



DealMoney

World-Class Financial Services

SECTOR OF THE MONTH

Pharmaceuticals



PICKS OF THE MONTH

#GLENMARK LTD

#AUROPHARMA LTD

Sector of the Month: Pharma

India is leading pharma producer

India is a prominent and rapidly growing presence in global pharmaceuticals. It is the largest provider of generic medicines globally, occupying a 20% share in global supply by volume, and also supplies 50% of global demand for vaccines. India ranks 3rd worldwide for production by volume and 13th by value, thereby accounting for around 10% of world's production by volume and 1.5% by value. It supplies over 40 per cent of generic demand in the US and 25 per cent of all medicine in UK. India's pharmaceutical exports stood at US\$ 13.69 billion in FY20 (up to January 2020). The exports are expected to reach US\$ 22 billion by 2020. Indian pharmaceutical sector is expected to grow at a CAGR of 22.4 per cent in the near future and medical device market expected to grow US\$ 25 billion by 2025. India is the second largest contributor of global biotech and pharmaceutical workforce.

India is the source of 60,000 generic brands across 60 therapeutic categories and manufactures more than 500 different Active Pharmaceutical Ingredients (APIs). The Department of Pharmaceuticals aims to make the country a hub for end-to-end drug discovery under its 'Pharma Vision 2020'.

Advantage India

- From 2018-19, India's pharmaceuticals exports were worth US\$ 19.13 billion with a growth of 10.72 cent over \$17.28 billion in pharma exports last year
- Third largest Pharmaceuticals market by 2020 in terms of incremental growth
- The cost of manufacturing in India is approximately 33% lower than that of the US

Important Segments in Indian Pharmaceutical Sector



Source: Ace equity, IBEF, Dealmoney research

Annual Turnover of Indian Pharmaceutical Market (US\$ billion)



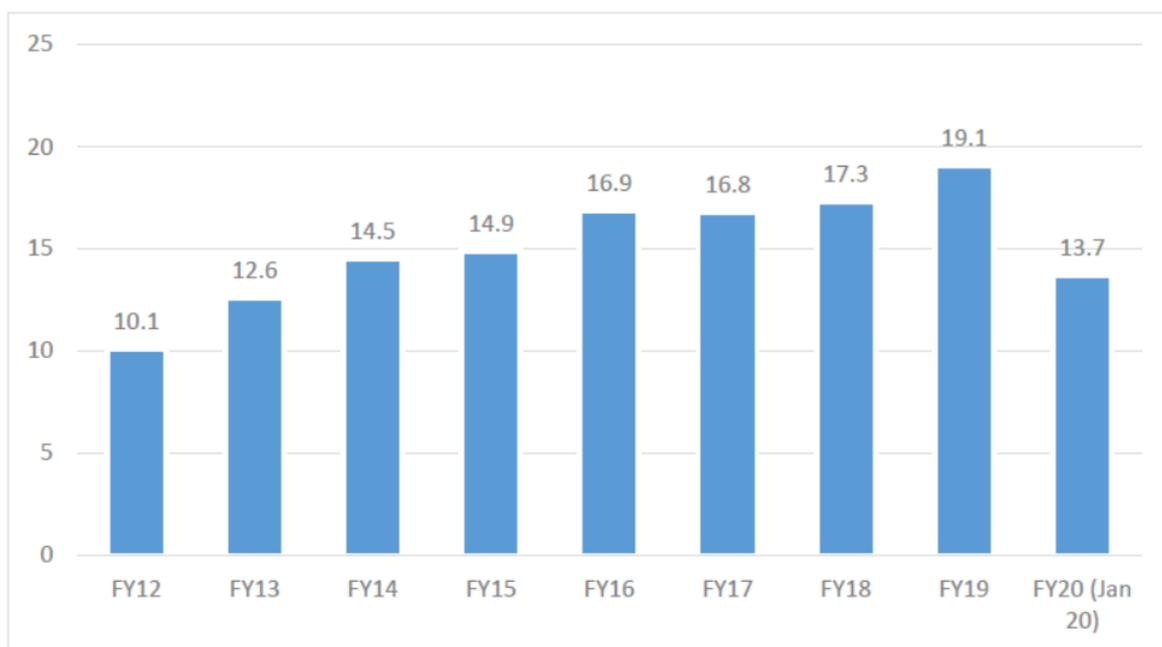
Quarterly Growth in Indian Pharma Market (%)



- India's domestic pharmaceutical market turnover reached Rs 1.4 lakh crore (US\$ 20.03 billion) in 2019, growing 9.8 per cent year-on-year (in Rs) from Rs 129,015 crore (US\$ 18.12 billion) in 2018.
- Medicine spending in India is projected to grow 9-12 per cent over the next five years, leading India to become one of the top 10 countries in terms of medicine spending.
- India's cost of production is significantly lower than that of the US and almost half of that of Europe. It gives a competitive edge to India over others

