



India

ADD (no change)

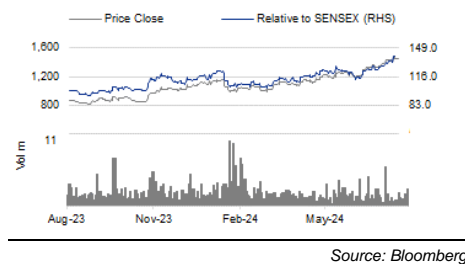
Consensus ratings*: Buy 22 Hold 4 Sell 3

Current price:	Rs1,462
Target price: ▲	Rs1,610
Previous target:	Rs1,340
Up/downside:	10.1%
InCred Research / Consensus:	16.7%
Reuters:	
Bloomberg:	ARBP IN
Market cap:	US\$11,795m Rs856,525m
Average daily turnover:	US\$29.3m Rs2128.7m
Current shares o/s:	585.9m
Free float:	4,817.0%

*Source: Bloomberg

Key changes in this note

- Raise the target price to Rs1,610 (from Rs1,340 earlier).



Price performance	1M	3M	12M
Absolute (%)	10.2	29.6	69.4
Relative (%)	11.4	18.5	38.9

Major shareholders	% held
Promoters	51.8
LIC	5.4
HDFC MF	3.7

Research Analyst(s)



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Aurobindo Pharma

1Q performance on track; retain ADD rating

- In-line 1Q results. The US business was weak but offset by strong growth in other segments. Margins were in line but include a one-off cost of Rs1bn.
- The commercialization of the Pen-G plant and upcoming Vizag and China plants, along with favourable pricing, should sustain the growth momentum.
- No change in our FY25F/26F EPS estimates. We retain our ADD rating on the stock with a higher target price of Rs1,610.

In-line 1QFY25 performance

Aurobindo Pharma (ARBP) started FY25 on a good note and in line with our estimates, with 1QFY25 adjusted margin at 22.7% (adjusted for plant remediation spending of Rs1bn) and an EBITDA growth (on an adjusted basis) of 49% YoY (~8% above estimate). The margin beat (+150bp on adjusted basis) was largely on account of stable gross margin (at 59.4%, due to stable raw material costs) and operating leverage benefits. Revenue was in line, with the US market revenue at US\$426m (US\$20m below our estimate with a slower recovery in the Eugia Unit III after the planned shutdown in 4QFY24) and strong growth in RoW/antiretroviral or ARV segments (46%/17% YoY, respectively). The EU market growth was relatively better with a sequential growth of 9%.

Sustains margin guidance of 21-22%

ARBP's retained its FY25F margin guidance of 21-22%. Margins should benefit from higher gRevlimid sales, lower input costs, a stable US pricing environment and the production-linked incentive or PLI scheme. Post official action indicated (OAI) at the Eugia-III plant, management expects a relatively moderate growth (double-digit growth but unlike the supernormal growth in FY24), although FY26F is likely to be better with the commercialization of oncology products and some settled launches. Pen-G plant, while it did not contribute to revenue in 1QFY25, is likely to inch up marginally in 2QFY25F with validation batches and make a full-fledged contribution from 3QFY25F. Most of the capex (~95%) and operational expenses on the Pen-G plant have been incurred in 1QFY25.

Other highlights

- In the European market, ARBP expects to achieve EUR850-900m revenue in FY25F; current margin is in mid-teens and it expects to maintain the same.
- Eugia III plant – spent US\$9m towards remediation of the plant in 1QFY25 and another US\$2m is expected in 2QFY25F.
- Vizag plant – awaiting GMP certificate for EU; there are plans to do three-to-four filings in FY25F and revenue is likely to come from FY26F.
- Biosimilar Trastuzumab's US filing got delayed and is likely to be filed in the next three-to-four weeks.
- The effective tax rate for FY25F stands at 27- 28%.

Retain ADD rating on the stock with a higher target price of Rs1,610

We retain our ADD rating on the stock with a higher target price of Rs1,610 (Rs1,340 earlier). Downside risk: Any substantial deterioration in the US pricing environment.

