



ARBP reported Q1FY21 numbers ahead of our estimates. Revenue at Rs 59bn increased by 9% YoY while declined 4% QoQ. The US business delivered well ahead of estimates at US\$ 412mn as injectable segment was expected to underperform due to pandemic however injectable have shown early signs of recovery and Q2 is expected to be better than Q1. ARV business better while API business remained subdued (as antidiabetic demand was weak). The gross margins were sustaining at Q4 level despite the lower injectable revenues while EBITDA margins at 21.5% (adjusted for provisions 22.5%). We maintain our positive outlook given the steady US pricing and planned 50 launches in US also more capacity in injectable coming from Q4. The upcoming niche and differentiated product launches. Established base business with consistently improving cash flows and regular debt reduction would mean Net-cash by end FY21E. We maintain Buy rating and increase the multiple in-line with peers to 17.5x FY22E, target price of Rs 1,190. Multiple upgrade has been focused on free cash generation, debt repayments and better earnings profile.

Strong cash flows consistently directed towards net-debt reduction US\$168mn

Company generated operating cash flow of US\$ 217mn with improving working capital management. Total debt at the end of Jun20 stood at US\$ 633mn Vs US\$733mn at Mar20. The cash on books stood at US\$441mn taking the net debt to US\$ 191mn Vs US\$ 359mn at Mar20. The free cash of US\$ 168mn generated during the quarter. We expect the company to be net cash company by FY21EVs management expectation of FY22E.

US business supported by demands at Oral Solids and Natrol

US reported sales at US\$412mn increased 6.4%YoY on constant currency basis while remained flat QoQ. The US sales were steady as strong support from Natrol (US\$ 52mn, up 32% YoY) and Oral solids (US\$275mn, up 13% YoY) subsided the lower sales from injectable. The oral solids also received some product related benefits driven by Covid-19 related portfolio demands. Spectrum speciality business was less impacted amid pandemic at US\$ 26mn, declined 6% YoY. Management expect the Q2 to be better than Q1, July month has been better in terms of pick-up. Market opportunity for Covid-19 vaccine and pneumococcal Vaccine looks interesting. This quarters other income includes some grants for development of Vaccines.

Forward purchasing in Q4 impacted EU while ARV sales searing with TLD

We expect the European sales to be better in Q2 considering the pandemic relief in the region. Also, management indicated that profitability of the segment was impacted due to lower sales in Q1 which should normalise going ahead to double digits. ARV segment has been benefiting with early mover advantage in TLD and supplies of single dose DTG and TLD in SA.

Valuation

The improved compliance status of the company – Management has completed the CAPA for unit IX, XI and I and submitted e-audit request awaiting clarity from USFDA, Unit VII also the CAPA is completed and awaiting USFDA guidance one the way forward. The management continues to look for ways to deploy cash better however at this point in time company has most of the R&D basket covering all niche areas of filings. Hence, any acquisition could be mostly on branded side on product specific basis. The earnings have been upgraded by 4% and 5% to reflect the improving earnings for FY21E/FY22E, respectively. We have achieved our earlier target as per the Lionheart series, and now move to multiple based on FY22E earnings. We continue to maintain BUY and have upgraded earnings multiple to 17.5x FY22E in-line with peer with our target price at Rs 1,190. The stock at CMP of Rs 865 trades at 15x FY21E EPS of Rs57.7 and 12.8x FY22E EPS of Rs 67.7

Financial and valuation summary

YE Mar (Rs mn)	Q1FY21	Q1FY20	YoY(%)	Q4FY20	QoQ(%)	FY20	FY21E	FY22E
Revenue	58,352	53,568.0	8.9%	60,634	-3.8%	230,985	253,703	280,587
EBITDA	12,574	11,464.3	9.7%	13,162	-4.5%	48,246	56,621	65,731
EBITDA margin (%)	21.5%	21.4%	110bps	21.7%	(20)bps	20.9%	22.3%	23.4%
Adj. net profit	7,807	6,357.0	22.8%	8,490	-8.0%	28,295	33,813	39,693
Diluted EPS Rs.	13.34	10.86	22.8%	14.51	-8.0%	48.3	57.7	67.7
P/E (x)						17.9	15.0	12.8
EV/EBIDTA (x)						11.1	9.1	7.4
RoE (%)						18.4	18.7	18.8

