

**Aurobindo Pharma Ltd.** ₹ 719**The FUNDA of ANDA !****Buy**

Sep 04, 2015

**Company Background**

Founded in 1988 Aurobindo Pharma (Aurobindo) initially manufactured Semi-synthetic Penicillin. In 1992 it turned Public and was listed in 1995. Today 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 cephalosporins, among others. It features among the top 10 companies in India in terms of consolidated revenues and exports to over 125 countries across the globe with more than 70% of its revenues from international operations which include multi-national companies. It has multiple facilities approved by leading regulatory agencies such as USFDA, EU GMP, UK MHRA, South Africa-MCC, Health Canada and Brazil ANVISA. Aurobindo is also among largest filers of DMFs & ANDAs from India.

**Key Highlights**

- ➔ **Sep 04, 2015** - Aurobindo received the final approval of US FDA to manufacture & market Telmisartan which is a drug for treatment of essential hypertension and has a market size of around 92 mn USD.
- ➔ **Aug 29, 2015** - Aurobindo received the final approval of US FDA to manufacture & market Raloxifene which is a drug for treatment and prevention of osteoporosis and has a market size of around 404 mn USD.
- ➔ **Aug 27, 2015** - Aurobindo received the final approval of US FDA to manufacture & market Entecavir which is a drug for treatment of chronic Hepatitis B infection and has a market size of around 294 mn USD.
- ➔ **Aug 20, 2015** - Aurobindo received the final approval of US FDA to manufacture & market Omeprazole which is a drug for treatment of active duodenal ulcer and has a market size of around 422 mn USD.
- ➔ **Aug 20, 2015** - Aurobindo received the final approval of US FDA to manufacture & market Ibandronate Sodium Injection which is a drug for treatment of osteoporosis in postmenopausal women.
- ➔ **Jul 27, 2015** - Aurobindo received the final approval of US FDA to manufacture & market Esmolol HCL which is a drug for short term treatment of tachycardia and hypertension occurring during intubation.

**Key Financials**

Year Ended 31 <sup>st</sup>	Mar 13	Mar 14	Mar 15
Revenue (INR mn)	54,511.9	71,855.9	81,620.5
Rev. growth (%)	26.7	31.8	13.6
EBITDA (INR mn)	10,601.5	20,687.2	23,521.6
Net profit (INR mn)	4,959.9	11,720.9	15,163.5
Shares outstanding (mn)	291.2	291.5	292.0
EPS (INR)	17.0	40.2	51.9
EPS growth (%)	112.9	136.1	29.1
P/E (x)	4.3	6.4	11.7
RONW (%)	18.5	33.2	32.4
ROCE (%)	9.1	18.2	19.5

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**Info Codes**

Reuters	: ARBN.BO
Bloomberg	: ARBP@IN
NSE	: AUOPHARMA
BSE	: 524804

**Market Data**

52 Wk Range (₹)	: 383 / 1541
Shares in Issue (mn)	: 292.0
Mkt. Cap (₹ bn)	: 422.08
BSE 2 Wk Avg Vol	: 202000

**Share Holding Pattern (%)**

Promoters	: 53.92
FII's	: 29.49
DII's	: 6.26
Others	: 10.33

**Investment Theme**

Catering to over 100 countries, Aurobindo Pharma has identified international operations as a major engine of growth and has since been expanding its global network of marketing and manufacturing operations. To help further expand its international reach, it concentrates its focus on such major countries as China, Brazil, Japan, Netherlands, South Africa, Thailand, UK, USA, Russia and many more. It is amongst the few Indian Companies who have filed a large number of DMF's and ANDA's worldwide. In the past 3 months it has received USFDA approval for more than 4 drugs some of which are key drugs like Telmisartan which already have a large and well established market in the US for With consistent regulatory approvals from around the world for its drug portfolio, Aurobindo currently has a total of 211 ANDA approvals from the USFDA at its disposal.

**August turns august for Aurobindo !**

## Financial Statements

### Income Statement

(₹ mn)

Year end	Mar 13	Mar 14	% Chg	Mar 15	% Chg
Total Sales + Excise	55695.0	72699.7	30.53	82583.5	13.60
Other Income	204.6	723.3	253.52	512.1	(29.20)
Change in Stocks	1210.8	357.5	(70.47)	1590.9	345.01
Raw Material Con.	29840.1	33325.1	11.68	38361.1	15.11
Employee Exp.	4314.2	5142.1	19.19	6687.5	30.05
Indirect Taxes	1781.6	1812.8	1.75	1708.6	(5.75)
Other Exp.	12179.7	14136.8	16.07	16012.9	13.27
Operating Exp.	46904.8	54059.3	15.25	61179.2	13.17
Operating Profit	8790.2	18640.4	112.06	21404.3	14.83
Total Interest	2500.6	2888.5	15.51	1321.4	(54.25)
Gross Profit	6494.2	16475.2	153.69	20595.0	25.01
Net Dep.	892.8	1280.6	43.44	1191.5	(6.96)
Total Taxation	641.5	3473.7	441.50	4240.0	22.06
Net Profit/Loss	4959.9	11720.9	136.31	15163.5	29.37

### 4 Years Balance Sheet

(₹ mn)

