

CMP: Rs 625

Rating: Hold

Target: Rs 656

(NR-Not Rated)

Stock Info

INDEX	
BSE	524804
NSE	AUROPHARMA
Bloomberg	ARB.PIN
Reuters	AARB.NBO
Sector	PHARMA
Face Value (Rs)	1
Equity Capital (Rs mn)	585.9
Mkt Cap (Rs bn)	383
52w H/L (Rs)	838/ 527
Avg Weekly Vol (BSE+NSE)	20,500

Shareholding Pattern

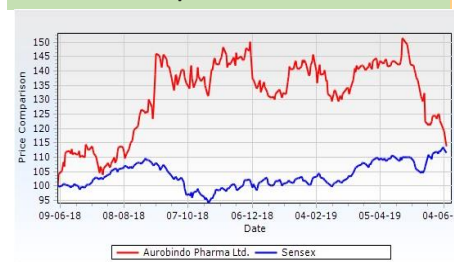
	%
(As on March, 2019)	
Promoters	51.87
DII	13.45
FII	21.47
Public & Others	12.97

Source: NSE, Arihant Research

Stock Performance (%)	3m	6m	12m
AURO PHARMA	-14.4	-16.9	15.3
SENSEX	7.9	11.9	12.4

Source: ACE Equity, Arihant Research

AURO PHARMA v/s SENSEX



Source: ACE Equity, Arihant Research

Result Highlights

Q4FY19

- Net sales stood at Rs 5292 Cr (+30.7% YoY) led by strong growth in US Formulations (+21.3% YoY) whereas the EU revenues posted 13.9% YoY growth to 4960 Cr. The company acquired Apotex's commercial operations in five EU countries.
- US formulation sales stood at INR 2,481 Cr in Q4FY19 (+42.7% YoY) whereas the growth was 30.4% YoY in cc terms.
- Europe formulation sales stood at INR 1,311.8 Cr, (+24.8% YoY) and the growth was 12.7% in cc terms.
- Revenues from ARV stood at Rs 291.5 Cr (+96% YoY) while the revenues from API stood at Rs 916.8 Cr (+14.6% YoY).
- Consolidated EBITDA stood at Rs 1060 Cr (+31.9% YoY) led by lower staff costs (+22.7% YoY) and other expenses (+15.2% YoY). EBITDA margins stood at 20% (+18bps YoY; -60bps QoQ)
- R&D spends stood at 231.4 Cr (4.4% of sales)
- Adj PAT stood at Rs 585.4 Cr (+11% YoY).

FY19

- Net sales stood at Rs 19,563 Cr (+18.6% YoY) led by strong growth in US Formulations (+46.2% YoY) whereas the EU revenues posted 13.9% YoY growth to 4960 Cr.
- US formulation sales stood at INR 2,481 Cr in Q4FY19 (+46.2% YoY) whereas the growth was 11.8% YoY in cc terms.
- Europe formulation sales stood at INR 4960 Cr, (+13.9% YoY) and the growth was 6.6% in cc terms.
- Revenues from ARV stood at Rs 972.5 Cr (+15.8% YoY) while the APIs grew by 14.9% YoY to Rs 3,403 Cr.
- Consolidated EBITDA was at Rs 1060 Cr (+31.9% YoY) led by lower staff costs (+22.7% YoY) and other expenses (+15.2% YoY). EBITDA margins stood at 20% (+18bps YoY; -60bps QoQ)
- R&D spends were at 871.6 Cr (4.5% of sales). Adj PAT at Rs 2,364.7 Cr (-2% YoY).

ANDA filings

The cumulative ANDA filings stood at 541 (+13% YoY) out of which 377 filings have received final approval while 138 filings are under review as of FY19. During Q4FY19, the company filed 22 ANDAs with USFDA including 6 injectables. The cumulative 63 ANDAs including 21 injectables in FY19. The company launched 50 new products in FY19.

Outlook and valuation

We believe earnings growth will be steady over next couple of years, however we maintain our cautious outlook on the recent development about the USFDA inspections in unit 3 which is a multi-product oral dosage form facility for non-cephalosporins and non-beta-lactams. At CMP of Rs 625, the stock is trading at 13.3x FY20E. We value the company at 14x FY20E and assign a HOLD rating to the stock with a target price of Rs 656.