Source: Company, Centrum Research estimates

Buy

Target Price: Rs1190

Price: Rs865

Forecast return: 38%

Market Data

Bloomberg:	ARBP IN
52 week H/L:	Rs968/281
Market cap:	Rs506bn
Shares outstanding:	586mn
Free float:	41.9%
Avg. daily vol. 3mth:	5006541

Source: Bloomberg

Changes in the report

Rating:	Unchanged
Target Price:	Rs 1190 from Rs 890
Earnings estimates:	FY21E +4%, FY22E +5%

Source: Centrum Research

Aurobindo relative to Nifty 50



Source: Bloomberg

Shareholding pattern

	Jun-20	Mar-20	Dec-19	Sep-19
Promoter	52.0	52.0	51.9	51.9
FIIs	22.6	22.3	21.4	22.0
DIIIs	12.3	12.0	12.9	12.8
Public/oth	13.1	13.7	13.8	13.4

Source: BSE



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Thesis Snapshot

Estimate revisions

YE Mar (Rs mn)	FY21E New	FY21E Old	% chg	FY21E New	FY22E Old	% chg
Sales	2,53,703	2,53,703	0.0%	2,80,587	2,80,587	0.0%
EBITDA	56,621	54,740	3.4%	65,731	63,187	4.0%
EBITDA margin (%)	22.3	21.6	90 bps	23.4	22.5	
Net profit	33,813	32,471	4.1%	39,693	37,910	4.7%

Source: Centrum Research estimates

Centrum estimates vs Actual results

YE Mar (Rs mn)	Actual Q1FY21	Centrum Q1FY21	Variance (%)
Revenue	58,352	61,311	-4.8%
EBITDA	12,574	12,415	1.3%
EBITDA margin (%)	21.5%	20.2%	130bps
Tax rate (%)	27.7%	24.0%	370bps
Adj. net profit	7,807	7,726	1.1%

Source: Bloomberg Centrum Research estimates

ARBP versus NIFTY 50

	1m	6m	1 year
ARBP IN	4.9	44.1	44.0
NIFTY 50	3.5	(5.6)	3.6

Source: Bloomberg, NSE

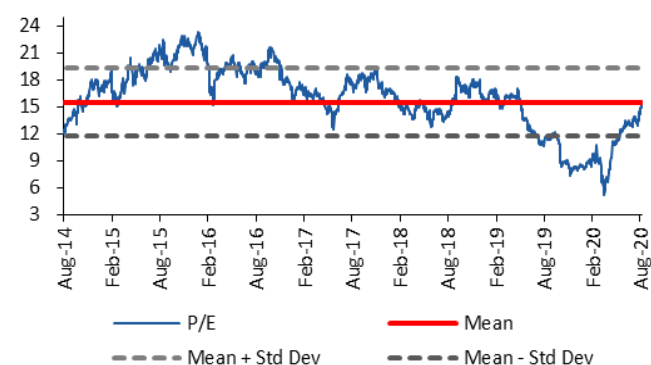
Valuations

The stock at CMP of Rs 865 trades at 15x FY21E EPS of Rs57.7 and 12.8x FY22E EPS of Rs 67.7. We continue to maintain BUY and have upgraded earnings multiple to 17.5x FY22E in-line with peer with our TP at Rs 1,190.

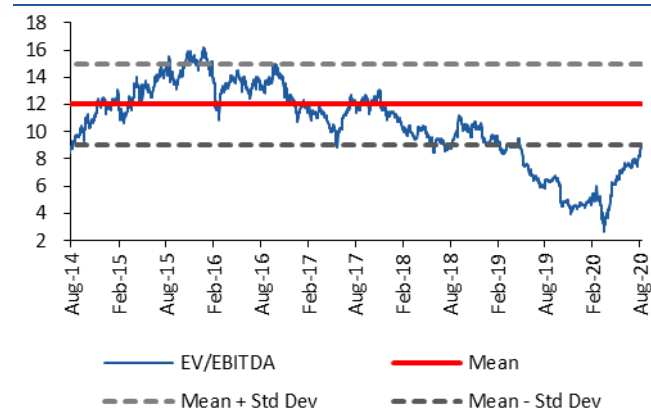
Valuations

EPS FY22E	Rs67.7
PER FY22E	17.5x

P/E mean and standard deviation



EV/EBITDA mean and standard deviation



Source: Bloomberg, Centrum Research estimates

Peer comparison

Company	Mkt Cap Rs mn	CAGR FY20-FY22E (%)				PE (x)			EV/EBITDA (x)			RoE (%)		
		Sales	EBIDTA	PAT	FY20	FY21E	FY22E	FY20	FY21E	FY22E	FY20	FY21E	FY22E	
Lupin	454,880	7.9	27.2	36.9	40.4	29.5	21.5	21.3	16.2	12.8	8.2	11.5	14.2	
Aurobindo	506,550	10.2	16.6	18.4	17.9	15.0	12.8	11.7	9.9	8.1	18.4	18.7	18.8	
Cipla	613,700	8.6	11.4	19.7	37.8	31.1	26.4	18.6	16.4	14.1	9.9	11	11.7	
Dr. Reddy's Labs	747,330	12.1	25.9	32.4	25.4	22	19.1	17.7	12.7	10.5	17.3	17.6	17.4	