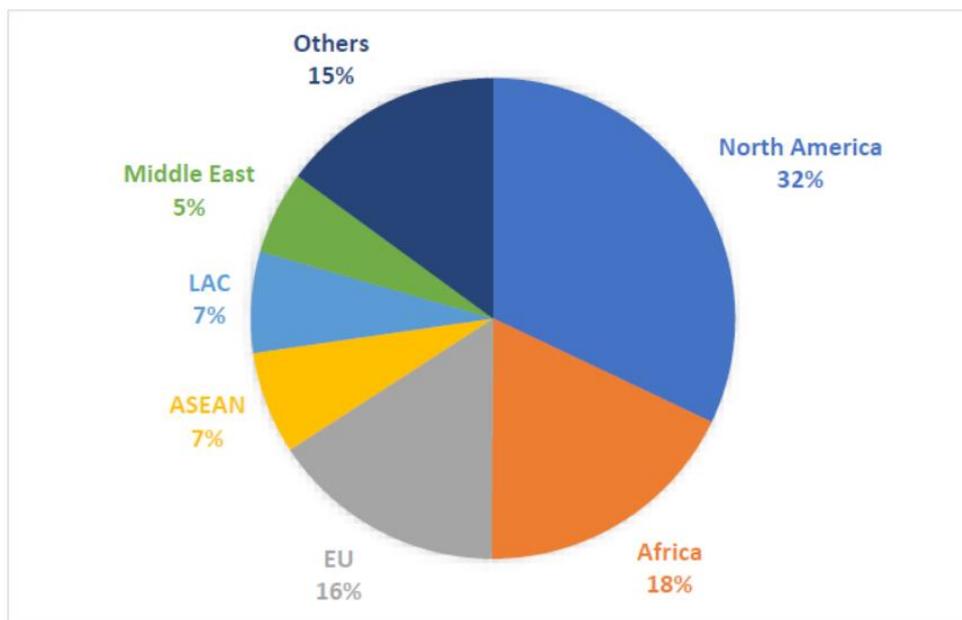
Pharma export to continue to grow

Pharmaceutical Exports from India (US\$ billion)



Source: Ace equity, IBEF, Dealmoney research

Major Export Destinations in India's Pharma Export in FY19 (%)

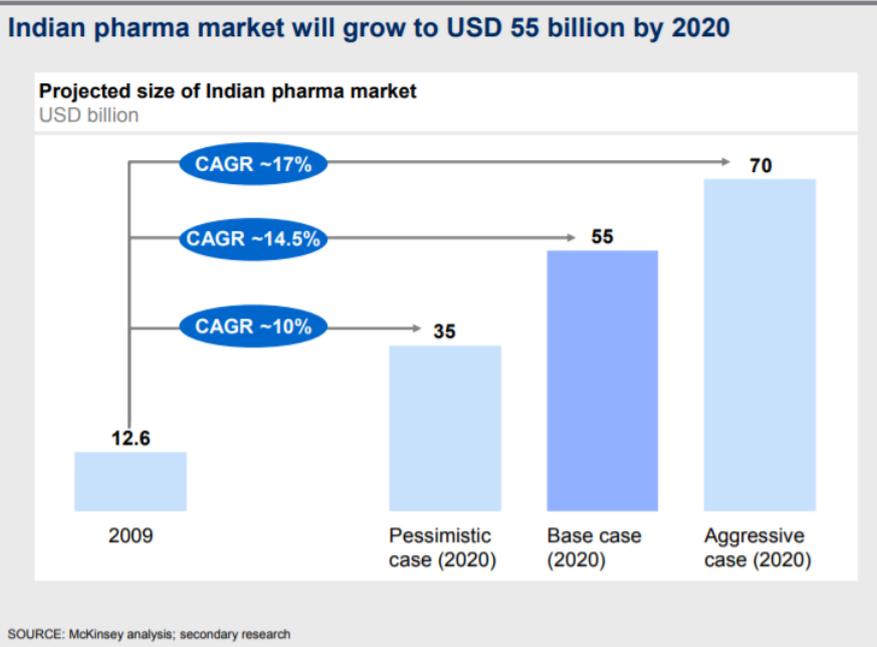


India is the world's largest provider of generic medicines; the country's generic drugs account for 20 per cent of global generic drug exports (in terms of volumes). Indian drugs are exported to more than 200 countries in the world, with the US as the key market. Indian pharma companies are capitalising on export opportunities in regulated and semi-regulated markets. Pharmaceutical exports from India, which include bulk drugs, intermediates, drug formulations, biologicals, Ayush & herbal products and surgicals reached US\$ 19.14 billion in FY19 and US\$ 13.7 billion in FY20 (up to Jan 2020). The pharma export is estimated to touch US\$ 22 billion in FY20.

