Aurobindo Pharma Ltd.

ISIN :INE406A01037 | NSE :AUROPHARMA

Price: 1,176
Recommendation: Buy
Industry: Pharmaceuticals
Sector: Healthcare
Report Date: 03-Apr-2025

Aurobindo Pharma is strategically expanding its manufacturing capacity, aiming to exceed 50 billion units annually. The company is enhancing its global footprint with the commercialization of its China plant and upcoming US-based OSD plant. Aurobindo is focusing on backward integration and a robust biosimilar product line, targeting a 21-22% EBITDA margin by FY25. With strong financial management, it anticipates sustained growth in key markets, aiming for profitability in biosimilars by 2030.

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	36.0	Sales Growth	9.23 %	Sales Growth	3.26 %
PEG Ratio	7.34	PAT Growth	60.48 %	Sales Growth QYoY	8.36 %
EV/EBITDA	23.8	EPS Growth	-2.1 %	PAT Growth	-12.27 %
P/B	3.52	Dividend Yield	0.36	PAT Growth QYoY	-24.36 %
Capital Allocation		**Holdings**		**Leverage**	
RoE	10.3 %	Promoter	51.8 %	Debt/Equity	0.22
RoA	7.78 %	FII	16.3 %	Debt	4266 Cr
RoCE	11.5 %	DII	25.2 %	Market Cap	68909 Cr
RoIC	28.3 %	Public	6.67 %	Enterprise value	72990 Cr
		No of Shares	58.6 Cr	Cash Equivalents	185 Cr

source : Company filings

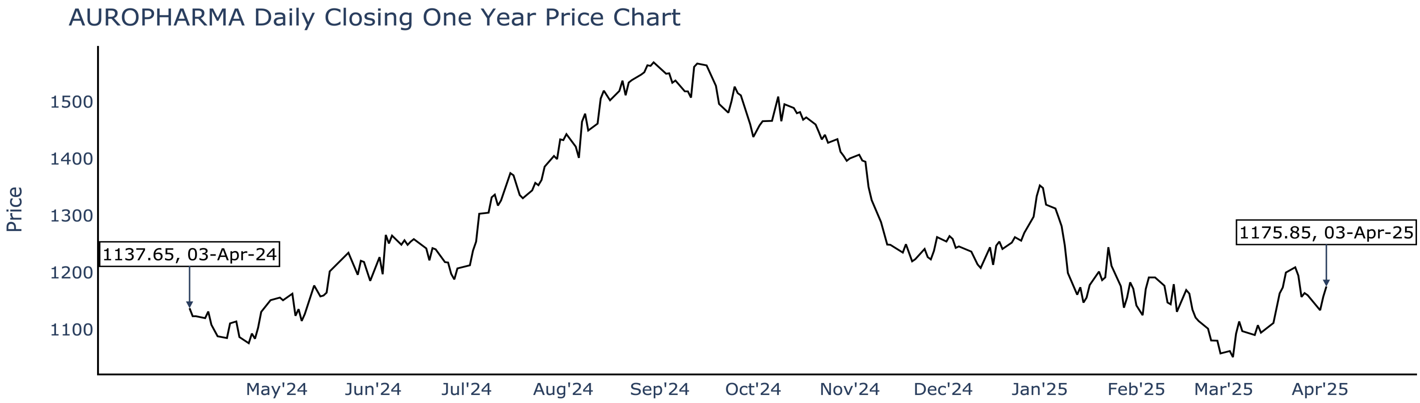
Company's Overview Based on Recent Concall and Performance:

Aurobindo Pharma's recent meeting highlighted several strategic initiatives and business strategies aimed at driving future growth. The company is expanding its manufacturing capacities, with a current annual capacity of over 50 billion units, and plans to increase this further. Aurobindo has commercialized its China plant, which is expected to contribute to revenues in FY26, and anticipates the commercialization of its US-based OSD plant at Dayton in the next fiscal year. Additionally, the Raleigh plant is set to become fully operational, including transdermal and respiratory products. The company is also building a strong portfolio in respiratory and nasal products, having partnered with a global pharma major for the development of a respiratory product, underscoring its commitment to a complex portfolio.

In terms of diversification, Aurobindo is focusing on backward integration to enhance operational efficiencies. The company is witnessing good yield improvements in its strategic investments, such as Pen-G and forward derivatives, and expects to break even by March 2025. Aurobindo's strong biosimilar product line is emphasized by recent EU-GMP certificates and positive CHMP opinions, highlighting its capabilities in this space. The company is confident in its growth trajectory, driven by a robust and diverse product portfolio, significant capacity enhancements, and favorable market conditions. It aims to achieve an internal EBITDA margin target of 21% to 22% for FY25, with the next quarter expected to be strong due to increased transient sales and improved operational efficiencies.

Looking ahead, Aurobindo anticipates sustained growth momentum in Europe and other key markets, further accelerating its revenue stream. The company's proactive efforts to optimize the working capital cycle are expected to enhance its balance sheet and improve cash flows, reinforcing financial stability and long-term growth potential. Aurobindo is on track to achieve its internal EBITDA margin target, with the next quarter expected to be strong, driven by increased transient sales, execution of strategic initiatives, and improved operational efficiencies. The company is also focusing on biosimilars, with plans to commercialize at least seven products by 2027, and expects the biosimilar business to become profitable between 2028 and 2030.