Financial Summary	Mar-22A	Mar-23A	Mar-24A	Mar-25F	Mar-26F
Revenue (Rsm)	234,555	248,554	290,019	316,594	346,361
Operating EBITDA (Rsm)	43,867	37,582	58,430	68,977	80,636
Net Profit (Rsm)	26,481	19,275	31,716	40,044	49,158
Core EPS (Rs)	47.4	32.9	57.4	68.3	83.9
Core EPS Growth	(14.2%)	(30.6%)	74.5%	19.1%	22.8%
FD Core P/E (x)	30.85	44.44	25.47	21.39	17.42
DPS (Rs)	9.0	7.5	6.0	7.0	8.0
Dividend Yield	0.62%	0.51%	0.41%	0.48%	0.55%
EV/EBITDA (x)	18.99	22.32	14.60	11.91	10.10
P/FCFE (x)	18.98	(650.91)	111.81	(208.96)	61.39
Net Gearing	(7.0%)	(5.2%)	(0.1%)	(9.5%)	(10.5%)
P/BV (x)	3.49	3.19	2.87	2.56	2.26
ROE	11.9%	7.5%	11.9%	12.6%	13.8%
% Change In Core EPS Estimates				0.15%	0.16%
InCred Research/Consensus EPS (x)					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 1: Financial summary

(Rs m)	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	Y-o-Y (%)	Q-o-Q (%)
Revenue	62,359	57,394	64,071	64,730	68,505	72,194	73,518	75,802	75,670	10%	0%
Consumption of raw materials	28,867	25,680	29,076	29,310	31,547	32,367	31,506	30,609	30,727	-3%	0%
as % of sales	46.3%	44.7%	45.4%	45.3%	46.1%	44.8%	42.9%	40.4%	40.6%		
Employee costs	8,802	8,685	9,217	8,519	9,520	9,550	9,897	10,263	10,720	13%	4%
as % of sales	14.1%	15.1%	14.4%	13.2%	13.9%	13.2%	13.5%	13.5%	14.2%		
R&D costs	3,100	2,760	4,152	4,107	3,876	3,000	3,980	3,920	3,390	-13%	-14%
as % of sales	5.0%	4.8%	6.5%	6.3%	5.7%	4.2%	5.4%	5.2%	4.5%		
Other expenditure	11943	11900	12082	12772	12049	13245	12122	14139	14638	21%	4%
as % of sales	19.2%	20.7%	18.9%	19.7%	17.6%	18.3%	16.5%	18.7%	19.3%		
EBITDA	9,647	8,369	9,544	10,022	11,514	14,032	16,013	16,871	16,196	41%	-4%
Margins (%)	15.5%	14.6%	14.9%	15.5%	16.8%	19.4%	21.8%	22.3%	21.4%		
Depreciation	2,795	2,981	3,214	3,456	3,266	4,175	4,233	3,543	4,042		
Other income	124	111	927	1,349	1,163	1,572	1,625	1,213	2,209		
Interest	146	253	450	556	566	682	756	894	1,110		
PBT	6,830	5,246	6,807	7,359	8,846	10,747	12,650	13,647	13,253	50%	-3%
Total tax	1,586	1,130	1,891	2,242	2,423	3,237	3,225	3,226	4,057		
Tax rate (%)	23.2%	21.5%	27.8%	30.5%	27.4%	30.1%	25.5%	23.6%	30.6%		
PAT before MI	5,244	4,116	4,916	5,118	6,423	7,510	9,426	10,421	9,196	43%	-12%
Minority interest (MI)	-38	-22	-3	-55	-18	61	-63	-127	-14		
Adj. PAT before extraordinary items	5,205	4,095	4,913	5,063	6,405	7,572	9,363	10,295	9,182	43%	-11%
Extraordinary expenses	0	0	0	0	-698	0	0	-1,221	0		
Reported PAT	5,205	4,095	4,913	5,063	5,707	7,572	9,363	9,074	9,182	61%	1%
No. of shares	585.9	585.9	585.9	585.9	585.9	585.9	585.9	585.9	585.9		
EPS	8.9	7.0	8.4	8.6	10.9	12.9	16.0	17.6	15.7		

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 2: Margin profile

Margins (%)	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	Y-o-Y (bp)	Q-o-Q (bp)
Gross	54%	55%	55%	55%	54%	55%	57%	60%	59%	544	-23
EBITDA	15%	15%	15%	15%	17%	19%	22%	22%	21%	460	-85
Adj.PAT	8%	7%	8%	8%	9%	10%	13%	14%	12%	278	-145
Effective tax rate	23%	22%	28%	30%	27%	30%	25%	24%	31%	322	697