Quarterly result summary

Rs Cr	Q4FY19	Q4FY18	YoY %	Q4FY18	QoQ %	FY19	FY18	YoY %
Net Sales	5,292	4,049	30.7%	5,270	0%	19,564	16,500	18.6%
Raw Material	2,373	1,669	42.1%	2,390	-1%	8,713	6,753	29.0%
Staff Cost	713	581	22.7%	650	10%	2,585	2,131	21.3%
Other expenditure	1,146	994	15.2%	1,144	0%	4,314	3,828	12.7%
Total Expenditure	4,232	3,245	30.4%	4,183	1%	15,612	12,711	22.8%
EBITDA	1,060	804	31.9%	1,086	-2%	3,952	3,789	4.3%
Depreciation	187	157	19.1%	163	14%	668	558	19.7%
EBIT	874	647	35.0%	923	-5%	3,284	3,231	1.7%
Interest	50	25	102.6%	48	5%	163	78	109.3%
Other Income	32	44	-26.4%	64	-49%	116	102	13.4%
Exchange Gain or Loss	3	16	-82.2%	-	0%	60	17	259.7%
PBT	853	651	31.1%	939	-9%	3,177	3,238	-1.9%
Current Tax	190	42	350.0%	214	-11%	712	712	0.0%
Deferred tax	25	(35)	-171.2%	17	48%	(51)	(43)	17.7%
Fringe benefits Tax	17	115	-85.5%	(26)	-165%	66	149	-55.9%
Tax	231	122	88.8%	205	13%	727	818	-11.2%
PAT	622	528	17.7%	735	-15%	2,450	2,420	1.2%
Extraordinary	(36)	-	0.0%	(25)	-	(88)	-	0.0%
Reported PAT	586	528	10.9%	710	-17%	2,362	2,420	-2.4%
Add: JV Profit	(1)	1	-193%	3	-120%	3	3	-14%
Less: Minority interest	0	(0)	-164%	(0)	-1700%	0	0	-12%
Consolidated PAT	585	529	11%	712	-18%	2,365	2,423	-2%
EPS	1.00	0.90	11%	1.22	-18%	4.04	4.14	-2%
Margins	Q4FY19	Q4FY18	YoY %	Q4FY18	QoQ %	Q4FY19	Q4FY18	YoY %
Gross margins	55.2%	58.8%	-360	54.6%	52	55.5%	59.1%	-361
EBITDA	20.0%	19.9%	18	20.6%	-58	20.2%	23.0%	-276
PAT	12%	13%	-129	14%	-219	13%	15%	-214
Tax Rate	27%	19%	828	22%	530	23%	25%	-239

Source: Company, Arianth Capital Markets

Key concall takeaways:

- The management remained confident of optimistic growth in US markets for FY20 despite higher base led by continued momentum in injectibles.
- The management is confident that the acquisition of the oncology business of Apotex will be margin accretive over the medium term.
- Gross margins were impacted by one-off costs related to recall of Valsartan which was impacted by \$10mn.
- The management guided for R&D spends at 5% of revenues in FY20 (4.5% of sales in FY19).
- Net debt stood at Rs 5,008 Cr (\$ 724mn) increased by 42% YoY in FY19 on account of high working capital requirements.

Profit & Loss Statement			
Particulars (Rs. In Cr)	FY18	FY19	FY20E
Revenue	16,500	19,564	21,871
Employee costs	2,131	2,585	2,714
Operation and other expenses	10,580	13,027	14,668
Total Operating Expenses	12,711	15,612	17,382
EBIDTA	3,789	3,952	4,489
EBIDTA Margin	23.0%	20.2%	20.5%
Depreciation	558	668	735
EBIT	3,231	3,284	3,754
Interest	78	163	163
Other Income	102	116	127
Exchange gain/loss	17	60	60
PBT	3,238	3,177	3,658
Tax	818	727	915
PAT	2,420	2,450	2,744
JVs/minority	3	2	2
Exceptional item	-	-88	-
Consolidated PAT	2,423	2,364	2,746
Growth (%)	5.1%	1.2%	12.0%
EPS	41.3	40.4	46.9

Balance Sheet (Rs Cr)			
	FY18	FY19	FY20E
Shareholder's funds			
Share Capital	59	59	59
Reserves & Surplus	11,622	13,832	16,250
Total	11,680	13,891	16,308
Total Non Current Liabilities	742	519	750
Total Current Liabilities	8,683	12,045	9,675
Total Liabilities	21,105	26,455	26,733
Net Block	4,737	5,694	10,337
Capital Work-in-Progress	1,400	1,342	1,761
Other Non Current Assets	168	168	363
Total Non Current Assets	8,917	11,090	13,646
Cash and bank balance	1,216	1,886	64
Total Current Assets	12,188	15,366	13,087
Total Assets	21,105	26,455	26,733

Source: Arihant Capital Markets

Cash Flow Statement			
Particulars (Rs. In Cr)	FY18	FY19	FY20E
Profit Before taxes	3238	3177	3658
Add:- Depreciation	558	668	735
Change in Working Capital	628	671	671
Cash generated from operations	4,424	4,516	5,064
Taxes paid	-818	-727	-915
Net cash flow from operating activities	3,606	3,789	4,150
Purchase of fixed assets	-1,526	-1,877	-4,644
Non-current investments	-118	-141	-170
Net cash flow from investing activities	-1,644	-2,019	-4,813
Dividend paid, including dividend tax	-264	-231	-326
Other	-802	-870	-809
Net cash used in financing activities	-1,066	-1,101	-1,135
Net Cash Flow	896	670	-1,799
Opening Cash balance	320	1,216	1,863
Closing Cash balance	1,216	1,886	64

Key Ratios	FY18	FY19E	FY20E
EPS	41.3	40.4	46.9
Book Value Per Share	199.4	237.1	278.3
P/E	15.1	15.5	13.3
EBIDTA Margin	0.2	0.2	0.2
PBT Margin	0.2	0.2	0.2
PAT Margin	15%	13%	13%
Debt/Equity	0.4	0.5	0.3
Current Ratio	1.4	1.3	1.3
ROE	21%	18%	17%
DPS	3.8	3.3	4.6

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Stock Rating Scale

	Absolute Return
BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	<-5%

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