Source: Company, Centrum Research

Fig 1: Key Con-call Metrics

Metric	Q4FY20	Q1FY21
US	US revenue witnessed growth of 20.5% YoY accounted for 48.6% of total revenue	US revenue witnessed growth of 15.6% YoY accounted for 52.4% of total revenue
	The company filed 17 ANDAs including 10 injectables The company launched 4 products during the quarter.	The company filed 14 ANDAs including 3 injectables The company launched 6 products during the quarter.
Europe	EU formulation business witnessed growth of 26% YoY. In Euro terms revenue grew 26% YoY	EU formulation business declined 5% YoY. In Euro terms revenue declined 10.6% YoY.
	Filed 17 ANDAs with USFDA including 10 injectables in Q4FY20 and 55 ANDAs including 19 injectables in FY20. Received final approval for 6 ANDAs in Q4FY20 and 22 ANDAs including 8 injectables in FY20. The company has launched 4 products during the quarter and 34 products including 7 injectables during the year.	Filed 14 ANDAs with USFDA including 3 injectables in Q1FY21. Received final approval for 10 ANDAs including 2 injectables in Q1FY21. The company has launched 6 products including 1 injectable during the quarter.
ANDAs	As on 31st Dec 2019, on a cumulative basis, the company filed 587 ANDAs with USFDA and received tentative approval for 28.	As on 31st Jun 2020, on a cumulative basis, the company filed 604 ANDAs with USFDA, out of which 410 have final approval and 28 tentative approval.
Acquisition	No guidance	No guidance
R&D/Debt	Company spent Rs 2.39bn in R&D expenses that is 3.9% of the revenue	Company spent Rs 2.54bn in R&D expenses that is 4.3% of the revenue
Capex	Net organic capex for the quarter US\$ 37mn	Net organic capex for the quarter US\$ 49mn. Capex for this year is going to be in the range of US\$ 150-200mn.
Debt	The company repaid debt of US\$ 87mn and the total debt repaid as on 31 st Mar'20 is US\$365mn The company plans to reduce debt and become zero debt company in next 3 years	The net debt reduced from US\$ 359mn to US\$ 191mn sequentially. The cash position at the end of the quarter was at US\$ 441mn.

Source: Centrum Research

Concall Highlights

Overall Highlights

- Revenue for the quarter witnessed a growth of 8.8% YoY and was down 3.8% QoQ to Rs 59.2bn. The company witnessed the impact of COVID-19 on certain businesses, however the improvement in other business has led to the overall growth.
- Formulations business sales recorded a growth of 9.2% YoY and was down 4.8% QoQ to Rs 5.14bn, contributing 86.8% of sales.
- EBITDA before forex and other income for the quarter was at Rs 1.25bn vs. Rs 1.14bn in Q1FY20 vs. Rs 1.34bn in Q4FY20, grew by 9.7% YoY and down 6.3% QoQ. There was a provision of Rs 600mn reflected in other expense w.r.t. R&D assets, adjusting for that the EBITDA margin would be 22.2% for the quarter.
- Net profit after JV share, minority interest at Rs 7.8bn vs. Rs 6.35bn in Q1FY20 vs. Rs 8.49bn, grew by 22.8% YoY and down 8.2% QoQ.
- Net organic capex for the quarter is around \$ 49mn.
- Interim dividend of Rs 1.25/share approved by the board.
- 80-90 products in the injectables pipeline and are in various stages of development. The management believes of bull growth in this space.
- Aurobindo acquired Profectus Biosciences and re-christened to Auro Vaccines, they were already developing a COVID vaccine and the Aurobindo is creating the capacity in India. There are 2 phases of capacity, the first phase would be ready by Oct and commercial facility would be ready by Mar-Apr'21.
- This year capex will be in the range of \$ 150-200mn.
- The viral vaccine facility would be 300-350mn doses per year and as far as bacterial vaccine facility is considered the company is starting with 50mn doses.
- Rs 3.6bn investment related to Curetech Biosciences is to transfer the assets to the new subsidiary and the total overall outlay will be Rs 8bn.