From a positive perspective, Aurobindo's strategic initiatives and diversification efforts position it well for future growth. The company's focus on expanding manufacturing capacities, backward integration, and a strong biosimilar product line are expected to drive operational efficiencies and financial performance. However, there are areas for improvement, such as the need to accelerate the commercialization of new products and address any potential supply chain challenges. Specific data points of interest include the company's highest-ever quarterly revenues of 7,979 crores, a gross margin of 58.4%, and a net profit of 846 crores. The company's net debt has improved to US$84 million, supported by strong working capital management.



Name	Mar Cap (Rs. Cr.)	P/E	ROE	Sales(G) QoQ	Sales(G) QYoY	PAT(G) QoQ	PAT(G) QYoY
Dr Reddy's Labs	96045.80	17.84	21.39%	4.27%	15.81%	11.83%	1.69%
Lupin	95604.71	33.30	14.14%	1.67%	10.97%	0.30%	39.48%
Zydus Lifesci.	90656.70	20.03	20.67%	0.61%	16.96%	12.39%	33.34%
Aurobindo Pharma	68909.32	35.97	10.34%	3.26%	8.34%	-12.18%	-24.32%
Sun Pharma.Inds.	424682.20	35.99	16.69%	2.89%	10.46%	4.30%	22.66%

Aspect	Commentary
Revenue	The company shows a strong revenue increase, with current year sales at 11095 Cr, up from 8457 Cr the previous year. Quarterly sales also rose to 2917 Cr from 2825 Cr, indicating consistent growth. This upward trend reflects effective market strategies and expanding operations, positioning the company for sustained financial health.
Profit & Loss	Operating profit for the year stands at 2708 Cr, with a quarterly figure of 713 Cr. The PAT for the year is 1953 Cr, and 472 Cr for the quarter. These figures suggest robust profitability, driven by efficient cost management and revenue growth, enhancing shareholder value and financial stability.
Profitability Matrix	The company maintains a healthy operating profit margin of 24.4% and an EBITDA margin of 25.59%. The net profit margin is 18.4%, with an EPS of 32.7. These metrics indicate strong operational efficiency and profitability, supporting the company's competitive position in the market.
Valuation Matrix	The trailing P/E ratio is 36.0, with a PEG ratio of 7.34, and EV/EBITDA at 23.8. The P/B ratio is 3.52. These valuation metrics suggest the company is valued at a premium, reflecting investor confidence in its growth prospects and financial performance.
Growth (YoY)	Year-over-year sales growth is 9.23%, with PAT growth at 60.48%. EPS growth is slightly negative at -2.1%, while the dividend yield is 0.36. The significant PAT growth highlights strong earnings performance, although EPS decline suggests potential areas for improvement.
Growth (QoQ)	Quarter-over-quarter sales growth is 3.26%, with a QYoY growth of 8.36%. However, PAT growth is negative at -12.27%, and QYoY PAT growth is -24.36%. This indicates challenges in maintaining profit growth, necessitating strategic adjustments to sustain earnings momentum.
Capital Allocation	The company reports a RoE of 10.3%, RoA of 7.78%, RoCE of 11.5%, and RoIC of 28.3%. These figures demonstrate effective capital allocation, ensuring high returns on investments and equity, which are crucial for long-term financial sustainability and growth.
Holdings	Promoter holdings are at 51.8%, with FII at 16.3%, DII at 25.2%, and public at 6.67%. The number of shares is 58.6 Cr. The high promoter holding indicates strong confidence in the company's future, while diverse institutional holdings suggest broad market trust.
Leverage	The debt/equity ratio is 0.22, with total debt at 4266 Cr. The market cap is 68909 Cr, and enterprise value is 72990 Cr, with cash equivalents of 185 Cr. The low leverage ratio indicates prudent financial management, minimizing risk and enhancing financial flexibility.

Analyst viewpoint: Aurobindo Pharma's strategic initiatives underscore a strong trajectory for short to mid-term growth. The company's focus on expanding its manufacturing capacity to exceed 50 billion units annually, coupled with its moves to commercialize its China and US-based plants, showcases a commitment to broadening its market footprint. Aurobindo's financial metrics testify to its robust performance, with a quarterly revenue growth of 3.26% and a focus on maintaining a 21-22% EBITDA margin by FY25. The strategic allocation of capital, reflected in a RoE of 10.3% and RoIC of 28.3%, signals a proficient handling of assets which bolsters investor confidence. The competitive landscape, highlighted by its diverse product portfolio and partnerships in respiratory and biosimilar products, positions Aurobindo favorably against its peers.

While Aurobindo presents strong growth prospects, a mild caveat lies in its current negative QoQ PAT growth of -12.27%, indicating potential challenges in sustaining profit margins. Nevertheless, the company is proactively positioning itself for future gains with its backward integration efforts and strategic plant developments. This investment in infrastructure and product diversification, along with its strong balance sheet management, suggests a resilient path to achieving long-term profitability and financial stability, reinforcing our bullish stance on Aurobindo in the near to mid-term market outlook.

Please read detailed disclosure on next page.

Explanation of Investment Rating*	
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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