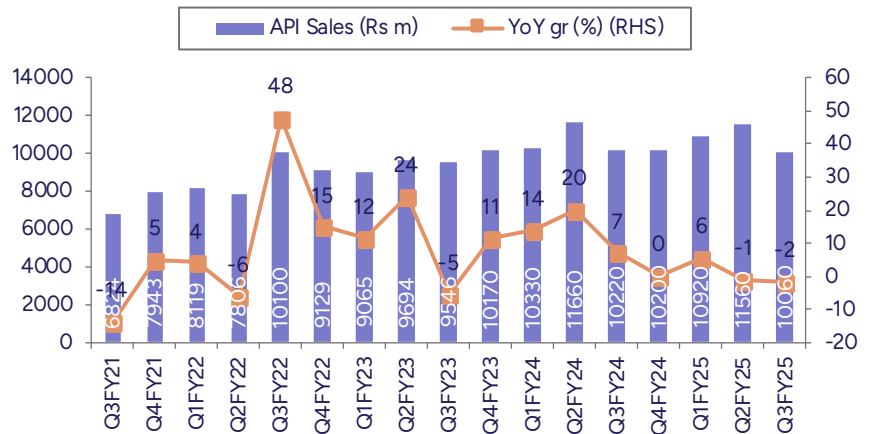
Source: Company, PL

Exhibit 5: Sustained growth YoY



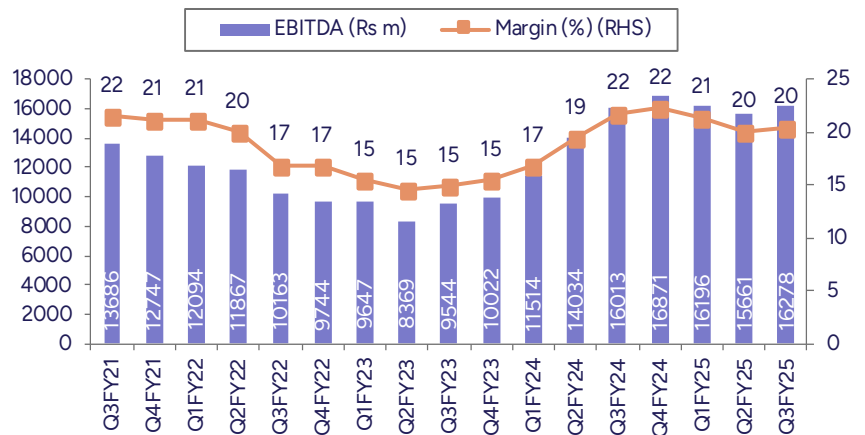
Source: Company, PL

Exhibit 6: Continues to remain muted



Source: Company, PL

Exhibit 7: Increased opex for PenG and R&D impacted margins



Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY24	FY25E	FY26E	FY27E
Net Revenues	2,89,719	3,14,521	3,50,340	3,81,509
YoY gr. (%)	16.6	8.6	11.4	8.9
Cost of Goods Sold	1,26,029	1,29,518	1,46,143	1,60,763
Gross Profit	1,63,690	1,85,003	2,04,197	2,20,746
Margin (%)	56.5	58.8	58.3	57.9
Employee Cost	39,229	44,722	48,299	52,163
Other Expenses	66,330	74,900	81,079	86,364
EBITDA	58,131	65,381	74,819	82,218
YoY gr. (%)	56.3	12.5	14.4	9.9
Margin (%)	20.1	20.8	21.4	21.6
Depreciation and Amortization	15,217	16,054	17,177	18,380
EBIT	42,914	49,327	57,641	63,838
Margin (%)	14.8	15.7	16.5	16.7
Net Interest	2,897	4,630	4,000	3,000
Other Income	5,574	6,247	7,000	7,500
Profit Before Tax	45,591	50,944	60,641	68,338
Margin (%)	15.7	16.2	17.3	17.9
Total Tax	12,110	15,283	16,980	19,135
Effective tax rate (%)	26.6	30.0	28.0	28.0
Profit after tax	33,480	35,661	43,662	49,204
Minority interest	172	50	50	50
Share Profit from Associate	-	-	-	-
Adjusted PAT	35,227	35,611	43,612	49,154
YoY gr. (%)	86.6	1.1	22.5	12.7
Margin (%)	12.2	11.3	12.4	12.9
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	35,227	35,611	43,612	49,154
YoY gr. (%)	86.6	1.1	22.5	12.7
Margin (%)	12.2	11.3	12.4	12.9
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	35,227	35,611	43,612	49,154
Equity Shares O/s (m)	586	581	581	581
EPS (Rs)	60.1	61.3	75.1	84.6