US Formulations

- US formulation sales grew 15.6% YoY/ 3.9% QoQ to Rs 3.1bn, accounting for 52.4% of sales. On constant currency terms revenue grew by 6.5% YoY to \$ 412mn.
- Filed 14 ANDAs with USFDA including 3 injectables in the quarter.
- Received final approval for 10 ANDAs including 2 injectables and launched 6 products including 1 injectable during the quarter.
- Filed 3 DMFs with USFDA during the quarter.
- Revenue for Aurobindo Pharma USA Inc. has increased by 16% YoY for the quarter.
- Revenue for the Auromedics Pharma, its injectables business, declined by 24% YoY to \$ 51mn for the quarter. It was impacted due to reduction in hospital procedures on the back of COVID-19 related issues.
- In the last 2 quarters collection have been good in the US. The overall debt days has come down from 65 days to 49 days. The working capital ratio has come down to 32% for the first time from 35%.
- Management is confident about US business growth and they are going to launch 50 products this year.

Europe Formulations

- Europe formulation sales declined 5% YoY/ down 20% QoQ to Rs 1.32bn, accounting for 22.3% of sales. In Euro terms it declined by 10.6% YoY. There was stocking up at the beginning of the pandemic in Q4FY20.
- Europe posted 10% YoY growth for H1CY20 while in Euro terms it was 7% YoY.
- The company was able to take advantage of shortages in some European countries in the quarter.

ARV Business

- ARV revenues increased by 33.6% YoY/ 11.5% QoQ to Rs 4.25bn and accounted for 7.2% of sales. On constant currency basis it was 23% YoY. The increased conversion of PLE to PLD across geographies led to the growth for the quarter.

Growth Market Formulations

- Growth markets formulations for the quarter declined 7.6% YoY/ down 23.1% QoQ to Rs 2.89bn and accounted for 4.9% of sales. On constant currency basis it declined by 15% YoY. It also witnessed stocking up at the beginning of the pandemic in Q4FY20.
- Growth markets posted 10.8% YoY growth for H1CY20 while in constant currency terms it was 4.7% YoY.

API Business

- API business sales increased 6.5% YoY/ 3.3% QoQ to Rs 7.8bn and contributed 13.2% of sales.
- Betalactum sales grew 16.1% YoY but down 7.2% sequentially to Rs 5bn while Non-Betalactum sales declined 7.1% YoY but grew 29.3% sequentially to Rs 2.79bn.
- Around 50-55% of API sales comes from anti-biotic and for the last 3-4 months anti-biotic sales have been muted, hence not comparable with the industry.
- There are few products which the management is critically reviewing under PLA scheme and will be arriving with a decision in a month.
- The company is seeing surge in API demand in both external as well as internal and therefore investing in API to free up the existing capacity.

Regulatory

- Completed all committed CAPAs for Unit 1,9,11 and submitted the request for desktop review and waiting for further direction from the agency. For Unit 7, completed most of the committed CAPAs and waiting for the direction from the agency.
- Filed 134 injectables ANDAs as on 30th Jun'20, out of which 75 have received final approval and balance 59 are under review.
- As on 30th Jun'20, filed 604 ANDAs on cumulative basis, out of which 410 have final approval and 28 having tentative approvals including 8 ANDAs which are tentatively approved under PEPFAR and the balance 156 ANDAs are under review.
- The management said that one biosimilar for Europe will get filed before the end of this year and one more will come by Q1FY21.
- Phase 3 for one biosimilar for global market will start by next year beginning.
- As far as vaccine is considered, the phase 3 will start for pneumococcal and will be filed by the end of the year or beginning of next year.

R&D and Debt

- R&D spend at for the quarter was at Rs 2.54bn (4.3% of sales).
- The net debt has decreased by \$ 168mn resulting to \$ 191mn as of Jun'20 from \$359mn as of Mar'20. The majority of the debt is denominated in foreign currency.
- The average finance cost is at 1.5% mainly due to avoiding multiple currency loans.
- The cash and bank balance is at \$ 441mn.

