

AUROBINDO PHARMA LTD

5-Apr-17

Company Update

CMP	681
Target Price	890
Previous Target Price	890
Upside	31%
Change from Previous	0%

Market Data

BSE Code	524804
NSE Symbol	AUROPHARMA
52wk Range H/L	895/622
Mkt Capital (Rs Cr)	39900
Av. Volume(,000)	232924
Nifty	9237

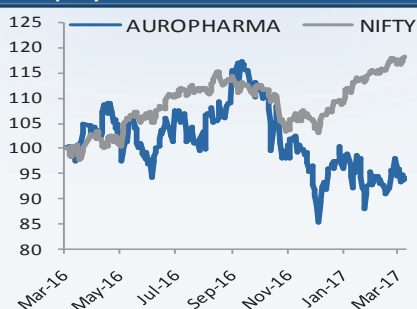
Stock Performance

	1M	3M	12M
Absolute	-0.3	0.9	-9.0
Rel.to Nifty	-3.6	-12.3	-27.6

Share Holding Pattern-%

	3QFY17	2QFY17	1QFY17
Promoters	51.94	53.79	53.9
Public	48.06	46.21	46.1
DII			
Total	100	100	100

Company Vs NIFTY


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Aurobindo Pharma clears USFDA inspection for Unit-11 in Srikakulam, Andhra Pradesh with zero observations. The Unit-11 plant produces non-antibiotic active ingredients, which is used for both the captive purpose of Aurobindo's formulation manufacturing and for supplies to external customers. The US formulation business contributes 45 percent of Aurobindo's total revenue Rs.13,890 cr. The acquired business(Agile Pharma) continues to see profitable during Q3FY17. As on 31 Dec 2016, Auro pharma has transferred manufacturing of 60 products from Europe to Vizag facility in India. Management expects supply from this facility to EU markets from FY18E. The estimated sales revenue from this facility is Rs. 1300 Cr. per annum. Apart from that recent approvals from USFDA in various segment will enable the company to launch multiple products in FY18E

Outlook

We expect Auropharma will be able to register growth from the US and EU business, on the back of 40-45 launches which are expected in FY18. Apart from that management is focusing to develop dermatology, Ophthalmology segments which will help the company to diversify its portfolio in future. Currently the stock is trading at 5 times FY17 P/B and 17 times FY17 P/E. Considering the above arguments we maintain "HOLD" rating in this stock with the target price of Rs.890

Recent developments

- ♦ Aurobindo Pharma recalls of 47,040 bottles of Venlafaxine hydrochloride capsules (an anti-depressant)
- ♦ Aurobindo Pharma gets US FDA nod for Etomidate injectable (used for induction of general anaesthesia & sedation)
- ♦ Aurobindo Pharma gets final USFDA approval for Guaifenesin and Dextromethorphan Hydrobromide extended-release tablets
- ♦ Aurobindo Pharma gets USFDA nod for HIV drug. It has an estimated market size of USD 388 million for the 12 months ended December 2016
- ♦ 51 products are pending in pipeline.
- ♦ ARBP is going to launch 39 products going ahead.

Rs,Cr

Financials	2012	2013	2014	2015	2016
Sales	4627	5855	8100	12121	13896
EBITDA	561	861	2132	2564	3206
Net Profit	-124	294	1173	1576	1982
EPS	-4	10	40	54	34
ROCE	11%	16%	36%	34%	36%

Financials Snap Shot

INCOME STATEMENT					RATIOS				
	FY13	FY14	FY15	FY16		FY13	FY14	FY15	FY16
Revenue	5855	8100	12121	13896	EPS	10	40	54	69
Other Income	29	23	97	68	Book Value	89	129	12	11
Total Revenue	5884	8123	12217	13964	DPS	2	2	76	84
COGS	2,991	3,606	5,506	6,158	Payout (incl. Div. Tax.)	0	0	2	0
GM	49%	55%	55%	56%	P/E	14.46	12.71	22.64	17.81
Other Expenses	1,340	1,530	2,749	2,982	Valuation(x)			15	12
EBITDA	861	2132	2564	3206	Price / Book Value	2	4	7	5
EBITDA Margin (%)	15%	26%	21%	23%	Dividend Yield (%)	2%	0%	1%	0%
Depreciation	249	313	333	393	RoE	11%	31%	31%	29%
EBIT	612	1,819	2,231	2,813	Profitability Ratios				
Interest	267	310	160	159	RoCE	16%	36%	34%	34%
PBT	374	1,533	2,168	2,722	Asset Turnover (x)	1	1	1	1
Tax	83	363	597	744	Turnover Ratios				
Tax Rate (%)	22%	24%	28%	27%	Debtors (No. of Days)	100	119	107	107
Reported PAT	294	1173	1576	1982	Inventory (No. of Days)	120	107	109	109
Dividend Paid	67	60	179	359	Creditors (No. of Days)	60	61	62	63
No. of Shares	29	29	29	58	Net Debt/Equity (x)	0.44	0.34	0.26	0.20

BALANCE SHEET					CASH FLOW STATEMENT				
	FY13	FY14	FY15	FY16		FY13	FY14	FY15	FY16
Share Capital	29	29	29	29	OP/(Loss) before Tax	374	1,533	2,168	2,670
Reserves and surplus	2,577	3,721	5,127	6,958	Depreciation	249	313	333	427
Shareholders' funds	2,606	3,750	5,156	6,987	Direct Taxes Paid	119	344	597	667
Long term Debt	1,148	1,279	1,361	1,368	Operating profit before	819	2,047	2,644	3,290
Total Borrowings	3,384	3,634	3,864	3,883	CF from Op. Activity	275	646	1,797	871
Non Current liabilities	77	215	235	242	Capital expenditure on	(273)	(390)	(1,362)	(481)
Long term provisions	9	9	24	31	CF from Inv. Activity	(246)	(819)	(1,426)	(481)
Short term Provisions	80	127	218	240	Proceeds from long-	180	147	82	7
Current liabilities	1,195	1,865	3,634	3,543	Repayment of Long Tern	(523)	(51)	-	-
Total liabilities	7,273	9,490	12,914	14,681	Interest Paid	(112)	(94)	(144)	(193)
Net Fixed Assets	2,857	3,031	4,061	4,115	Divd Paid (incl Tax)	(67)	(60)	(179)	(171)
Non Current	22	20	0	0	CF from Fin. Activity	108	118	(94)	(345)
Other non Current assets	19	18	30	30	Inc/(Dec) in Cash	137	(55)	277	46
Current assets	4,137	5,631	8,299	10,035	Add: Opening Balance	66	203	179	469
Total Assets	7,273	9,490	12,914	14,681	Closing Balance	203	148	455	515