



**Invesfinc  
Advisors**

Your Finovative Investment Manager

# INVESFINC ADVISORS

## Research Study

**AUROBINDO PHARMA**

PUBLISHED ON 21-11-2021

# About Company

- ▶ 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.
- ▶ Aurobindo Pharma is principally engaged in manufacturing and marketing of active pharmaceutical ingredients, generic pharmaceuticals and related services.

# Highlights

- ▶ Auropharma indicated multiple growth drivers for the EU business: a) over 200 products under development, which would be launched over the next 2-3 years, b) Oncology product offerings from Eugia Pharma Specialties, c) Biosimilars portfolio, and d) increased shift of manufacturing to India to reduce operational cost.
- ▶ It received nine ANDA approvals and launched 19 in 4QFY21. ARBP launched 10 Injectables in 4QFY21.
- ▶ Oral solids in US exhibited 8% YoY growth in FY21, led by launches, better traction in existing products, and short-term product specific opportunities, supported by strong backward integration.
- ▶ Capex stood at USD88m in 4QFY21. Strong growth in the ARV business in 4QFY21 was largely led by Dolutegravir combinations.
- ▶ Auropharma had a cash flow from operations of ~USD425m in FY21. It received USD434m from the sale of Natrol. It paid USD105m for the Eugia acquisition. It had a capex of USD250m and investments of USD43m. Net of dividend, it has USD429m of free cash available at the end of FY21

## Scrip details

<a href="http://aurobindo.com">aurobindo.com</a>	Aurobindo Pharma Ltd	BSE: 524804	NSE: AUROPHARMA
Market Cap	₹ 37,474 Cr.	Book Value	₹ 400
Current Price	₹ 640	Dividend Yield	0.63 %
High / Low	₹ 1,064 / 634	ROCE	18.5 %
Stock P/E	7.19	ROE	27.5 %
EPS	₹ 89.0	Face Value	₹ 1.0

# Daily timeframe chart for 1 year period



# Technical Recommendation

Name	Value	Action
RSI(14)	22.202	Overbought
STOCH(9,6)	9.741	Overbought
STOCHRSI(14)	41.294	Sell
Williams %R	-88.138	Overbought
CCI(14)	-78.6359	Sell
ROC	-5.574	Sell
Ultimate Oscillator	29.425	Overbought

# Fundamental Recommendation

- ▶ Our FY22E/FY23E EPS estimate by -3%/-2%, factoring in: a) impact of the lockdown on offtake of medicines in Europe/growth markets, and b) increased spends towards the development of complex products.
- ▶ We expect 11% earnings CAGR over FY21-23E, led by new launches/increased market share in key markets (US/EU), better profitability in Europe, lower financial leverage, and controlled costs.
- ▶ We value Aurobindo Pharma Ltd at 16x 12-months forward earnings to arrive at our TP of INR 980. We remain positive on: a) robust ANDA pipeline and ongoing effort towards building niche products in the areas of Injectables, Biologics, Transdermals, and Inhalers, b) wide product portfolio, supported by maximum integration in the manufacturing value chain, and c) improving margin in the EU business. Maintain Buy.

# Invesfinc Advisors Analysis

Date	Analysis	Current Price	Target Price	Stoploss
21-11-2021	BUY	639.55	765	492.15

- ▶ Accumulate small quantities in 595 – 650 price range
- ▶ Accumulate medium to large quantities in 540 – 590 price range, in case scrip slips to this price range





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