Highlights from the Annual Report 2019-20

Speech Highlights of N. Govindarajan, MD Aurobindo Pharma

- The company is now in the process of consolidation after series of acquisitions.
- FY20 was the first full year of operations of acquired branded oncology business by Acrotech Biopharma and its performance was in line with the management's expectation.
- The company's dependency on oral solids has further reduced with the acquisition of branded injectables business and improved injectable performance.
- Currently over 180 ANDAs are awaiting final approval and are in the process of building a differentiated portfolio, which will drive long term growth.
- The company has started monetising the oncology and hormonal pipeline of Eugia.
- Successfully completed the acquired Apotex businesses in 5 European countries and started leveraging synergies.
- Priority w.r.t the acquired Apotex's business was to maintain the stock supply, ensure customer satisfaction and also integrate it within 5 countries.
- The company has started launching its own products in Poland and Czech Republic, where it did not have presence earlier.
- It has streamlined operations in Spain and the Netherlands.
- In the EU business focus will be on filing more products, including its differentiated pipeline, diversifying existing product portfolio, reaching out to critical masses, and streamlining sales, marketing and channels of operations.
- In the ARV business focus will be on building strong presence in the global HIV segment.
- Going forward, the company intends to launch oncology and injectables in select markets.
- The API business is an important pivot in the company's business model and around 70% of its API requirement is manufactured in-house- a key differentiator in the fiercely competitive global generics markets.
- R&D investments for FY20 stood at Rs 9580mn, which is 4.1% of the revenues.
- The company is one of the largest ANDA filers globally, registering over 6% of total ANDA filed with the USFDA.
- Focus is on building a pipeline of high-value products such as biosimilars, depot injection, vaccines, inhalers and patches.
- Acquired R&D assets from Profectus BioSciences, a clinical-stage viral vaccine development company, providing access to proprietary and innovative technology platforms along with a R&D centre.
- This acquisition will lead to the enhancement of its R&D capabilities and expertise in developing new vaccines from basic discovery to FDA-approved products.
- Successfully completed the bacterial manufacturing facility for vaccines.
- Added capacities for oral, injectables and APIs across various manufacturing facilities.
- In the process of building capacities for inhalers, patches, topicals and injectables in USA.
- Near term priority is to resolve all pending regulatory issues and to derive synergies from recent acquisitions.
- Medium to long term focus remains on developing and monetising the differentiated product basket.

Management Discussion and Analysis

Key Highlights

- Recorded total growth in revenues by 18.1% YoY to Rs. 230bn. US business contributing 49.7% of revenues, Europe 25.6%, ARV 13.4%, APIs 5.9% and Growth markets 5.4%.
- Logged EBITDA of Rs 48.6bn, up by 23.1% YoY.
- Filed 55 ANDAs with USFDA, of which 19 are injectables and the remaining orals.
- Received final approval for 22 ANDAs (including 8 injectables) and tentative approval for 6 ANDAs from the USFDA.
- Launched 34 products in the US, including 7 injectables.
- Filed 12 DMFs with USFDA, taking cumulative filings to 254 as on 31st March 2020.
- Started clinical trials for the lead molecule in biosimilar division Bevacizumab and completed clinical trials for the first metered-dose inhaler.

Formulations business

- Formulations business contributed 87% of the revenues in FY20, clocking Rs 200bn and grew by 23.9% YoY.
- It commands a large portfolio in formulations with 1200+ product and has 17 formulations manufacturing facilities in India (11), the Netherlands (1), Portugal (1), Brazil (1) and the US (3).

US formulations

- US formulation revenue increased at a CAGR of 17.2% over FY16-20, from Rs 60bn to Rs 114bn.
- Revenues grew by 27.2% to Rs 114bn for FY20. Oral segment contributed 64.1% of US formulations revenue, total injectables 23.3% (Injectables- 17.1%, Branded oncology injectables- 6.2%), Dietary supplements 9.7% and OTC 3%.
- As on 31st March 2020, Aurobindo is the 2nd largest generics company in the US in terms of prescriptions (Rx) as per IQVIA data.
- As per IQVIA data, the company's Rx market share increased to 8.5% MAT Apr'20 vs. 7% MAT Apr'19 vs. 3.8% MAT Apr'16.
- It has presence across various segments such as generics (orals, injectable and OTC), branded (injectables) and dietary supplements.

Oral solids

- Oral solids segment in US grew significantly by 18% during FY20, largely driven by improvement in the volumes of existing products.
- As per IQVIA data, oral solid prescription sales increased by 30% and the market share prescription dispensed improved to 9%.
- As on 31st March 2020, awaiting final approval of 120 ANDAs and is in the process of creating an incremental portfolio across therapies, which will drive growth in the oral solids business.