Balance Sheet as on 31 <sup>st</sup>	Mar 12	Mar 13	Mar 14	Mar 15
<b>SOURCES OF FUNDS</b>	<b>52,874.9</b>	<b>57,211.0</b>	<b>69,375.5</b>	<b>86,442.7</b>
Equity Share capital	291.1	291.2	291.5	292.0
Share Application Money	0.0	0.0	0.0	0.0
Preference Share Capital	0.0	0.0	0.0	0.0
Reserves & Surplus	24,640.6	29,099.9	39,832.4	53,303.4
Long Term Loans	11,861.0	10,480.9	11,426.1	10,753.6
Short Term Loans	16,082.2	17,339.0	17,825.5	22,093.7
<b>USES OF FUNDS</b>	<b>52,874.9</b>	<b>57,211.0</b>	<b>69,375.5</b>	<b>86,442.7</b>
Gross Block	23,632.7	29,074.9	30,088.2	35,075.4
Less : Revaluation Reserves	0.0	0.0	0.0	0.0
Less : Accumulated Depreciation	7,365.2	8,955.8	10,708.8	13,175.3
Net Block	16,267.5	20,119.1	19,379.4	21,900.1
Capital Work in Progress	5,580.8	1,663.4	2,038.9	2,271.9
Investments	6,471.3	7,079.8	8,726.2	10,161.4
Current Assets	33,550.4	41,149.4	55,944.3	68,371.1
Less : Current Liabilities	9,024.7	12,800.7	16,713.3	16,261.8
Total Net Current Assets	24,525.7	28,348.7	39,231.0	52,109.3
Misc. Expenses not writtenoff	29.6	0.0	0.0	0.0
<b>NOTE</b>				
Bk Val Unquoted Investments	6,470.9	7,079.4	8,725.9	10,161.1
Mkt Val. Quoted Investments	0.5	0.4	0.3	0.3
Contingent Liabilities	2,335.7	4,258.8	2,811.9	8,408.7
Dividend (%)	100	150	300	450

## Quarterly Income Sheets

(₹ mn)

Quarter Ended	Sep 14	Dec 14	Mar 15	Jun 15
Net Sales	3892.7	20979.9	20384.1	22196.2
Cost Of Sales	14532.8	15454.6	14860.7	16256.7
Operating Profit	(10640.1)	5525.3	5523.4	5939.5
Other Income	16370.8	117.1	62.7	247.5
Adjusted PBDIT	5730.7	5642.4	5586.1	6187.0
Financial Expenses	137.9	148.5	140.9	150.4
Depreciation	595.4	595.5	626.6	631.5
Other Write Offs	0.0	0.0	0.0	0.0
Adjusted PBT	4997.4	4898.4	4818.6	5405.1
Tax Charges	1080.8	955.7	908.5	1344.9
Adjusted PAT	3916.6	3942.7	3910.1	4060.2
Non Recurring Items	0.0	0.0	(540.0)	0.0
Other Non Cash Adjust	0.0	0.0	0.0	0.0
Net Profit	3916.6	3942.7	3370.1	4060.2

## 52 Week Index Relative Percentage Appreciation



Aurobindo vs SENSEX

## Risks Associated

- The Company has operations in many countries around the world. Each such country poses its own challenges in terms of the economic and political conditions of that country. Any adverse political and/or economic development in these countries may affect the business of the Company in those countries.
- The Company is present in the generics segment of pharmaceutical markets in different countries. The generics market is characterized by the presence of a large number of players who compete with each other continuously to increase their respective market shares. This competition puts constant pressure on the prices which the Company charges to its customers. Apart from this, the governments of different countries apply periodic price cuts on the pharmaceutical products so as to keep the healthcare cost under control.
- Stringent regulations and quality standards are prescribed by the regulatory authorities across the globe for the pharmaceutical products and their manufacturing and supply chain processes in order to protect the interests of the patients. Any deviation from the prescribed regulations or any variation in the quality from the prescribed standards may lead to punitive actions by the regulatory authorities.
- Competitors and innovator pharmaceutical companies holding patents for products and processes may sue the Company if the Company's products or processes are claimed to be infringing upon their intellectual property rights.

## Aurobindo

### In a Nutshell

Aurobindo Pharma manufactures generic pharmaceuticals and active pharmaceutical ingredients. The company's manufacturing facilities are spread over sixteen locations and are approved by several leading regulatory agencies like US FDA, UK MHRA, Japan PMDA, WHO, Health Canada, MCC South Africa, ANVISA Brazil. It is among the largest 'Vertically Integrated' pharmaceutical companies in India and has a robust product portfolio spread over major product areas encompassing CVS, CNS, Anti-Retroviral, Antibiotics, Gastroenterologicals, Anti-Diabetics and Anti-Allergic supported by an outstanding R&D set-up. Aurobindo's nine units for APIs / intermediates and seven units for formulations are designed to meet the requirements of both advanced as well as emerging market opportunities. The Company is marketing these products globally, in over 125 countries. The formulation business is systematically organized with a divisional structure, and has a focused team for key international markets. Leveraging on its large manufacturing infrastructure for APIs and formulations, wide and diversified basket of products and confidence of its customers, it aims to achieve USD 2 billion revenues by 2015-16. It is R&D focused and has a multi-product portfolio with manufacturing facilities in several countries. The company is amongst the top Indian Pharma's who have filed DMF's and ANDA's in various markets. Looking at its current portfolio of 211 ANDA's and the amount of R&D it is putting in, we feel the growth prospects of the company is very high and therefore we are bullish on the company.

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### Rating Interpretation

**Buy** : Expected to appreciate 20% or more over 12-months

**Accumulate** : Expected to appreciate 10% to 20% over 12-months

**Trade Buy** : Expected to appreciate more than 10% over 45-days

**Reduce** : Expected to depreciate up to 10% over 12-months

**Sell** : Expected to depreciate 10% or more over 12-months

**Trade Sell** : Expected to depreciate more than 10% over 45-days

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