

Price: 1,229

Recommendation: Buy

Industry: Pharmaceuticals

Sector: Healthcare

Report Date: 01-May-2025

Aurobindo Pharma, a global pharmaceutical leader, excels in formulations across the U.S., Europe, and emerging markets. With strategic investments in biosimilars, specialty injectables, and respiratory products, the company drives innovation and capacity expansion. Strong financial discipline, portfolio diversification, and operational efficiency position Aurobindo for sustained growth and stakeholder value.

Sales		Profit & Loss		Profitability Matrix	
Current Year	11095 Cr	Operating Profit(Year)	2708 Cr	Operating Profit Margin	24.4 %
Previous Year	8457 Cr	Operating Profit(Quarter)	713 Cr	EBITDA Margin	25.59 %
Current Quarter	2917 Cr	PAT (Year)	1953 Cr	Net Profit Margin	18.4 %
Previous Quarter	2825 Cr	PAT (Quarter)	472 Cr	EPS	32.7
Revenue (QYoY)	2692 Cr				
Valuation Matrix		Growth(YoY)		Growth(QoQ)	
Trailing P/E	37.6	Sales Growth	9.23 %	Sales Growth	3.26 %
PEG Ratio	7.67	PAT Growth	60.48 %	Sales Growth QYoY	8.36 %
EV/EBITDA	24.8	EPS Growth	-2.1 %	PAT Growth	-12.27 %
P/B	3.66	Dividend Yield	0.37	PAT Growth QYoY	-24.36 %
Capital Allocation		Holdings		Leverage	
RoE	10.3 %	Promoter	51.8 %	Debt/Equity	0.22
RoA	7.78 %	FII	15.3 %	Debt	4266 Cr
RoCE	11.5 %	DII	26.2 %	Market Cap	72018 Cr
RoIC	28.3 %	Public	6.61 %	Enterprise value	76099 Cr
		No of Shares	58.6 Cr	Cash Equivalents	185 Cr

source : Company filings

Company's Overview Based on Recent Concall and Performance:

Aurobindo Pharma's Q3 FY25 earnings call highlighted robust performance, achieving its highest-ever quarterly revenue of 7,979 crores, driven by strong growth in formulations across the U.S., Europe, and emerging markets. The company reported a gross margin of 58.4%, supported by benign raw material prices, and an EBITDA margin of 20.4%, reflecting strategic investments in R&D; for complex products like biosimilars and specialty injectables. The U.S. formulations business grew 4% YoY to \$297 million, with new product launches and stable pricing. Europe formulations revenue surged 23% YoY to 2,121 crores, while growth markets posted a remarkable 39% YoY increase to 873 crores. Improved working capital management led to a significant reduction in net debt to \$84 million, showcasing financial discipline and operational efficiency.

The company emphasized strategic initiatives to expand manufacturing capacities and diversify its portfolio. It commercialized its China plant with an annual capacity of 2 billion units, targeting revenue contributions from FY26, and plans to operationalize its U.S.-based Dayton and Raleigh plants next fiscal year for oral solids, transdermal, and respiratory products. Aurobindo is actively developing respiratory and nasal products, including partnerships with global pharma majors, and ramping up backward integration efforts in Pen-G derivatives, aiming for breakeven by March 2025. The biosimilars segment is advancing with positive CHMP opinions for Filgrastim and pegylated Filgrastim, alongside a strong pipeline of products in Phase 3 trials, positioning the company for significant growth in regulated and semi-regulated markets by 2028-2030.

Future growth perspectives remain optimistic, with the company targeting an EBITDA margin of 21%-22% for FY25 and expecting sustained momentum in Europe and other key markets. Strategic capacity enhancements, geographical expansions, and upcoming product launches are anticipated to drive revenue growth. The injectables business is set to normalize with improved capacity utilization, while the biosimilars segment is expected to contribute meaningfully to revenues starting FY26. Aurobindo's proactive approach to optimizing its working capital cycle and leveraging its diversified portfolio underscores its commitment to long-term financial stability and growth.

Overall, Aurobindo Pharma's strategic focus on innovation, capacity expansion, and operational efficiency positions it well for sustained growth. The company's investments in biosimilars, respiratory products, and backward integration reflect its ambition to diversify and strengthen its portfolio. With strong execution in Europe and emerging markets, coupled with disciplined financial management, Aurobindo is poised to capitalize on favorable market conditions and deliver consistent value to stakeholders.