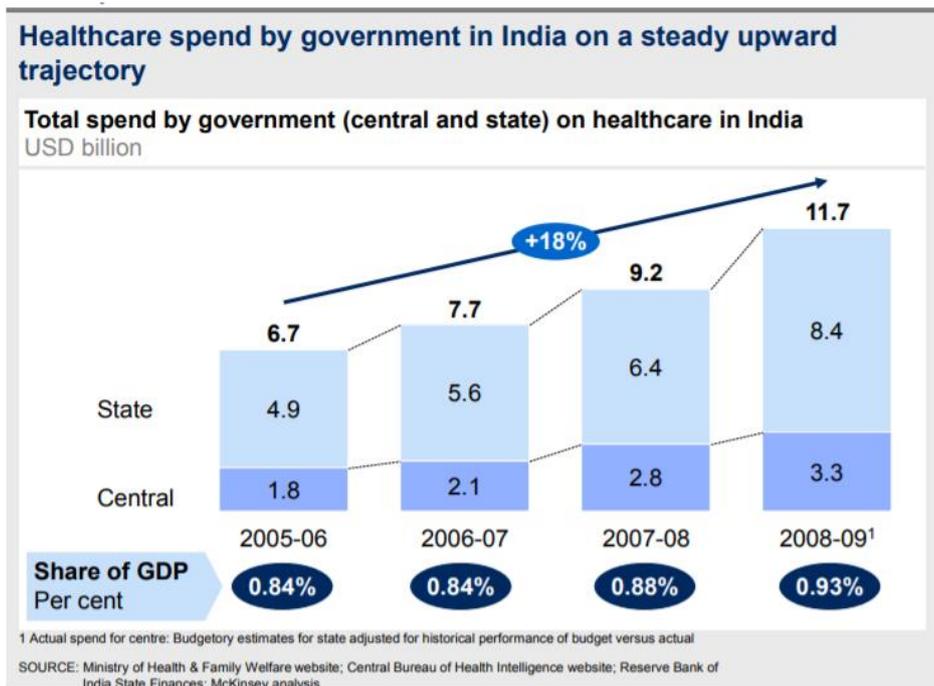
Has a potential to be a USD 55 Billion market by 2030

From a market size of USD 12.6 billion in 2009, the Indian pharmaceutical market will grow to USD 55 billion by 2020, with the potential to reach USD 70 billion in an aggressive growth scenario. In a pessimistic scenario characterised by regulatory controls and economic slowdown, the market will be depressed and is expected to reach USD 35 billion. With market diversity on the rise, the drivers of growth have proliferated and become more nuanced. We identified 11 drivers of growth grouped under four dimensions: epidemiological factors, increasing affordability, enhanced accessibility, and rising acceptability. Firstly, population growth at around 1.3 per cent every year and a steady rise in disease prevalence will increase the patient pool by nearly 20 per cent by 2020. Second, the affordability of drugs will rise due to sustained growth in incomes and increases in insurance coverage.

Source: Ace equity, IBEF, Dealmoney research



Government spending in healthcare will increase significantly. It has been growing at 18 per cent annually since 2005 to 2006, and is translating into a higher level of access in Tier-II and rural markets. In addition, this will create a USD 4.5 billion segment of pharmaceutical products within the government’s public health spending.



Source: Ace equity, IBEF, Dealmoney research

Limited Impact of Covid-19 on Indian Pharma Sector

Indian pharmaceuticals market is likely to grow 3%-5% in size during FY20-21, despite the COVID-19 related lock-down and there would be monthly revenue improvements from June 2020, says India Ratings and Research (Ind-Ra).

The seasonality in the Indian domestic business will support the recovery. Together with continuous rise in the number of COVID-19 cases in India will result in further volume growth in related therapies. Furthermore, pharma companies' large cash balances and sufficient headroom under debt covenants along with diversified funding sources will mitigate any impact of the ongoing lock-down.

The COVID-19 impact on the pharma sector has been less pronounced than observed in the other sectors, as pharmaceuticals fall under the essential service category and sector companies are exempt from the restrictions under the nationwide lock-down.

Additionally, to avoid drug shortages, the government of India has removed the roadblocks in the movement of pharma products and ancillary supplies as well as employees engaged, thus aiding overall supplies. "Pharma companies with exposure to chronic therapies will witness a lower impact than the companies with exposure acute therapies as patients are curtailing their visits to doctors," Ind-Ra says.

Manufacturing volumes after declining to 50%-60% in April 2020, given the strict lock-down, has improved significantly to 60%-80% of the original capacities during May-June 2020, as per industry interactions of Ind-Ra. The overall manufacturing activities had reduced, given the lack of manpower availability and lower availability of transportation for the staff in the initial days, it added. However, according to Ind-Ra, logistics remains a big challenge for pharma companies during the COVID-19 pandemic.

Ind-Ra also expect price hike by most pharma players in coming days. It says, "Companies may take price hikes on non-DPCO (drug price control order) products up to 8%, unlike the earlier average price hike of 5% (max limit 10%) due to an increase in raw material cost and the additional cost incurred towards raw materials, logistics and manpower. **The annual price hikes by companies are generally taken during 1Q. The same is likely to result in improved profitability and cash flows.**