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY24	FY25E	FY26E	FY27E
Non-Current Assets				
Gross Block	2,35,597	2,63,597	2,91,597	3,19,597
Tangibles	2,35,597	2,63,597	2,91,597	3,19,597
Intangibles	-	-	-	-
Acc: Dep / Amortization	79,376	95,430	1,12,607	1,30,987
Tangibles	79,376	95,430	1,12,607	1,30,987
Intangibles	-	-	-	-
Net fixed assets	1,56,221	1,68,168	1,78,990	1,88,611
Tangibles	1,56,221	1,68,168	1,78,990	1,88,611
Intangibles	-	-	-	-
Capital Work In Progress	27,394	27,394	27,394	27,394
Goodwill	-	-	-	-
Non-Current Investments	3,722	3,722	3,722	3,722
Net Deferred tax assets	8,561	8,561	8,561	8,561
Other Non-Current Assets	-	-	-	-
Current Assets				
Investments	-	-	-	-
Inventories	98,082	1,03,404	1,15,180	1,25,427
Trade receivables	48,167	56,011	62,389	67,940
Cash & Bank Balance	62,783	51,708	57,339	71,019
Other Current Assets	-	-	-	-
Total Assets	4,34,252	4,52,076	4,90,852	5,34,534
Equity				
Equity Share Capital	586	581	581	581
Other Equity	2,97,842	3,22,079	3,60,898	4,05,258
Total Network	2,98,428	3,22,659	3,61,478	4,05,839
Non-Current Liabilities				
Long Term borrowings	41,803	36,803	31,803	26,804
Provisions	-	-	-	-
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	21,349	21,349	21,349	21,349
Trade payables	44,542	43,085	47,992	52,261
Other current liabilities	36,611	36,611	36,611	36,611
Total Equity & Liabilities	4,34,252	4,52,076	4,90,852	5,34,534

Source: Company Data, PL Research



Cash Flow (Rs m)

Y/e Mar	FY24	FY25E	FY26E	FY27E
PBT	45,591	50,944	60,641	68,338
Add. Depreciation	15,217	16,054	17,177	18,380
Add. Interest	2,897	4,630	4,000	3,000
Less Financial Other Income	5,574	6,247	7,000	7,500
Add. Other	(5,242)	-	-	-
Op. profit before WC changes	58,462	71,628	81,819	89,718
Net Changes-WC	(16,751)	(18,410)	(17,415)	(16,112)
Direct tax	(17,666)	(15,283)	(16,980)	(19,135)
Net cash from Op. activities	24,045	37,935	47,424	54,472
Capital expenditures	(35,851)	(28,000)	(28,000)	(28,000)
Interest / Dividend Income	-	-	-	-
Others	-	-	-	-
Net Cash from Invst. activities	(35,851)	(28,000)	(28,000)	(28,000)
Issue of share cap. / premium	-	(9,302)	-	-
Debt changes	14,613	(5,000)	(5,000)	(4,999)
Dividend paid	(2,636)	(2,054)	(4,793)	(4,793)
Interest paid	302	(4,630)	(4,000)	(3,000)
Others	1,468	(23)	-	-
Net cash from Fin. activities	13,747	(21,010)	(13,793)	(12,792)
Net change in cash	1,941	(11,075)	5,631	13,680
Free Cash Flow	(11,570)	9,935	19,424	26,472

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q4FY24	Q1FY25	Q2FY25	Q3FY25
Net Revenue	75,802	75,670	77,960	79,785
YoY gr. (%)	17.1	10.5	8.0	8.5
Raw Material Expenses	30,609	30,727	32,103	33,154
Gross Profit	45,193	44,943	45,857	46,631
Margin (%)	59.6	59.4	58.8	58.4
EBITDA	16,871	16,196	15,661	16,278
YoY gr. (%)	68.3	40.7	11.6	1.7
Margin (%)	22.3	21.4	20.1	20.4
Depreciation / Depletion	3,543	4,042	3,823	4,185
EBIT	13,328	12,154	11,838	12,093
Margin (%)	17.6	16.1	15.2	15.2
Net Interest	894	1,110	1,127	1,185
Other Income	1,499	2,209	1,068	2,071
Profit before Tax	13,932	13,253	11,779	12,979
Margin (%)	18.4	17.5	15.1	16.3
Total Tax	3,226	4,057	3,905	3,543
Effective tax rate (%)	23.2	30.6	33.2	27.3
Profit after Tax	10,707	9,196	7,874	9,436
Minority interest	(127)	(14)	3	16
Share Profit from Associates	-	-	-	-
Adjusted PAT	11,516	9,182	8,169	8,456
YoY gr. (%)	122.5	61.2	8.5	(10.0)
Margin (%)	15.2	12.1	10.5	10.6
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	11,516	9,182	8,169	8,456
YoY gr. (%)	122.5	43.6	8.5	(10.0)
Margin (%)	15.2	12.1	10.5	10.6
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	11,516	9,182	8,169	8,456
Avg. Shares O/s (m)	-	-	-	-
EPS (Rs)	15.9	15.7	13.9	14.4