Injectables

- This segment witnessed a robust growth of 31% led by new product launches, pick-up in volumes and gain in the market share of existing products.
- It is awaiting final approval for 58 ANDAs as on 31st March 2020 and is on the path of building a future pipeline of complex injectables including depot injectables.

Over the counter drugs (OTC)

- Recorded a strong growth of 15% and its contribution to the US revenues increased to 3% in FY20.
- The switchover of certain medication from Rx to OTC would strengthen the portfolio of branded OTC products.

Branded oncology injectables

- Completed the acquisition of 7 marketed branded oncology injectables in March 2019, which allows it to enter the branded space with a portfolio of well-known products.
- Acrotech Bopharma will continue building its commercial infrastructure to maximise the value of its current and future products.

Dietary supplements

- Natrol posted a growth of 22% and accounted for 10% of the US revenues.
- It maintained the growth momentum through new product introduction and geographical expansion.

Europe formulations

- Europe formulations sales increased at a CAGR of 17.3% over FY16-20, from Rs 31bn to Rs 59bn.
- This vertical grew by 19% YoY to Rs 59bn and contributed 26% to total sales. This growth was primarily driven by the markets of France, the UK, and Italy.
- The Apotex business acquisition has helped it to leverage synergies in the European markets
- It has completed the integration of acquired businesses and is in the process of restructuring businesses to draw synergies.

Growth Markets formulations

- The growth market formulations revenue increased at a CAGR of 20.3% over FY16-20, from Rs 6.4bn to Rs 13.5bn.
- It expanded by 14% YoY to Rs 13.5bn and accounting for 5.9% to total sales.
- Launched 13 products during the year taking total to 113 in Canada. The market share in value terms increased from 1.7% to 2.4%.
- Filed 13 dossiers in FY20 and plans to file another 25 products in FY21. Over the next 2-3 years, the aim is to introduce products in Inhalers and Biosimilars.

ARV formulations

- This division delivered 28% YoY in FY20 to Rs 12.5bn on the back of early mover advantage in TLD (Tenofovir + Lamivudine + Dolutegravir) tablets.
- A growing single-pill regimen, along with rapid conversion of TLE (Tenofovir + Lamivudine + Efavirenz) to TLD in the institution segment, has contributed towards this growth.

API business

- It is a strategic segment in terms of vertical integration and supply reliability. The key customers for this business unit include innovator and large generic companies.
- The revenues were Rs 30.8bn, accounting for 13.4% of total sales.
- It manufactures and markets Betalactum and non-Betalactum at its 11 API and intermediate facilities.

Fig 2: Sales Composition

YE Mar (Rs mn)	Q1FY21	Q1FY20	YoY(%)	Q4FY20	QoQ(%)	FY18	FY19	FY20	FY21E	FY22E
Formulations										
USA	31,071	26,884	15.6	29,903	3.9	74,422	90,307	114,835	126,607	141,513
Europe	13,222	13,916	(5.0)	16,525	(20.0)	43,543	49,602	59,218	67,449	77,567
Growth Markets	2,896	3,134	(7.6)	3,766	(23.1)	8,971	11,936	13,551	14,581	16,039
ARV	4,255	3,185	33.6	3,818	11.4	8,396	9,724	12,515	12,640	12,830
Total Formulations	51,444	47,119	9.2	54,012	(4.8)	135,331	161,569	200,119	221,277	247,948
Active Pharmaceuticals Ingredients (API)										
Betalactum	5,003	4,310	16.1	5,392	(7.2)	19,924	21,460	19,989	20,988	21,156
Non Betalactum	2,798	3,012	(7.1)	2,164	29.3	9,699	12,571	10,845	11,387	11,433
Total API	7,801	7,322	6.5	7,556	3.2	29,623	34,031	30,834	32,376	32,589
Consolidated Sales	59,245	54,441	8.8	61,568	(3.8)	164,954	195,600	230,953	253,653	280,537
Dossier Income	3	4	-	17		44	35	32	50	50
Revenue from Operations	59,248	54,445	8.8	61,585	(3.8)	164,998	195,635	230,985	253,703	280,587

Source: Company, Centrum Research estimates

Fig 3: US revenue breakup

USD \$ mn	FY18	FY19	FY20	FY21E	FY22E
Orals	788	901	1,040	1,110	1,172
Injectables	183	213	277	305	396
OTC	34	42	47	54	62
Natrol	126	135	157	179	200
Spectrum		8	101	111	136
Total US Sales	1,131	1,299	1,622	1,758	1,965
Growth (%)		14.9	24.9	8.4	11.8