Source: Ace equity, IBEF, Dealmoney research

Impact of Covid-19 on Nifty 100 Q4FY20 Results

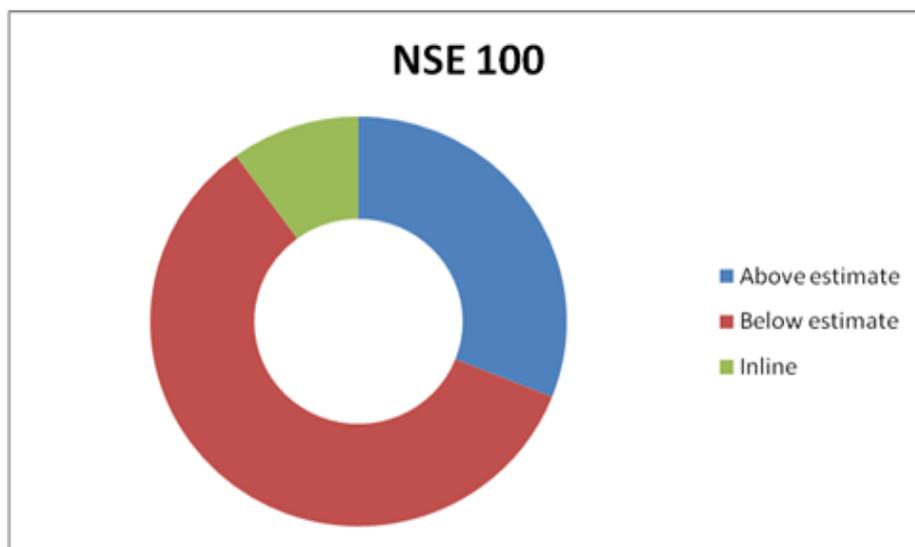
Company Name	Sales Growth YoY	EBITDA Growth	Profit Growth YoY	EBITDA Margin	Profit Margin	EBITDA Margin	Profit Margin	Sector
	(%)	YoY (%)	(%)	Q4FY20	Q4FY20	Variance (bps) YoY	Variance (bps) YoY	
United Breweries Ltd.	-10%	-23%	-39%	4.3%	1.3%	-69	-64	Alcohol
United Spirits Ltd.	-12%	-13%	-57%	3.9%	0.8%	-5	-83	Alcohol
Bajaj Auto Ltd.	-9%	2%	-8%	18.9%	18.2%	197	16	Automobile & Ancillaries
Bosch Ltd.	-18%	-34%	-80%	15.3%	3.6%	-380	-1156	Automobile & Ancillaries
Eicher Motors Ltd.	-11%	-37%	-32%	19.7%	14.5%	-811	-455	Automobile & Ancillaries
Hero MotoCorp Ltd.	-20%	-38%	-18%	10.8%	9.9%	-314	33	Automobile & Ancillaries
Mahindra & Mahindra Ltd.	-26%	-39%	-371%	12.0%	-9.0%	-272	-1150	Automobile & Ancillaries
Maruti Suzuki India Ltd.	-17%	-32%	-29%	9.0%	7.4%	-192	-118	Automobile & Ancillaries
Motherson Sumi Systems Ltd.	-12%	11%	-65%	8.7%	1.0%	178	-144	Automobile & Ancillaries
Tata Motors Ltd.	-28%	-91%	-938%	1.1%	-15.6%	-825	-1696	Automobile & Ancillaries
Interglobe Aviation Ltd.	5%	-122%	-246%	-1.6%	-10.5%	-907	-1805	Aviation
Axis Bank Ltd.	9%	7%	-175%	68.8%	-7.6%	-164	-1869	Bank
Bandhan Bank Ltd.	55%	63%	-21%	76.8%	18.2%	367	-1734	Bank
Bank Of Baroda	35%	34%	-159%	73.4%	2.5%	-57	828	Bank
HDFC Bank Ltd.	13%	12%	16%	72.1%	22.9%	-94	45	Bank
ICICI Bank Ltd.	11%	148%	6%	5.6%	7.4%	309	-41	Bank
IndusInd Bank Ltd.	23%	23%	-12%	70.9%	4.3%	-28	-173	Bank
Kotak Mahindra Bank Ltd.	6%	216%	-4%	48.5%	23.1%	3222	-249	Bank
Punjab National Bank	9%	11%	-87%	76.6%	-4.2%	158	3187	Bank
State Bank Of India	0%	-9%	194%	45.2%	6.9%	-467	456	Bank
Havells India Ltd.	-20%	-22%	-11%	11.0%	8.0%	-40	79	Capital Goods
Siemens Ltd.	-21%	-43%	-38%	8.6%	6.4%	-327	-177	Capital Goods
Asian Paints Ltd.	-7%	-3%	-1%	18.5%	10.3%	79	60	Chemicals
Berger Paints India Ltd.	-8%	-8%	-5%	15.4%	7.8%	6	27	Chemicals
Pidilite Industries Ltd.	-6%	8%	-34%	19.5%	10.1%	247	-423	Chemicals
UPL Ltd.	31%	47%	162%	17.1%	6.8%	195	342	Chemicals
Ambuja Cements Ltd.	-9%	19%	7%	19.1%	11.8%	447	171	Construction Materials
Shree Cement Ltd.	-2%	18%	57%	30.9%	15.7%	534	591	Construction Materials
Ultratech Cement Ltd.	-13%	-4%	204%	22.7%	30.2%	219	2155	Construction Materials
Bharat Petroleum Corporation Ltd.	-3%	-110%	-167%	-0.7%	-2.5%	-750	-623	Crude Oil
Hindustan Petroleum Corporation Ltd.	-2%	-106%	-83%	-0.5%	0.7%	-771	-335	Crude Oil
Indian Oil Corporation Ltd.	-3%	-127%	-259%	-2.2%	-6.4%	-991	-1029	Crude Oil
Oil & Natural Gas Corporation Ltd.	-7%	-79%	-223%	3.5%	-6.6%	-1214	-1153	Crude Oil
Reliance Industries Ltd.	-2%	3%	-37%	15.6%	4.7%	80	-255	Crude Oil
Titan Company Ltd.	-4%	37%	-1%	13.3%	7.4%	397	21	Diamond & Jewellery
Grasim Industries Ltd.	-11%	-17%	66%	20.6%	11.4%	-136	534	Diversified
Bajaj Finance Ltd.	37%	4%	-19%	54.4%	13.2%	-1733	-922	Finance
Bajaj Finserv Ltd.	3%	-15%	-62%	53.2%	8.3%	-1101	-1427	Finance
Bajaj Holdings & Investment Ltd.	10%	52%	-525%	81.3%	-120.6%	2271	-15174	Finance
HDFC Asset Management Company Ltd.	-2%	4%	-10%	78.1%	52.5%	471	-430	Finance
Housing Development Finance Corporation Ltd.	3%	-4%	0%	91.9%	22.4%	-691	-75	Finance
Muthoot Finance Ltd.	27%	30%	52%	77.2%	32.1%	190	542	Finance
Power Finance Corporation Ltd.	13%	-12%	-79%	74.5%	4.3%	-2146	-1929	Finance
SBI Cards And Payment Services Ltd.	24%	-32%	-66%	17.2%	3.6%	-1395	-973	Finance
Shriram Transport Finance Company Ltd.	8%	-11%	-70%	61.2%	5.4%	-1323	-1402	Finance
Britannia Industries Ltd.	2%	4%	26%	16.2%	13.3%	38	260	FMCG
Colgate-Palmolive (India) Ltd.	-7%	-15%	3%	24.7%	19.2%	-233	198	FMCG
Dabur India Ltd.	-12%	-23%	-24%	18.9%	15.1%	-260	-234	FMCG

