

Upbeat numbers; future looks more stable...

About the stock: Aurobindo is a leading export driven global producer of generic formulations and APIs with major presence in the US and Europe. The company's broad product portfolio, which is backed by a vertically integrated model, encompasses seven key therapeutic/product areas, including CNS, anti-retroviral, CVS, antibiotics, gastroenterological, anti-diabetics and anti-allergic. The company has forayed into complex areas of injectables, oncology OSDs and biosimilars.

- FY24 Sales break-up- US formulations 48%, Europe- 25%, APIs- 15%, RoW (Growth markets- 9% and ARV- 3%)

Investment Rationale:

- Q4FY24- Well-rounded growth; significant margin expansion** – Revenues grew ~17% YoY to ₹ 7580 crore driven by formulations growth across segments. US grew 18% to ₹ 3588 crore on the back of strong specialty & injectables growth which grew 44% to ₹ 824 crore. Europe grew 10% to ₹ 1832 crore. Growth Markets grew 53% YoY to ₹ 903 crore (including India formulations) on the back of new launches. ARV grew 50% to ₹ 238 crore. APIs on the other hand were flat YoY to ₹ 1019 crore due to persistent pricing pressure. EBITDA grew 67% YoY to ₹1673 crore while EBITDA margins were improved 660 bps to 22.1%. EBITDA growth was mainly driven by strong GPM improvement (~490 bps YoY to 59.6%). Adjusted PAT grew 101% YoY to ₹ 1030 crore.
- OAI status for Eugia plant could slow down injectables traction in the near term** – The Strong US traction reflected on overall buoyant performance with significant margins improvement. The quality of the US portfolio is improving with growing contributions from specialty & injectables that now account for ~24% of the US portfolio. Going forward, sustainability of the margins will be the key determinant for investors' sentiment as the company plans to expand the R&D bandwidth and diversify into more complex models such as biosimilars. That said, the USFDA has qualified the Eugia III injectables plant as OAI which indicates 90% probability of warning letter. The remediation could take one year. Although significant products are already approved (111 out of 143; 29 pending) the warning letter may lead to remedial costs and delay for the remaining products approval. However, the company has developed Vizag plant as a back-up and expects approval for the same in H2. Despite this development the management is confident of growth ex-Eugia on the back of launch momentum and is guiding for 21-22% EBITDA margins for FY25 on the back of backward integration and better operating leverage.

Rating and Target price

- Our target price is ₹ 1475 based on 18x FY26E EPS of ₹ 82.1.

Key Financial Summary

Key Financials (₹ crore)	FY20	FY21	FY22	FY23	3 year CAGR (FY20-23)	FY24	FY25E	FY26E	3 year CAGR (FY23-26E)
Revenues (₹ crore)	23098.5	24774.6	23455.5	24855.2	2.5	29000.4	32060.2	35529.4	12.6
EBITDA (₹ crore)	4815.7	5333.4	4386.8	3683.8	-8.5	5827.3	6631.2	7865.4	28.8
EBITDA margins (%)	20.8	21.5	18.7	14.8		20.1	20.7	22.1	
Net Profit (₹ crore)	2857.1	3223.9	2776.1	1934.9	-12.2	3390.2	3854.6	4809.6	35.5
EPS (₹)	48.8	55.0	47.4	33.0		57.9	65.8	82.1	
PE (x)	25.2	13.4	26.9	36.8		22.5	18.5	14.8	
EV/EBITDA (%)	15.3	13.2	15.8	19.4		12.7	10.8	8.6	
ROE (%)	17.0	14.7	11.3	7.2		11.3	11.6	12.7	
ROCE (%)	17.2	16.9	12.9	8.6		13.6	14.5	16.4	

Source: Company, ICICI Direct Research



AUROBINDO

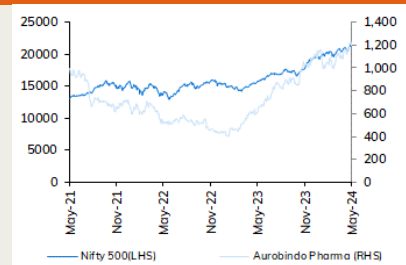
Particulars

Particular	Amount
Market Capitalisation	₹ 71250 crore
Debt (FY24)	₹ 6648 crore
Cash (FY24)	₹ 3393 crore
EV	₹ 74504 crore
52 week H/L (₹)	1245/584
Equity capital	₹ 58.6 crore
Face value	₹ 1

Shareholding pattern

(in %)	Jun-23	Sep-23	Dec-23	Mar-24
Promoter	51.8	51.8	51.8	51.8
FIIs	24.1	22.5	20.7	18.0
DIIIs	15.73	18.3	20.6	23.3
Others	8.3	7.4	6.8	6.9

Price Chart



Key risks

- Slower ramp up in new launches especially in the US.
- Regulatory issues which keep on emerging.