Source: Company, Centrum Research estimates

Fig 4: Quarterly Financials

YE March (Rs mn)	Q2FY19	Q3FY19	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21
Revenues	46,671	51,753	52,020	53,568	55,183	57,994	60,634	58,352
Materials cost	20,429	23,899	23,726	22,985	23,683	25,650	25,034	24,074
% of revenues	43.8%	46.2%	45.6%	42.9%	42.9%	44.2%	41.3%	41.3%
Employee cost	6254.8	6498	7134.6	7,799	7,772	7,978	8,643	8,880
% of revenues	13.4%	12.6%	13.7%	14.6%	14.1%	13.8%	14.3%	15.2%
Others	10967.6	11436.1	11486.4	12,198	13,147	13,242	14,745	13,720
% of revenues	23.5%	22.1%	22.1%	22.8%	23.8%	22.8%	24.3%	23.5%
EBITDA	9,863	10,864	10,575	11,464	11,402	12,080	13,162	12,574
EBITDA margin (%)	21.1%	21.0%	20.3%	21.4%	20.7%	20.8%	21.7%	21.5%
Depreciation & amortisation	1636.8	1631.2	1866.4	2,409	2,433	2,433	2,324	2,555
Interest expenses	353.9	476.5	500.8	499	409	371	318	211
Other income	262.6	638.5	322.7	158	206	220	326	1156
Exceptional items	268.40	250.40	361.80	127.00	127.00	129.00	122.00	-
PBT	8,135	9,395	8,530	8,715	8,766	9,496	10,846	10,964
Taxes	1754.2	2047.8	2311.2	2,278	2,244	2,329	2,285	3,037
Effective tax rate (%)	21.6%	21.8%	27.1%	26.1%	25.6%	24.5%	21.1%	27.7%
PAT	6,380	7,347	6,219	6,437	6,522	7,167	8,561	7,927
Minority/Associates	2.5	25.6	-6.8	47	0	-6.4	193	120
Reported PAT	6,114	7,122	5,854	6,357	6,395	7,032	8,490	7,807

Source: Company, Centrum Research

P&L					
YE March (Rs bn)	FY18	FY19	FY20	FY21E	FY22E
Revenues	164,998	195,636	230,985	253,703	280,587
Materials cost	67,527	87,126	97,352	104,129	114,512
% of revenues	40.9%	44.5%	42.1%	41.0%	40.8%
Employee cost	21,308	25,849	32,192	36,280	39,338
% of revenues	12.9%	13.2%	13.9%	14.3%	14.0%
Others	22,250	24,982	29,885	31,329	34,630
% of revenues	13.5%	12.8%	12.9%	12.3%	12.3%
EBITDA	37,718	39,519	48,246	56,621	65,731
EBITDA margin (%)	22.9%	20.2%	20.9%	22.3%	23.4%
Depreciation & amortisation	5,580	6,680	9,667	10,870	12,590
EBIT	32,138	32,840	38,579	45,751	53,141
Interest expenses	777	2,626	1,598	1,072	746
Other income	505	435	560	630	0
Exceptional items	0	881	261	0	0
PBT	32,380	30,887	37,582	45,657	53,603
Taxes	8,183	7,269	9,135	11,871	13,937
Effective tax rate (%)	25.3%	23.5%	24.3%	26.0%	26.0%
PAT	24,198	23,618	28,295	33,786	39,666
Minority/Associates	32	27	-152	27	27
Reported PAT	24,229	23,645	28,295	33,813	39,693
Adjusted PAT	24,229	23,645	28,295	33,813	39,693