Source: Ace Equity, Dealmoney Research

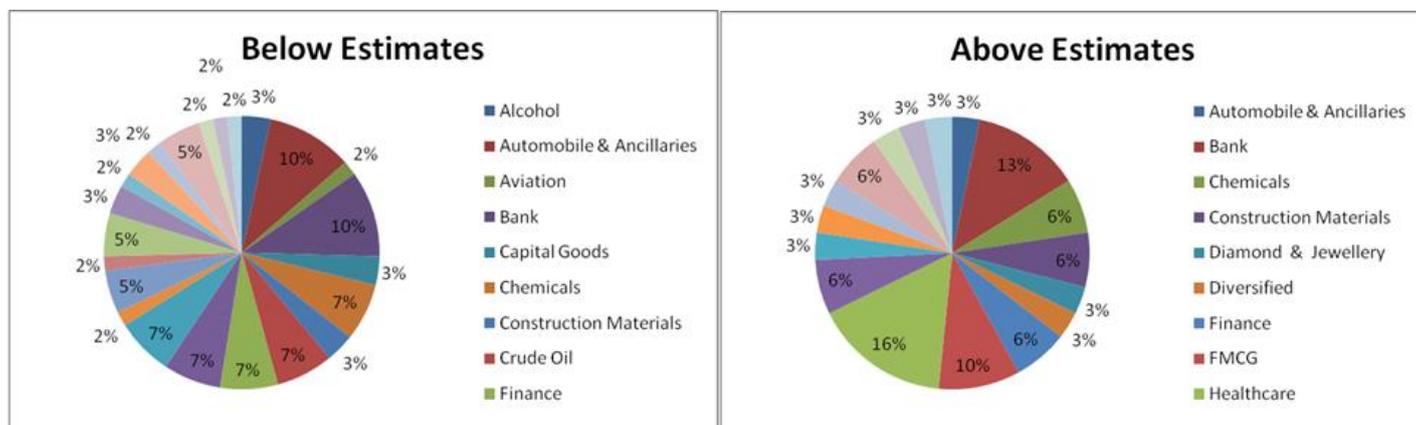
Company Name	Sales Growth YoY	EBITDA Growth	Profit Growth YoY	EBITDA Margin	Profit Margin	EBITDA Margin	Profit Margin	Sector
	(%)	YoY (%)	(%)	Q4FY20	Q4FY20	Variance (bps) YoY	Variance (bps) YoY	
Godrej Consumer Products Ltd.	-12%	-18%	-75%	22.3%	10.8%	-144	-2769	FMCG
Hindustan Unilever Ltd.	-10%	-12%	-3%	23.1%	16.7%	-70	108	FMCG
ITC Ltd.	-5%	-7%	9%	36.2%	31.5%	-79	405	FMCG
Marico Ltd.	-7%	-4%	-50%	18.9%	13.4%	58	-1174	FMCG
Nestle India Ltd.	11%	5%	14%	24.0%	15.9%	-124	38	FMCG
Procter & Gamble Hygiene & Health Care Ltd.	-6%	-13%	1%	19.0%	13.9%	-156	100	FMCG
Abbott India Ltd.	6%	-9%	-2%	14.4%	11.5%	-247	-94	Healthcare
Aurobindo Pharma Ltd.	17%	24%	48%	21.7%	14.3%	138	306	Healthcare
Biocon Ltd.	3%	-21%	-34%	20.2%	10.6%	-621	-606	Healthcare
Cadila Healthcare Ltd.	0%	-2%	-14%	21.8%	11.4%	-59	-184	Healthcare
Cipla Ltd.	1%	-34%	-35%	14.7%	5.6%	-777	-311	Healthcare
Divis Laboratories Ltd.	10%	7%	33%	32.0%	27.9%	-88	489	Healthcare
Dr. Reddys Laboratories Ltd.	16%	16%	75%	21.9%	17.8%	4	604	Healthcare
Lupin Ltd.	0%	-33%	52%	13.9%	10.3%	-661	354	Healthcare
Piramal Enterprises Ltd.	-2%	-105%	-659%	-2.9%	-76.5%	-5976	-8991	Healthcare
Sun Pharmaceutical Industries Ltd.	15%	34%	-32%	16.9%	6.1%	244	-414	Healthcare
Torrent Pharmaceuticals Ltd.	5%	16%	-307%	28.7%	16.4%	270	2477	Healthcare
GAIL (India) Ltd.	-6%	62%	207%	15.8%	23.2%	664	1607	Inds. Gases & Fuels
Indraprastha Gas Ltd.	1%	14%	14%	22.0%	14.2%	255	167	Inds. Gases & Fuels
Petronet LNG Ltd.	2%	11%	-18%	8.1%	4.2%	66	-106	Inds. Gases & Fuels
Larsen & Toubro Ltd.	2%	-3%	-12%	15.9%	7.4%	-78	-116	Infrastructure
General Insurance Corporation of India Ltd.	44%	785%	36%	-14.3%	16.4%	-1201	-88	Insurance
HDFC Life Insurance Co Ltd.	2%	-374%	-15%	98.8%	3.0%	13561	-58	Insurance