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Exhibit 1: Quarterly Summary

(₹ Crore)	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	YoY (%)	QoQ(%)
Total Operating Income	5702.0	5941.9	6002.2	5809.4	5809.4	6235.9	5739.2	6407.1	6473.0	6850.0	7219.0	7351.0	7580.4	17.1	3.1
Raw Material Expenses	2366.2	2505.6	2744.2	2524.2	2524.2	2886.7	2568.0	2907.5	2931.0	3154.7	3236.7	3150.6	3060.9	4.4	-2.8
% of revenue	41.5	42.2	45.7	43.5	43.5	46.3	44.7	45.4	45.3	46.1	44.8	42.9	40.4	-490 bps	-248 bps
Gross Profit	3335.8	3436.3	3258.0	3285.2	3285.2	3349.2	3171.2	3499.6	3542.0	3695.3	3982.3	4200.4	4519.5	27.6	7.6
GPM (%)	58.5	57.8	54.3	56.5	56.5	53.7	55.3	54.6	54.7	53.9	55.2	57.1	59.6	490 bps	248 bps
Employee Expenses	869.9	858.9	868.9	853.2	853.2	880.2	868.5	921.7	851.9	952.0	955.0	989.7	1026.3	20.5	3.7
% of revenue	15.3	14.5	14.5	14.7	14.7	14.1	15.1	14.4	13.2	13.9	13.2	13.5	13.5	38 bps	8 bps
Other Manufacturing Expens	1256.4	1390.7	1372.8	1457.5	1457.5	1532.6	1512.1	1623.4	1687.9	1592.5	1624.5	1610.2	1820.1	7.8	13.0
% revenues	22.0	23.4	22.9	25.1	25.1	24.6	26.3	25.3	26.1	23.2	22.5	21.9	24.0	-207 bps	211 bps
Total Expenditure	4492.6	4755.2	4986.0	4835.0	4835.0	5299.4	4948.5	5452.6	5470.8	5699.2	5816.2	5750.5	5907.3	8.0	2.7
% of revenue	78.8	80.0	83.1	83.2	83.2	85.0	86.2	85.1	84.5	83.2	80.6	78.2	77.9	-659 bps	-30 bps
EBITDA	1209.4	1186.7	1016.3	974.4	974.4	936.5	790.7	954.5	1002.2	1150.9	1402.8	1600.5	1673.1	66.9	4.5
EBITDA Margins (%)	21.2	20.0	16.9	16.8	16.8	15.0	13.8	14.9	15.5	16.8	19.4	21.8	22.1	659 bps	30 bps
Depreciation	279.7	294.2	299.1	253.6	253.6	279.5	298.1	321.4	345.6	326.6	417.5	423.3	354.3	2.5	-16.3
Interest	12.9	10.4	16.1	9.2	9.2	14.6	25.3	45.0	55.6	56.6	68.2	75.6	89.4	60.8	18.4
Other Income	109.9	96.6	65.0	48.9	48.9	40.6	57.2	92.7	134.9	116.3	187.0	162.5	135.6	0.5	-16.6
Less: Forex & Exceptional lte	0.0	0.0	-34.8	162.8	162.8	0.0	0.0	0.0	0.0	69.8	29.8	0.0	122.1		
PBT	1026.7	978.7	800.9	597.7	597.7	683.0	524.5	680.8	735.9	814.3	1074.3	1264.2	1242.8	68.9	-1.7
Total Tax	247.7	270.9	189.5	17.5	17.5	158.6	113.0	189.1	224.2	242.3	323.7	322.5	322.6	43.9	0.0
Tax rate (%)	24.1	27.7	23.7	2.9	2.9	23.2	21.5	27.8	30.5	29.8	30.1	25.5	26.0	-451 bps	45 bps
Profit from Associates	-9.0	-11.1	-7.1	-4.1	-4.1	-4.0	-1.2	0.0	0.0	-2.8	0.9	-2.6	-12.7		
PAT before MI	770.0	696.7	604.3	576.1	576.1	520.4	410.3	491.7	511.7	569.2	751.5	939.2	907.6	77.4	-3.4
Minority Interest	0.0	-0.3	-0.4	-0.3	-0.3	-0.2	-0.1	-0.3	-0.4	-0.3	-0.3	-0.4	0.0	-100.0	-100.0
Adjusted PAT	770.0	697.0	569.9	734.5	734.5	520.5	410.4	491.9	512.1	639.2	781.7	939.6	1029.7	101.1	9.6
EPS (₹)	13.1	11.9	10.3	9.8	9.8	8.9	7.0	8.4	8.7	9.7	12.8	16.0	15.5		

