

CMP: Rs 589

Rating: HOLD

Target: Rs 658

(NR-Not Rated)

Stock Info

INDEX	
BSE	524804
NSE	AUROPHARMA
Bloomberg	ARBP.IN
Reuters	AARBN.BO
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

Aurobindo Pharma (APL) Q1FY20 result highlights

- Net sales stood at Rs 5445 Cr (+28.1% YoY) led by strong growth in US Formulations (+42.3% YoY) whereas the EU revenues grew by 16.1% YoY.
- Revenue from US formulations (49.4% of sales) stood at INR 2,688 Cr in Q1FY20 (+42.3% YoY) whereas the growth was 36.9% YoY in cc terms.
- Revenue from Europe formulation (25.6% of sales) stood at INR 1,392 Cr, (+16.1% YoY) and the growth was 18.5% in cc terms.
- Revenues from ARV stood at Rs 318 Cr (+104.7% YoY) while the revenues from API stood at Rs 732 Cr (-2.1% YoY).
- Consolidated EBITDA stood at Rs 1146 Cr (+8% YoY) led by lower staff costs (+30.8% YoY) and other expenses (+26.1% YoY). EBITDA margins stood at 21.1% (+272bps YoY; +102bps QoQ)
- R&D spends stood at 243 Cr (4.5% of sales)
- Adj PAT stood at Rs 636 Cr (+40% YoY / +9% QoQ).
- Net debt stood at Rs 4094 cr.

ANDA filings

The cumulative ANDA filings stood at 551 out of which 386 filings have received final approval while 139 filings are under review as of Q1FY20. During Q1FY20, the company filed 12 ANDAs with USFDA including 3 injectables. The company launched 15 new products including 4 injectables in Q1FY20.

Outlook and valuation

The company is confident of several new product launches and expects 40 incremental launches over next nine months. Going forward, revenue and earnings shall be driven by successful integration of Sandoz which is expected to happen in the near term. The company is investing in alternate formulations like respiratory inhalers, peptides, vaccines and depot injectables.

We believe new product launches shall offset the normalized price erosion prevalent in the US markets. Further, recent developments pertaining to fire in Andhra plant leads to some risks pertaining to fresh USFDA inspections. Apart from this, the resolution to USFDA inspections in unit 3 which is a multi-product oral dosage form facility for non-cephalosporins and non-beta-lactams shall be a key driver in the medium term. At CMP of Rs 589, the stock is trading at 11.6x FY21E. We value the company at 13x FY21E and assign a HOLD rating to the stock with a revised target price of Rs 658 for an upside of 12%.

Quarterly result summary

Rs Cr	Q1FY20	Q1FY19	YoY %	Q4FY19	QoQ %
Net Sales	5,357	4,182	28.1%	5,202	3%
Other operating income	88	69	27.7%	90	-3%
Net Sales	5,445	4,250	28.1%	5,292	3%
Cost of material consumed	1,860	1,657	12.3%	1,991	-7%
Purchases of stock-in-trade	530	435	21.8%	512	3%
Changes in inventories	(92)	(185)	-50.2%	(131)	-30%
Raw Material	2,299	1,907	20.5%	2,373	-3%
Staff Cost	780	596	30.8%	713	9%
Other expenditure	1,220	968	26.1%	1,146	6%
Total Expenditure	4,298	3,471	23.8%	4,232	2%
EBITDA	1,146	779	47.1%	1,060	8%
Depreciation	241	155	55.9%	187	29%
EBIT	906	625	45.0%	874	4%
Interest	50	30	68.9%	50	0%
Other Income	16	44	-63.9%	32	-51%
Exchange Gain or Loss		68	-100.0%	3	0%
PBT	871	571	52.7%	853	2%
Current Tax	207	109	88.8%	190	9%
Deferred tax	33	13	155.2%	25	32%
Fringe benefits Tax	(11)	(7)	71.0%	17	-169%
Tax	228	116	97.1%	231	-1%
Tax rate (%)	26%	20%			
PAT	644	455	41.4%	622	3%
Extraordinary	(13)	-	0.0%	(36)	-
Reported PAT	631	455	38.6%	586	8%
Add: JV Profit	5	0	1049%	(1)	-1006%
Less: Minority interest	(0)	(0)	114%	(0)	-6%
Consolidated PAT	636	456	40%	585	9%
Equity	586	586	0%	586	0%
EPS	1.08	0.78	40%	1.00	9%
Margins	Q4FY19	Q4FY18	YoY %	Q4FY19	QoQ %
Gross margins	57.8%	55.1%	266	55.2%	262
EBITDA	21.1%	18.3%	272	20.0%	102
PAT	12%	11%	111	12%	7
Tax Rate	26%	20%	589	27%	-96