ICICI Lombard General Insurance Co Ltd.	7%	120%	24%	-10.8%	12.0%	-554	166	Insurance
ICICI Prudential Life Insurance Company Ltd.	4%	-408%	-32%	174.0%	1.7%	23289	-89	Insurance
SBI Life Insurance Company Ltd.	5%	-291%	16%	61.2%	4.5%	9471	43	Insurance
JSW Steel Ltd.	-20%	-33%	-86%	16.9%	1.2%	-339	-576	Iron & Steel
Tata Steel Ltd.	-20%	-38%	-158%	14.1%	-4.0%	-410	-962	Iron & Steel
HCL Technologies Ltd.	16%	35%	24%	26.1%	17.1%	366	112	IT
Info Edge (India) Ltd.	8%	6%	9%	28.0%	78.0%	-45	62	IT
Infosys Ltd.	8%	10%	6%	24.4%	18.6%	49	-30	IT
Oracle Financial Services Software Ltd.	4%	8%	-17%	44.7%	21.3%	178	-553	IT
Tata Consultancy Services Ltd.	5%	9%	-1%	27.5%	20.3%	97	-119	IT
Tech Mahindra Ltd.	7%	-31%	-37%	11.9%	7.6%	-652	-534	IT
Wipro Ltd.	5%	-4%	-6%	19.9%	14.9%	-187	-171	IT
Adani Ports and Special Economic Zone Ltd.	-5%	-67%	-74%	21.9%	11.8%	-4078	-3084	Logistics
Container Corporation Of India Ltd.	-14%	2%	-9%	30.4%	19.8%	493	106	Logistics
Zee Entertainment Enterprises Ltd.	-3%	-197%	-361%	-28.8%	-39.1%	-5744	-5356	Media & Entertainment
Coal India Ltd.	-4%	-18%	-23%	26.3%	18.1%	-457	-451	Mining
NMDC Ltd.	-13%	-29%	-76%	46.7%	10.9%	-1070	-2896	Mining
Hindalco Industries Ltd.	-13%	12%	-43%	13.1%	2.3%	290	-122	Non - Ferrous Metals
Hindustan Zinc Ltd.	-20%	-30%	-33%	45.5%	31.0%	-635	-638	Non - Ferrous Metals
Adani Transmission Ltd.	25%	25%	-97%	34.1%	0.1%	-10	-541	Power
NHPC Ltd.	1%	-36%	353%	32.8%	6.7%	-1900	523	Power
NTPC Ltd.	27%	50%	-103%	27.6%	-1.1%	426	-4995	Power
Power Grid Corporation Of India Ltd.	6%	5%	-73%	83.8%	22.6%	-119	-6617	Power
DLF Ltd.	-32%	-41%	-1161%	18.7%	-120.2%	-265	-12791	Realty
Avenue Supermarts Ltd.	24%	12%	42%	6.7%	4.3%	-68	55	Retailing
Bharti Airtel Ltd.	15%	54%	-1040%	42.9%	-21.4%	1077	-2398	Telecom
Bharti Infratel Ltd.	0%	14%	18%	51.3%	24.1%	626	357	Telecom
Page Industries Ltd.	-11%	-51%	-59%	10.7%	5.7%	-895	-660	Textile