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 3: Revenue break-up

(Rs m)	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	Y-o-Y (%)	Q-o-Q (%)
North America INR	29,711	26,376	30,012	30,450	33,040	33,850	37,560	35,880	35,550	8%	-1%
% total revenue	47.6%	46.0%	46.8%	47.0%	48.2%	46.9%	51.4%	47.3%	47.0%		
ARV	3,796	1,643	2,512	1,590	1,900	2,500	1,790	2,380	2,290	21%	-4%
% total revenue	6.1%	2.9%	3.9%	2.5%	2.8%	3.5%	2.4%	3.1%	3.0%		
Europe	15,481	15,162	17,012	16,600	18,370	17,690	17,280	18,320	19,820	8%	8%
% total revenue	24.8%	26.4%	26.6%	25.6%	26.8%	24.5%	23.6%	24.2%	26.2%		
RoW	4,306	4,519	4,989	5,920	4,860	6,490	6,270	8,520	7,090	46%	-17%
% total revenue	6.9%	7.9%	7.8%	9.1%	7.1%	9.0%	8.6%	11.2%	9.4%		
API	9,065	9,694	9,546	10,170	10,330	11,660	10,220	10,190	10,920	6%	7%
% total revenue	14.5%	16.9%	14.9%	15.7%	15.1%	16.2%	14.0%	13.4%	14.4%		
Total revenue	62,359	57,394	64,071	64,730	68,505	72,194	73,130	75,800	75,670	10%	0%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 4: Actuals versus estimates

	Actual	Incred Est.	Variance (%)	Bloomberg Est.	Variance (%)
Revenue (Rsm)	75,670	75,107	0.8	75,801	-0.2
EBITDA (Rsm)	16,196	15,964	1.5	16,168	0.2
Margin (%)	21.4	21.3		21.3	
PAT (Rsm)	9,182	8,945	2.7	9,414	-2.5

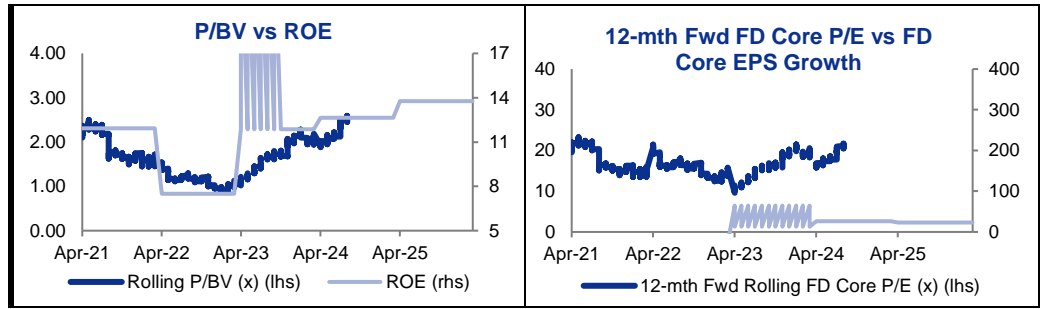
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 5: Our revised earnings estimates

	FY25F			FY26F		
	Old	New	Variance (%)	Old	New	Variance (%)
Revenue (Rsm)	3,18,025	3,16,594	0%	3,47,914	3,46,361	0%
EBITDA (Rsm)	69,793	68,977	-1%	81,529	80,636	-1%
Margin (%)	22	21.8		23	23.3	
PAT (Rsm)	39,983	40,044	0%	49,081	49,158	0%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS



Profit & Loss

(Rs mn)	Mar-22A	Mar-23A	Mar-24A	Mar-25F	Mar-26F
Total Net Revenues	234,555	248,554	290,019	316,594	346,361
Gross Profit	133,152	135,621	163,990	182,982	200,911
Operating EBITDA	43,867	37,582	58,430	68,977	80,636
Depreciation And Amortisation	(11,265)	(12,446)	(15,217)	(16,500)	(17,500)
Operating EBIT	32,602	25,136	43,213	52,477	63,136
Financial Income/(Expense)	(486)	(1,405)	(2,897)	(3,500)	(2,500)
Pretax Income/(Loss) from Assoc.					
Non-Operating Income/(Expense)	3,204	2,510	5,574	7,000	8,000
Profit Before Tax (pre-EI)	35,319	26,242	45,890	55,977	68,636
Exceptional Items					
Pre-tax Profit	35,319	26,242	45,890	55,977	68,636
Taxation	(7,256)	(6,849)	(12,110)	(15,674)	(19,218)
Exceptional Income - post-tax	(1,280)	(1,919)	(1,919)		
Profit After Tax	26,783	19,393	31,861	40,304	49,418
Minority Interests	(302)	(118)	(146)	(260)	(260)
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	26,481	19,275	31,716	40,044	49,158
Recurring Net Profit	27,761	19,275	33,634	40,044	49,158
Fully Diluted Recurring Net Profit	27,761	19,275	33,634	40,044	49,158