Source: Company, Arianth Capital Markets

Profit & Loss Statement			
Particulars (Rs. In Crore)	FY19	FY20E	FY21E
Revenue	19,564	21,871	22,247
Employee costs	2,585	2,714	2,918
Operation and other expenses	13,027	14,668	14,684
Total Operating Expenses	15,612	17,382	17,602
EBIDTA	3,952	4,489	4,645
EBIDTA Margin	20.2%	20.5%	20.9%
Depreciation	668	735	694
EBIT	3,284	3,754	3,951
Interest	163	163	118
Other Income	116	127	120
Exchange gain/loss	60	60	-
PBT	3,177	3,658	3,953
Tax	727	915	989
PAT	2,450	2,744	2,964
JVs/minority	2	2	2
Exceptional item	-88	-	-
Consolidated PAT	2,364	2,746	2,967
Growth (%)	1.2%	12.0%	8.0%
EPS	40.4	46.9	50.6

Balance Sheet			
Particulars (Rs. In Crore)	FY19	FY20E	FY20E
Shareholder's funds			
Share Capital	59	59	59
Reserves & Surplus	13,832	16,313	18,923
Total	13,891	16,371	18,982
Total Non Current Liabilities	519	750	750
Total Current Liabilities	12,045	8,935	9,928
Total Liabilities	26,455	26,057	29,660
Net Block	5,694	7,694	9,694
Capital Work-in-Progress	1,342	1,761	1,876
Other Non Current Assets	168	284	347
Total Non Current Assets	11,090	10,923	13,102
Cash and bank balance	1,886	2,673	3,544
Total Current Assets	15,365	15,134	16,558
Total Assets	26,454	26,057	29,660

Cash Flow Statement			
Particulars (Rs. In Crore)	FY19	FY20E	FY21E
Profit Before taxes	3177	3658	3953
Add:- Depreciation	668	735	694
Change in Working Capital	671	671	611
Cash generated from operations	4,516	5,064	5,258
Taxes paid	-727	-915	-989
Net cash flow from operating activities	3,789	4,150	4,269
Purchase of fixed assets	-1,877	-2,000	-2,000
Non-current investments	-141	-170	-204
Net cash flow from investing activities	-2,019	-2,170	-2,204
Dividend paid, including dividend tax	-231	-338	-356
Other	-870	-832	-838
Net cash used in financing activities	-1,101	-1,170	-1,194
Net Cash Flow	670	810	871
Opening Cash balance	1,216	1,863	2,673
Closing Cash balance	1,886	2,673	3,544

Key Ratios	FY19E	FY20E	FY21E
Particulars			
EPS	40.4	46.9	50.6
Book Value Per Share	237.1	279.4	324.0
P/E	14.6	12.6	11.6
EBIDTA Margin	0.2	0.2	0.2
PBT Margin	0.2	0.2	0.2
PAT Margin	13%	13%	13%
Debt/Equity	0.5	0.3	0.2
Current Ratio	1.3	1.7	1.7
ROE	18%	17%	16%
DPS	3.3	4.8	5.1

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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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