Source: Ace Equity, Dealmoney Research

Q4FY20 Result Snapshot of Nifty 100



Sectors performance



- March quarter results were muted given the lockdown that was declared by the government across the nation. This lockdown halted the movement of goods given the outbreak of COVID-19 gripped globally. Benchmark index Nifty dipped further from 11,400 mark more sharply in the March month to 7,600 level.
- Sector wise leading Healthcare (Pharma) and ITs (Information Technology) were showing atleast single digit growth during the March quarter while majority of the sectors showed sign of weakness.
- Pharma companies were witnessing the rise in demand in the pandemic due to higher medical emergencies. Higher focus was put on research and vaccines trial for the Covid-19.
- Further, large IT companies were able to guard their numbers mainly because of customer retention and smooth transition and easier availability of resources for Work-from-home culture.
- Sentiment was weaker on the Auto and commodity side as the volume fell drastically. Prices of the commodity like metals and crude oil prices soften which made the margins tighter. Auto and Ancillaries were already facing the heat due to weaker consumer sentiment. All eyes and hopes were leaned on the better than expected monsoon.

Source: Ace Equity, Dealmoney Research

- OMCs (Oil marketing companies) inventory reported the sharpest declines as the WTI crude prices saw the worst correction on the account of the lack of demand for the crude oil in the lockdown in the world's developed and emerging economies.
- FMCGs companies posted muted number despite the trend being in their favour mainly restriction in the movement of goods. However, management commentary in the FMCG sounded positive and encouraging as the demand for the daily necessities items like biscuits, flour, and hygienic products like soaps and sanitizers, etc.
- On the other hand, cement companies were posting strong operating margin improvements despite lower volumes which were taken care by higher realizations. Capital goods delivered muted performance as the execution was taken hit owing to lack of availability of labour due to COVID-19 and supply chain disruption.
- Last but not the least banking and NBFC sector, backbone of Indian economy increased their provision for survival in the tough phase of COVID-19 and moratorium was given to large and mid-sized lender which account for 20-30% and 35-70% respectively. However, given muted economic activity and increased risk aversion, asset quality pains cannot be ruled out.

Source: Ace Equity, Dealmoney Research

Pick of the Month (Glenmark Pharmaceuticals Ltd.): **CMP: 452**

Target: 551

Glenmark Pharmaceuticals Limited is a global pharmaceutical company. The Company is engaged in the development of new chemical entities (NCEs) and new biological entities (NBEs). Its segments are India, United States, Latin America, Europe and Rest of the World (ROW). It has approximately seven molecules, over two NCEs and approximately five NBEs in various stages of pre-clinical and clinical development. It is focused on developing and marketing branded and generic formulations. It focuses on manufacturing products across therapeutic areas of dermatology, respiratory and oncology. Its active pharmaceuticals ingredients (API) business spans over 80 countries, including regulated markets of the United States, Europe, Japan and Canada.

Q4FY20 Quarter result: Company recorded revenue of Rs. 2,767cr (+8.0% YoY) in Q4FY20, driven by robust growth in India, Europe, Latin America and API segment, only partially offset by de-growth in US and RoW segment. EBITDA rose 27.9% YoY to Rs. 466cr, as margin improved 280bps to 17.2%, led by lower operating expenses and better product mix. R&D expenditure stood at Rs. 350cr (12.6% as a percentage of sales). Adjusted PAT grew 17.2% YoY to Rs. 190cr vs. Rs. 162cr in Q4FY19.

Gearing up for further growth: Company has launched Favipiravir antiviral drug (approved by DCGI) for mild to moderate Covid-19 patients and also initiated combined study of two antiviral drugs Favipiravir and Umifenovir. Company signed an agreement with HUL for dis-investment of VWash and extension business and would receive upfront amount and certain % of sales for next 3 years. Also, Company entered into an agreement with Hikma for commercialization of Ryaltris™ (to receive upfront payment and royalty), Following this, company has already signed licensing deal to manufacture Ryaltris™ in China, Australia, New Zealand and South Korea. Glenmark continued to strengthen its pipeline with approval of 14 ANDAs (12 finally and 2 tentative approved) in FY20.

Valuation: With slew of product launches lines up and strong growth in key segments along with improved margins. We recommend a buy at the CMP Rs. 452 with the price target of Rs.551

NSE/BSE Code	GLENMARK / 532296
Sector	Healthcare
Industry	Pharmaceuticals & Drugs
Face value/Book Value (Rs.per share)	1 / 468.7
Dividend yield(%)	0.6
52H/L(Rs.)	573 / 168
Market Cap.(Rs.mn)	1,27,540
Shares Outstanding (mn)	282.20

(InRs.Cr)	FY17	FY18	FY19	FY20
Net Sales	90,794	90,744	98,655	1,03,972
Sales Growth	20.10%	-0.10%	8.70%	5.40%
EBITDA	20,367	16,154	15,858	16,981
EBITDA Margin	22.40%	17.80%	16.10%	16.30%
PAT	11,088	8,039	9,250	7,760
NPM%	12.20%	8.90%	9.40%	7.50%
Adj.EPS(Rs.)	39.3	28.5	32.8	27.5