Source: Company, ICICI Direct Research

Q4FY24 Results / Conference call highlights

US-

- To de-risk Eugia III, the company plans dual filing along with Vizag for future product launches
- 20 ANDAs are likely get stuck due to Eugia III OAI, the impact could last for one year
- The growth in US specialty and injectables to moderate in FY25 mainly due to Eugia III but still could be in double digits. FY26 could witness substantial growth with scores of launches in Oncology OSDs and other segments
- Eugia III is already in the fourth month of remediation, with another two months' work pending
- Product launches from Vizag to commence in FY26
- The company filed 11 ANDAs and received approvals for 17 products and launched 7 products during the quarter.

Other aspects

- The company commercialised 4 manufacturing plants including Pen-G, 6-APA, Injectables and Granulation in March 2024
- Europe to maintain +€ 200 million run rate and is expected to grow above market growth.
- Supplies from new China plant will begin in FY25.
- ROW (Growth markets) base to be +US\$ 300 million.
- Maintains aspirational target of 25% EBITDA and 25% ROCE in the long run
- The company is expected to launch trastuzumab biosimilar in India in H2FY25.
- The management believes that Aurobindo could be among the four players to launch biosimilar omalizumab in US and Europe
- Pen-G prices are hovering around US\$25 per kg.
- The company has till date spent US\$ 340 million on biosimilars out of which US\$ 75 million have capitalised.
- Total R&D spend- ₹ 392 crore which is ~5.2% of sales.
- Capex for FY25 to be around US\$ 200 million.

Financial Tables

Exhibit 2: Profit and loss statement				₹ crore
(Year-end March)	FY23	FY24	FY25E	FY26E
Revenues	24,855.2	29,000.4	32,060.2	35,529.4
Growth (%)	6.0	16.7	10.6	10.8
Raw Material Expenses	11,293.2	12,602.9	13,380.2	14,476.3
Employee Expenses	3,522.3	3,922.9	4,648.7	5,151.8
Other Manufacturing Expenses	6,356.0	6,647.3	7,400.1	8,036.0
Total Operating Expenditure	21,171.4	23,173.2	25,429.0	27,664.0
EBITDA	3,683.8	5,827.3	6,631.2	7,865.4
Growth (%)	-16.0	58.2	13.8	18.6
Interest	140.5	289.7	224.3	159.0
Depreciation	1,244.6	1,521.7	1,612.1	1,673.6
Other Income	325.4	601.5	480.9	532.9
PBT before Exceptional Items	2,624.1	4,617.3	5,275.6	6,565.8
Less: Forex & Exceptional Items	0.0	221.7	0.0	0.0
PBT	2,624.1	4,395.7	5,275.6	#N/A
Total Tax	684.9	1,211.0	1,371.7	1,707.1
PAT before MI	1,939.3	3,184.7	3,904.0	4,858.7
Minorities and Associates	-4.3	-16.1	-49.4	-49.0
PAT	1,934.9	3,168.5	3,854.6	4,809.6
Adjusted PAT	1,934.9	3,390.2	3,854.6	4,809.6
Growth (%)	-30.3	75.2	13.7	24.8
EPS (Diluted)	33.0	54.1	65.8	82.1
EPS (Adjusted)	33.0	57.9	65.8	82.1

Source: Company, ICICI Direct Research

Exhibit 3: Cash flow statement				₹ crore
(Year-end March)	FY23	FY24	FY25E	FY26E
Profit/(Loss) after taxation	1,895.3	2,613.4	3,854.6	4,809.6
Add: Depreciation & Amortization	1,244.6	1,521.7	1,612.1	1,673.6
Net Increase in Current Assets	-1,933.1	-2,410.4	-1,607.8	-1,738.5
Net Increase in Current Liabilities	838.2	735.4	223.6	661.4
CF from operating activities	2,386.8	2,434.5	4,306.9	5,565.2
(Purchase)/Sale of Fixed Assets	-2,709.3	-3,501.2	-1,600.0	-1,000.0
(Inc)/dec in Investments	442.8	153.5	0.0	0.0
Others	-1,711.2	-908.2	-108.3	-115.2
CF from investing activities	-3,977.8	-4,256.0	-1,708.3	-1,115.2
Issue of Equity Shares	0.0	0.0	0.0	0.0
Inc / (Dec) in Debt	2,365.1	1,461.3	-1,500.0	-1,500.0
Dividend & Dividend Tax	-439.5	-263.6	-297.9	-371.8
others	-111.2	-396.2	-224.3	-159.0
CF from financing activities	1,814.4	801.5	-2,022.3	-2,030.7
Net Cash flow	223.4	-1,019.9	576.3	2,419.2
Opening Cash	4,190.0	4,413.4	3,393.5	3,969.7
Closing Cash	4,413.4	3,393.5	3,969.7	6,388.9
Free Cash Flow	-322.6	-1,066.7	2,706.9	4,565.2
Free Cash Flow (US\$)	-45.6	-144.1	367.4	617.4