Ratios					
YE March	FY18	FY19	FY20	FY21E	FY22E
Growth (%)					
Revenue	11.1	18.6	18.1	9.8	10.6
EBITDA	9.8	4.8	22.1	17.4	16.1
Adjusted PAT	5.3	-2.4	19.7	19.5	17.4
Margin (%)					
EBITDA	22.9	20.2	20.9	22.3	23.4
PBT from Operations	19.6	15.8	16.3	18.0	19.1
Adjusted PAT	14.7	12.1	12.2	13.3	14.1
Return (%)					
RoE	23.0	18.5	18.4	18.7	18.8
RoC	18.7	15.7	15.6	17.4	19.6
RoCE	23.0	18.4	17.9	19.9	21.7
Turnover (days)					
Gross block turnover ratio (x)	0.9	0.8	0.8	0.9	0.9
Debtors	68.1	63.7	68.2	60.0	58.0
Inventory	129.6	135.2	121.7	106.3	99.2
Creditors	68.0	62.6	50.8	38.0	33.6
Solvency (x)					
Net debt-equity	0.3	0.3	0.2	0.0	-0.1
Debt-equity	0.4	0.5	0.3	0.2	0.1
Interest coverage ratio	42.7	13.1	24.7	43.6	72.9
Gross debt/EBITDA	0.0	0.0	0.0	0.0	0.0
Current ratio	1.4	1.3	1.4	1.8	2.4
Per share (Rs)					
Adjusted EPS	41.4	40.4	48.3	57.7	67.7
BVPS	199.4	237.1	286.9	329.0	393.2
CEPS	50.9	51.8	64.8	76.3	89.2
DPS	1.9	1.9	3.0	3.0	3.0
Dividend payout (%)	5.4	5.6	7.4	6.2	5.3
Valuation (x)(Avg Mkt Cap)					
P/E (adjusted)	20.9	21.4	17.9	15.0	12.8
P/BV	4.3	3.6	3.0	2.6	2.2
EV/EBITDA	14.3	14.0	11.1	9.1	7.4
Dividend yield (%)	0.2	0.2	0.4	0.4	0.4

Source: Company, Centrum Research estimates

Balance Sheet					
YE March (Rs bn)	FY18	FY19	FY20	FY21E	FY22E
Equity share capital	586	586	586	586	586
Reserves & surplus	116,218	138,322	167,518	192,181	229,781
Shareholders' fund	116,804	138,908	168,104	192,767	230,367
Total debt	5,071	2,265	4,266	4,428	4,607
Def tax liab. (net)	2,459	2,926	3,025	3,025	3,025
Minority Interest	18	16	1	1	1
Total liabilities	124,352	144,115	175,396	200,221	238,000
Gross block	70,787	91,428	103,632	107,611	111,741
Less: acc. depreciation	5,580	6,680	9,667	10,870	12,590
Net block	65,207	84,749	93,965	96,741	99,151
Capital WIP	15,830	16,685	19,859	19,859	19,859
Net fixed assets	81,038	101,433	113,824	116,601	119,011
Investments	3,115	3,602	5,547	5,547	5,547
Inventories	58,584	72,456	76,999	73,874	76,262
Sundry debtors	30,802	34,138	43,152	41,705	44,586
Cash	12,623	19,572	28,422	34,061	45,251
Loans & advances	9,596	15,053	1,924	2,742	3,024
Other current assets	15,252	18,290	19,397	19,397	19,397
Total current asset	126,857	159,508	169,892	171,779	188,520
Trade payables	23,729	26,771	25,450	20,540	19,765
Other current liab.	60,957	91,849	84,251	68,854	50,854
Provisions	1,973	1,809	4,166	4,310	4,459
Net current assets	40,198	39,079	56,025	78,074	113,442
Total assets	124,352	144,115	175,396	200,221	238,000
Total Debt	44,825	67,532	56,867	42,867	24,867
Capital Employed	164,665	209,847	229,619	240,444	260,223

Cash flow					
YE March (Rs bn)	FY18	FY19	FY20	FY21E	FY22E
Op profit bef WC changes	38,737	40,192	48,847	57,599	66,939
Trade and other receivables	22,517	24,962	1,889	(3,753)	5,552
Trade payables	(9,749)	(8,258)	(6,104)	6,000	(7,552)
Net change – WC	12,769	16,704	(4,216)	2,247	(2,000)
Direct taxes	4,053	6,801	9,036	11,871	13,937
Net cash from operations	21,916	16,687	44,026	43,481	55,002
Capital expenditure	23,699	27,075	22,058	13,647	15,000
Acquisitions, net	2,821	1,226	1,591	0	0
Others	0	0	0	0	0
Net cash from investing	(26,520)	(28,301)	(23,649)	(13,647)	(15,000)
FCF	(4,604)	(11,614)	20,377	29,834	40,002
Issue of share capital	0	2	12	0	0
Increase/(decrease) in debt	(13,409)	(19,882)	9,423	22,101	18,719
Dividend paid	1,317	1,317	2,093	2,093	2,093
Net cash from financing	12,092	18,564	(11,528)	(24,194)	(20,812)
Net change in cash	7,488	6,949	8,850	5,640	19,190

Source: Company, Centrum Research estimates

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Aurobindo Pharma



Source: Bloomberg

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