



BLAZING PICKS

FREQUENCY	ALLOCATION	DURATION	APPROX RETURNS	RISK	MAX OPEN CALLS
Every Monday	20% of capital on every call	3 months	15-20%	<10%	5

SALIENT FEATURES:

- 👍 Allocation based product – 20% of capital on every call
- 👍 For Short to Medium term clients
- 👍 Mid Cap & Large Cap quality stocks
- 👍 Company with growth prospects and compliance free
- 👍 Moderate risk product

Key Data

NSE / BSE Code	AUROPHARMA
Sector	Pharmaceuticals
Industry	Pharmaceuticals
Face value / Book Value (₹ per share)	1 / 237.1
Dividend yield	250
52 H/L (₹)	657.8 / 538.2
Market Cap. (₹ mn)	350,611.9
Shares Outstanding (mn)	1,849.6
6M Avg Traded Volume	1,363,423

Key Ratios

	FY16	FY17	FY18	FY19
P/E (x)	21.53	17.19	13.47	19.47
P/B (x)	5.98	4.22	2.80	3.32
EV/Sales	3.47	2.84	2.20	2.61
EV/EBITDA	14.10	11.95	9.33	12.43
ROCE	27.35	24.92	22.72	17.97
ROE	32.51	27.57	22.99	18.47

Earnings Summary

(In ₹ mn)	FY16	FY17	FY18	FY19
Net Sales	137946.50	149095.40	164630.30	195635.50
Sales Growth	13.81	8.08	10.42	18.83
EBITDA	31881.20	34342.80	37717.50	39519.40
EBITDA Margin	24.31	23.53	23.48	20.99
PAT	20221.40	22961.70	24197.70	23618.00
PAT Margin	14.49	15.22	14.67	12.07
EPS (₹)	34.61	39.28	41.36	40.36

Dealmoney Research
Brijesh Bhatia
Rohitkumar Rai
Menil Savla

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Aurobindo Pharma Ltd.

CMP:598.4

► Founded in 1986 by Mr. P. V. Ramprasad Reddy, Mr. K. Nityananda Reddy and a small group of highly committed professionals, Aurobindo Pharma was born of a vision. The company commenced operations in 1988-89 with a single unit manufacturing Semi-Synthetic Penicillin (SSP) at Pondicherry. Aurobindo Pharma became a public company in 1992 and listed its shares on the Indian stock exchanges in 1995. In addition to being the market leader in Semi-Synthetic Penicillins, it has a presence in key therapeutic segments such as neurosciences, cardiovascular, anti-retrovirals, anti-diabetics, gastroenterology and anti-biotics, among others.

► **Wide API launches:** The Formulations business grew by 34.6% YoY and 7.7% QoQ, led by the full quarter impact of consolidation of sales of Spectrum Pharma portfolio and growth in Sartan portfolio sales in the US. During the quarter, 15 new products were launched in the US, which includes 4 injectables. The new launches during the quarter should help APL to more than offset any potential erosion in its key portfolio asset Ertapenem, which witnessed entry of a new player in the previous quarter. The launch pipeline over the next 9 months also remains strong with 40 incremental launches expected.

► **US sales drove Q1FY20:** Revenues grew 28.1% YoY to Rs 5444.6 crore mainly due to 42.3% YoY growth in the US to Rs2688.4 crore. EBITDA margins improved 441 bps YoY to 21.1% mainly due to improvement in gross margins (57.8% vs. 55.1% in Q1FY19). EBITDA grew 61.9% to Rs 1151.1 crore. Adjusted net profit (excluding exceptional item) grew 42.3% YoY to Rs 648.5 crore vis-à-vis EBITDA was higher tax rate (26.4% vs. 20.2% in Q1FY19).

► **Strong acquisition:** After filing ANDA in the US in 2003, the company has come a long way as current ANDA filings are at 551. US revenues have grown from ~US\$100 million in 2009 crossing \$1 billion sales as on 2017. In rupee terms, US sales have grown at 17% CAGR to | 9031 crore in FY15-19. US formulations now constitute 46% of total turnover, up from 30% in FY13. Post acquisition of Sandoz' US dermatology and oral solid businesses, Aurobindo will become the second largest generic player in the US by number of prescriptions.

► **Concall highlights:** The management has maintained guidance for US\$150-200 million of debt reduction for FY20, despite significant debt reduction in Q1. Net debt repayment during the quarter was ~US\$131 million. The company has filed 12 ANDAs with the USFDA including three injectables in Q1FY20. It has launched (including Eugia) 15 products including four injectables during the quarter. The management has guided for ~40 launches for 9MFY20. Net organic capex for the quarter was ~US\$47 million. The management has maintained 8-10% revenues growth guidance for European business (constant currency).

► **Valuation:** Aurobindo Pharma is trading at a P/E valuation of 14.8x PE with the target price of Rs. 690.

Source: Company, ACE Equity, Dealmoney Research

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