Source: Company, ICICI Direct Research

Exhibit 4: Balance Sheet				₹ crore
(Year-end March)	FY23	FY24	FY25E	FY26E
Equity Capital	58.6	58.6	58.6	58.6
Reserve and Surplus	26,798.3	29,884.2	33,314.5	37,952.6
Total Shareholders funds	26,856.9	29,942.8	33,373.0	38,011.1
Total Debt	5,286.1	6,647.6	5,147.6	3,647.6
Deferred Tax Liability	389.6	356.6	392.2	431.4
Minority Interest	12.0	8.0	9.0	10.0
Long term Provisions	172.7	225.7	252.8	283.1
Other Non Current Liabilities	41.5	51.9	54.5	57.2
Source of Funds	32,759	37,233	39,229	42,441
Gross Block - Fixed Assets	17,433.1	21,031.6	22,281.6	19,441.5
Accumulated Depreciation	6,497.5	7,160.3	8,772.4	8,548.0
Net Block	10,935.6	13,871.3	13,509.2	10,893.5
Capital WIP	5,390.0	3,868.7	4,218.7	3,239.4
Net Fixed Assets	16,325.6	17,740.0	17,727.9	14,132.9
Goodwill on Consolidation	596.0	595.2	595.2	595.2
Investments	542.7	372.2	372.2	372.2
Inventory	8,511.2	9,808.2	10,264.3	11,105.1
Cash	4,413.4	3,393.5	3,969.7	6,388.9
Debtors	4,466.4	4,816.7	5,709.4	6,327.2
Loans & Advances & Other CA	2,332.8	3,251.8	3,510.9	3,790.7
Total Current Assets	21,520.7	24,281.0	26,339.1	33,618.5
Creditors	3,871.3	4,454.2	4,399.0	4,759.3
Provisions & Other CL	3,276.7	3,484.8	3,763.6	4,064.6
Total Current Liabilities	7,147.9	7,938.9	8,162.5	8,824.0
Net Current Assets	14,263.8	16,216.1	18,176.5	21,672.8
LT L& A, Other Assets	861.3	970.1	1,047.7	1,131.5
Deferred Tax Assets	677.4	1,212.6	1,309.7	1,414.4
Application of Funds	32,759	37,232	39,229	42,441

Source: Company, ICICI Direct Research

Exhibit 5: Key ratios				
(Year-end March)	FY23	FY24	FY25E	FY26E
Per share data (₹)				
Adjusted EPS (Diluted)	33.0	57.9	65.8	82.1
BV per share	458.3	511.0	569.5	648.7
Dividend per share	7.5	4.5	5.1	6.3
Cash Per Share	75.3	57.9	67.7	109.0
Operating Ratios (%)				
Gross Profit Margins	54.6	56.5	58.3	59.3
EBITDA margins	14.8	20.1	20.7	22.1
Net Profit margins	7.8	11.7	12.0	13.5
Inventory days	275	284	280	280
Debtor days	66	61	65	65
Creditor days	125	129	120	120
Asset Turnover	1.7	1.6	1.6	2.0
EBITDA Conversion Rate	64.8	41.8	64.9	70.8
Return Ratios (%)				
RoE	7.2	11.3	11.6	12.7
RoCE	8.6	13.6	14.5	16.4
RoIC	11.1	15.1	17.0	20.5
Valuation Ratios (x)				
P/E	36.5	22.3	18.3	14.7
EV / EBITDA	19.2	12.6	10.7	8.6
EV / Net Sales	2.8	2.5	2.2	1.9
Market Cap / Sales	2.8	2.4	2.2	2.0
Price to Book Value	2.6	2.4	2.1	1.9
Solvency Ratios				
Debt / Equity	0.2	0.2	0.2	0.1
Debt / EBITDA	1.4	1.1	0.8	0.5
Current Ratio	2.1	2.3	2.4	2.4
Quick Ratio	1.0	1.0	1.1	1.1
Net debt/Equity	0.0	0.1	0.0	-0.1
Working Capital Cycle	216	216	225	225

Source: Company, ICICI Direct Research

ANALYST CERTIFICATION

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