	FY17	FY18	FY19	FY20
P/E(x)	11.5	15.9	13.8	16.4
P/B(x)	2.8	2.5	2.3	2.1
EV/Sales(x)	1.7	1.7	1.6	1.5
EV/EBITDA(x)	7.8	9.8	10	9.3
ROCE(%)	20.5%	14.80%	16.50%	12.10%
ROE(%)	27.30%	16.70%	17.20%	12.80%

Quarterly Earnings	Q4FY20	Q3FY20	Q-o-Q %	Q4FY19
Net Sales	2,711.3	2,638.6	2.8	2,526.1
Total Expenditure	2,301.8	2,295.5	0.3	2,199.3
PBIDT (Excl OI)	465.7	440.1	5.8	364.1
PAT	220.3	190.8	15.4	161.7
PBIDTM% (Excl OI)	16.8	16.1	4.6	14.2
PBIDTM%	18.4	17.3	6.5	15.7
PATM%	8.0	7.0	14.0	6.3
Adj. EPS(Rs)	7.8	6.8	15.5	5.7

Source: Ace equity, IBEF, Dealmoney research

Pick of the Month (Aurobindo Pharma Ltd.):

CMP: 875

Target: 990

Aurobindo Pharma Limited is a pharmaceutical company. The Company is engaged in producing oral and injectable generic formulations and active pharmaceutical ingredients (APIs). Its product portfolio is spread over seven therapeutic/product areas, including antibiotics, anti-retrovirals, cardiovascular, central nervous system, gastroenterologicals, anti-allergies and anti-diabetics. It is engaged in developing a range of oncology and hormonal products. It is also developing inhalation and dermatology products, such as pressurized metered-dose inhaler (pMDI). It markets its products through chain stores in the United States.

Posted a strong revenue in Q4FY20: 4QFY20 revenue at Rs61,584mn is up 4.5% QoQ. The Formulations business grew by 23.5% YoY and 5.8% QoQ, led by strong performance in Europe (up 12% QoQ). Revenue growth came along with gross margin expansion of 300bps (QoQ), which was driven by low cost inventory and higher realizations. PAT was Rs8,498mn, up 29.7% on revenue growth, better operating margins, and a lower tax rate.

Going Ahead: The company does expect about 50 new launches in the US in FY21, which may add about low single digit growth to the US revenue base. Auro has also initiated efforts to build a complex pipeline and invest in inhalers, transdermals, biosimilars and vaccine, which should allow meaningful growth on the current base. Turnaround in Apotex and continuous effort to better margins in the EU business would further boost overall profitability. Aurobindo intends to be net debt free by FY22 v/s the earlier guidance for FY23

Regulatory view: Aurobindo has completed CAPA and updated the USFDA recently for Unit-7. Aurobindo has completed remediation, including consultant certifications for units 1, 9, and 11. Aurobindo has requested for a desktop review for Unit-11

Outlook: With new lunches lined up with increased market share in key markets such as US and EU. With management confident that covid will have limited impact and believes that its momentum in US will continue to sustain. It is trading at an TTM FY21 of 18x which is relatively cheaper than its peers. We recommend buy on Aurobindo Pharma Ltd. with a price target of Rs. 990.

NSE / BSE Code	AUROPHARMA / 524804
Sector	Healthcare
Industry	Pharmaceuticals & Drugs
Face value / Book Value (Rs per share)	1 / 222.3
Dividend yield (%)	0.3
52 H/L (Rs.)	881 / 281
Market Cap. (Rs. mn)	5,12,110
Shares Outstanding (Cr)	585.90

(In Rs.Mn)	FY17	FY18	FY19	FY20
Net Sales	1,49,095	1,64,630	1,95,636	2,27,380
Sales Growth	8.10%	10.40%	18.80%	16.20%
EBITDA	34,343	37,718	39,519	48,246
EBITDA Margin	23.00%	22.90%	20.20%	21.20%
PAT	22,962	24,198	23,618	28,447
NPM%	15.40%	14.70%	12.10%	12.50%
Adj. EPS (Rs.)	39.3	41.4	40.4	48.3

	FY17	FY18	FY19	FY20
P/E (x)	22.3	21.2	21.7	18
P/B (x)	5.5	4.4	3.7	3
EV/Sales(x)	3.7	3.4	2.8	2.4
EV/EBITDA(x)	16.1	14.7	14	11.5
ROCE(%)	24.90%	22.70%	18.00%	16.90%
ROE(%)	27.60%	23.00%	18.50%	23.00%

Quarterly Earnings	Q4FY20	Q3FY20	Q-o-Q %	Q4FY19
Net Sales	6,063.4	5,799.4	4.6	5,202.0
Total Expenditure	4,842.2	4,687.0	3.3	4,234.7
PBIDT (Excl OI)	1,316.2	1,208.0	9.0	1,057.5
PAT	868.3	706.0	23.0	585.7
PBIDTM% (Excl OI)	21.4	20.5	4.3	20.0
PBIDTM%	21.9	21.0	4.2	20.6
PATM%	14.1	12.0	17.7	11.1
Adj. EPS(Rs)	14.5	12.0	20.4	10.0

Source: Ace equity, IBEF, Dealmoney research

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