AUROPHARMA Daily Closing One Year Price Chart



Name	Mar Cap (Rs. Cr.)	P/E	ROE	Sales(G) QoQ	Sales(G) QYoY	PAT(G) QoQ	PAT(G) QYoY
Dr Reddy's Labs	98791.17	18.42	21.39%	4.27%	15.81%	11.83%	1.69%
Lupin	95677.77	33.35	14.14%	1.67%	10.97%	0.30%	39.48%
Zydus Lifesci.	89378.73	19.71	20.67%	0.61%	16.96%	12.39%	33.34%
Aurobindo Pharma	72017.71	37.56	10.34%	3.26%	8.34%	-12.18%	-24.32%
Sun Pharma.Inds.	439630.15	37.28	16.69%	2.89%	10.46%	4.30%	22.66%

Aspect	Commentary
Revenue	Aurobindo Pharma achieved its highest-ever quarterly revenue of Rs.7,979 Cr, driven by strong growth in formulations across the U.S., Europe, and emerging markets. Europe formulations surged 23% YoY, while growth markets posted a remarkable 39% YoY increase, showcasing robust demand and strategic market penetration.
Profit & Loss	Operating profit for the year stood at Rs.2,708 Cr, reflecting an operating margin of 24.4%. PAT for the year was Rs.1,953 Cr, with a net profit margin of 18.4%. Quarterly PAT declined 12.27% QoQ, indicating short-term challenges despite strong annual profitability metrics.
Profitability Matrix	EBITDA margin of 25.59% highlights efficient cost management and favorable raw material pricing. Net profit margin of 18.4% underscores strong operational performance. EPS of Rs.32.7 reflects stable earnings, though YoY EPS growth declined slightly by -2.1%.
Valuation Matrix	Trailing P/E of 37.6 and EV/EBITDA of 24.8 suggest the stock is priced at a premium, reflecting growth potential. PEG ratio of 7.67 indicates slower earnings growth relative to valuation. Dividend yield of 0.37% is modest, emphasizing reinvestment in growth initiatives.
Growth (YoY)	Sales grew 9.23% YoY, driven by robust performance in Europe and emerging markets. PAT growth surged 60.48% YoY, reflecting improved profitability. However, EPS growth declined slightly by -2.1%, indicating mixed earnings trends despite strong revenue growth.
Growth (QoQ)	Sales grew 3.26% QoQ, showcasing steady momentum. PAT declined 12.27% QoQ, reflecting short-term profitability challenges. Sales growth QYoY of 8.36% highlights consistent demand, while PAT growth QYoY fell by -24.36%, signaling margin pressures.
Capital Allocation	RoE of 10.3% and RoCE of 11.5% reflect efficient capital utilization. RoIC of 28.3% highlights strong returns on invested capital. Cash equivalents of Rs.185 Cr and reduced net debt showcase disciplined financial management and improved liquidity.
Holdings	Promoter holding remains strong at 51.8%, ensuring stability. FII and DII holdings at 15.3% and 26.2%, respectively, reflect institutional confidence. Public holding is limited at 6.61%, indicating concentrated ownership structure and reduced retail exposure.
Leverage	Debt/Equity ratio of 0.22 indicates low leverage, showcasing financial discipline. Total debt stands at Rs.4,266 Cr, significantly reduced due to improved working capital management. Enterprise value of Rs.76,099 Cr reflects strong market positioning and growth potential.

Analyst viewpoint: Aurobindo Pharma has demonstrated robust growth in its recent performance, achieving its highest-ever quarterly revenue of Rs. 7,979 Cr, driven by strong demand in formulations across the U.S., Europe, and emerging markets. Europe formulations surged 23% YoY, while growth markets posted an impressive 39% YoY increase, showcasing strategic market penetration and operational excellence. The company's EBITDA margin of 25.59% reflects efficient cost management and favorable raw material pricing, while its disciplined financial management has led to a significant reduction in net debt to Rs. 4266 Cr. Strategic investments in biosimilars, specialty injectables, and respiratory products, coupled with capacity expansions in China and the U.S., position Aurobindo for sustained growth in regulated and semi-regulated markets. The company's proactive approach to portfolio diversification and backward integration further underscores its commitment to long-term value creation.

While Aurobindo's valuation metrics, such as a trailing P/E of 37.6 and EV/EBITDA of 24.8, suggest a premium pricing reflective of growth potential, short-term profitability challenges are evident with a 12.27% QoQ decline in PAT and a 24.36% QYoY drop in PAT growth. Nonetheless, the company's strong execution in Europe and emerging markets, coupled with upcoming product launches and capacity enhancements, provides a bullish outlook for the short to mid-term. Investors should remain mindful of potential margin pressures but can expect consistent value delivery as Aurobindo capitalizes on favorable market conditions and strategic initiatives.

Please read detailed disclosure on next page.

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Investment Rating	Expected Return (over 12-month)
BUY	>=15%
SELL	<-10%
NEUTRAL	>-10% to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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