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY24	FY25E	FY26E	FY27E
Per Share(Rs)				
EPS	60.1	61.3	75.1	84.6
CEPS	86.1	89.0	104.7	116.3
BVPS	509.3	555.5	622.4	698.8
FCF	(19.7)	17.1	33.4	45.6
DPS	6.0	3.0	7.1	7.1
Return Ratio(%)				
RoCE	12.6	13.3	14.5	14.7
ROIC	11.6	12.3	13.3	13.8
RoE	12.4	11.5	12.7	12.8
Balance Sheet				
Net Debt : Equity (x)	-	0.0	0.0	(0.1)
Net Working Capital (Days)	128	135	135	135
Valuation(x)				
PER	19.8	19.4	15.9	14.1
P/B	2.3	2.1	1.9	1.7
P/CEPS	13.8	13.4	11.4	10.2
EV/EBITDA	12.0	10.7	9.2	8.1
EV/Sales	2.4	2.2	2.0	1.8
Dividend Yield (%)	0.5	0.3	0.6	0.6

Source: Company Data, PL Research

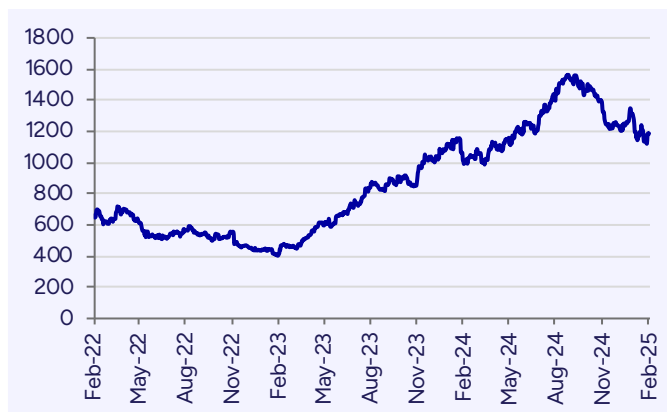
Key Operating Metrics

Y/e Mar	FY24	FY25E	FY26E	FY27E
US Formulations	1,41,790	1,45,299	1,56,718	1,67,797
EU & ROW	96,830	1,15,961	1,28,184	1,40,869
ARV formulations	8,680	10,002	11,002	11,883
APIs	42,410	43,258	46,286	49,526

Source: Company Data, PL Research

Price Chart

Recommendation History



No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	08-Jan-25	Accumulate	1,475	1,298
2	12-Nov-24	Accumulate	1,475	1,286
3	07-Oct-24	Accumulate	1,525	1,466
4	13-Aug-24	Accumulate	1,525	1,462
5	08-Jul-24	Accumulate	1,300	1,304
6	28-May-24	Accumulate	1,300	1,196
7	08-Apr-24	Accumulate	1,120	1,124
8	13-Feb-24	Accumulate	1,120	1,026

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Apollo Hospitals Enterprise	BUY	8,000	7,437
2	Aster DM Healthcare	BUY	620	469
3	Aurobindo Pharma	Accumulate	1,475	1,298
4	Cipla	BUY	1,730	1,421
5	Divi's Laboratories	Accumulate	6,250	5,884
6	Dr. Reddy's Laboratories	Reduce	1,335	1,289
7	Eris Lifesciences	BUY	1,450	1,230
8	Fortis Healthcare	BUY	710	735
9	HealthCare Global Enterprises	BUY	535	488
10	Indoco Remedies	Hold	325	343
11	Ipca Laboratories	Accumulate	1,700	1,736
12	J.B. Chemicals & Pharmaceuticals	BUY	2,075	1,716
13	Jupiter Life Line Hospitals	BUY	1,660	1,565
14	Krishna Institute of Medical Sciences	BUY	675	649
15	Lupin	BUY	2,420	2,359
16	Max Healthcare Institute	BUY	1,300	1,061
17	Narayana Hrudayalaya	BUY	1,420	1,351
18	Rainbow Children's Medicare	BUY	1,785	1,552
19	Sun Pharmaceutical Industries	BUY	2,275	1,744
20	Sunteck Realty	BUY	700	479
21	Torrent Pharmaceuticals	Accumulate	3,750	3,248
22	Zydus Lifesciences	Accumulate	1,050	977

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

ANALYST CERTIFICATION

(Indian Clients)

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