Cash Flow

(Rs mn)	Mar-22A	Mar-23A	Mar-24A	Mar-25F	Mar-26F
EBITDA	43,867	37,582	58,430	68,977	80,636
Cash Flow from Invt. & Assoc.					
Change In Working Capital	15,578	(10,950)	(16,751)	(6,325)	(39,742)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense					
Other Operating Cashflow	1,612	(7,305)	(9,225)	(9,712)	(9,712)
Net Interest (Paid)/Received	(486)	(1,405)	(2,897)	(3,500)	(2,500)
Tax Paid	(10,406)	(17,921)	(19,434)	(24,978)	(14,947)
Cashflow From Operations	50,165	2	10,124	24,463	13,736
Capex	(23,237)	(23,927)	(27,201)	(15,000)	(15,000)
Disposals Of FAs/subsidiaries					
Acq. Of Subsidiaries/investments	(6,248)	(1,970)			
Other Investing Cashflow					
Cash Flow From Investing	20,680	(25,894)	(17,077)	9,463	(1,264)
Debt Raised/(repaid)	(25,724)	24,576	14,613	(38,025)	1,479
Proceeds From Issue Of Shares					
Shares Repurchased					
Dividends Paid	(2,637)	(4,395)	(2,636)	(3,516)	(4,102)
Preferred Dividends					
Other Financing Cashflow	(1,246)	(1,491)	(8,180)	3,500	5,500
Cash Flow From Financing	(29,607)	18,690	3,796	(38,040)	2,877
Total Cash Generated	(8,927)	(7,204)	(13,280)	(28,577)	1,613
Free Cashflow To Equity	45,121	(1,316)	7,660	(4,099)	13,951
Free Cashflow To Firm	71,332	(24,487)	(4,056)	37,426	14,973

SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS...cont'd

Balance Sheet					
(Rs mn)	Mar-22A	Mar-23A	Mar-24A	Mar-25F	Mar-26F
Total Cash And Equivalents	45,816	62,476	63,417	57,096	66,390
Total Debtors	40,123	44,664	48,167	53,821	58,881
Inventories	75,539	85,112	98,082	113,974	124,690
Total Other Current Assets	19,750	23,204	32,389	22,162	24,245
Total Current Assets	181,227	215,457	242,056	247,053	274,206
Fixed Assets	106,660	124,918	142,849	141,349	138,849
Total Investments	6,183	3,917	3,217	3,217	3,217
Intangible Assets	36,133	39,219	40,766	40,766	40,766
Total Other Non-Current Assets	9,014	15,389	21,827	21,827	21,827
Total Non-current Assets	157,990	183,443	208,659	207,159	204,659
Short-term Debt	22,835	42,426	41,803	41,803	41,803
Current Portion of Long-Term Debt					
Total Creditors	27,031	38,713	44,542	47,323	30,629
Other Current Liabilities	31,695	33,799	35,647	37,858	32,671
Total Current Liabilities	81,560	114,938	121,991	126,984	105,102
Total Long-term Debt	5,678	6,190	21,349	(16,676)	(15,197)
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	6,239	9,254	8,867	8,867	8,867
Total Non-current Liabilities	11,917	15,444	30,216	(7,809)	(6,330)
Total Provisions					
Total Liabilities	93,477	130,381	152,207	119,175	98,773
Shareholders Equity	245,760	268,399	298,428	334,696	379,493
Minority Interests	(19)	120	80	340	600
Total Equity	245,741	268,519	298,508	335,036	380,093

Key Ratios					
	Mar-22A	Mar-23A	Mar-24A	Mar-25F	Mar-26F
Revenue Growth	(5.3%)	6.0%	16.7%	9.2%	9.4%
Operating EBITDA Growth	(17.8%)	(14.3%)	55.5%	18.1%	16.9%
Operating EBITDA Margin	18.7%	15.1%	20.1%	21.8%	23.3%
Net Cash Per Share (Rs)	29.53	23.66	0.45	54.56	67.90
BVPS (Rs)	419.43	458.07	509.32	571.21	647.67
Gross Interest Cover	67.03	17.89	14.92	14.99	25.25
Effective Tax Rate	20.5%	26.1%	26.4%	28.0%	28.0%
Net Dividend Payout Ratio					
Accounts Receivables Days	58.48	62.25	58.42	58.79	59.38
Inventory Days	298.41	259.61	265.28	289.65	299.46
Accounts Payables Days	98.94	106.24	120.56	125.48	97.81
ROIC (%)	10.7%	7.2%	10.6%	12.7%	13.7%
ROCE (%)	12.0%	8.5%	12.7%	14.5%	16.5%
Return On Average Assets	8.4%	5.5%	8.5%	9.5%	11.0%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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