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BSE Code: 524804 NSE Code: AUROPHARMA Reuters Code: ARBN.NS Bloomberg Code: ARBP:IN

Aurobindo Pharma is one of the largest vertically integrated pharmaceutical companies with API integration for over 75% of its products. Over the past few years, the company has significantly shifted its focus from API business to formulations. Hence, the formulations' share in the total revenues has increased from 54% in FY11 to 78% in FY15. The company has considerable global presence with more than 86% of its revenues coming from international operations. Further, it owns a network of 19 manufacturing facilities (eight formulations and 11 API & intermediates) in India and abroad.

Key Developments

Product pipeline in the US market:

The US product basket of the company comprises of 387 ANDAs (Abbreviated New Drug Applications) including 198 final approvals, 30 tentative approvals and 159 pending approvals. The company has filed 79 ANDAs with USFDA under injectables segment, of which, 31 have received approvals. The company has also received tentative approval from USFDA for Esomeprazole magnesium (Nexium generic) in Dec-2015.

Moving the manufacturing base from Europe to India:

After Actavis acquisition in 2014, the sales contribution from Europe has increased from 8% in FY14 to 26% in FY15. Aurobindo Pharma has transferred the production of 28 products to its Indian facility and reported positive EBITDA margin for the second consecutive quarter in Q3FY16 after Actavis acquisition. Thus, the company is trying to leverage its ability to source lower cost APIs by shifting manufacturing base from Europe to India.

ARVs (Antiretroviral) business of the company:

ARVs (Antiretroviral) business of the company contributed 8% to the overall revenue in FY15 and grew at a CAGR of 14.2% over FY10-15. The company provides cost effective generic version of ARV products catering to more than 100 countries. The company has filed an ANDA application for DTG (Dolutegravir) 50mg with USFDA (United States Food And Drug Administration) under the PEPFAR (President's Emergency Plan for Aids Relief) program. WHO (World Health Organisation) announced DTG as a first line reserve drug in its 2015 HIV (Human Immunodeficiency Virus) treatment guidelines.

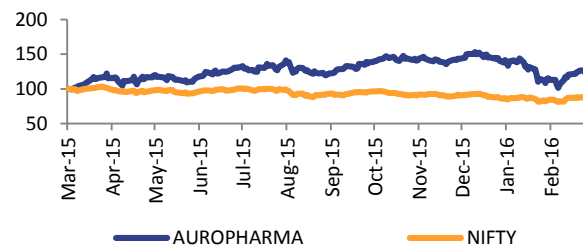
Market Data

CMP (Rs.)	745
Face Value	1.0
52 week H/L (Rs.)	892/582
Adj. all time High (Rs.)	892
Decline from 52WH (%)	16.4
Rise from 52WL (%)	28.0
Beta	1.5
Mkt. Cap (Rs. Cr)	43,589
Enterprise Value (Rs. Cr)	47,254

Fiscal Year Ended

	FY13	FY14	FY15
Total revenue (Rs.cr)	5,855	8,100	12,121
Net Profit (Rs.cr)	294	1,173	1,576
Share Capital (Rs. Cr)	29	29	29
EPS (Rs.)	10.1	40.2	54.0
P/E (x)	14.5	12.7	22.6
P/BV (x)	1.6	4.0	6.9
ROE (%)	11.9	36.9	35.4

One year Price Chart



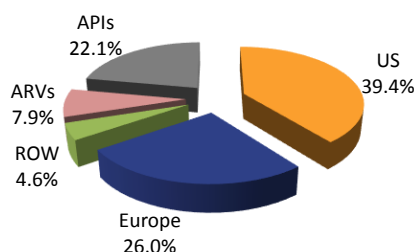
Shareholding	Dec15	Sep15	Diff.
Promoters (%)	53.9	53.9	-
Public (%)	46.1	46.1	-
Others (%)	-	-	-

Aurobindo is one of the largest vertically integrated pharmaceutical companies in India with API integration for over 75% of its products.

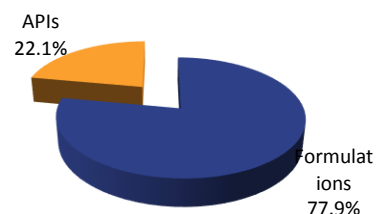
Aurobindo Pharma Ltd.: Business overview

Aurobindo is one of the largest vertically integrated pharmaceutical companies with API (Active Pharmaceutical Ingredients) integration for over 75% of its products. Over the past few years, the company has drastically shifted its focus from API business to formulations. Hence, the formulations' share in the total revenues has increased from 54% in FY11 to 78% in FY15. The company has considerable global presence with more than 86% of its revenues coming from international operations. Further, it owns a network of 19 manufacturing facilities (eight formulations and 11 API & intermediates) in India and abroad.

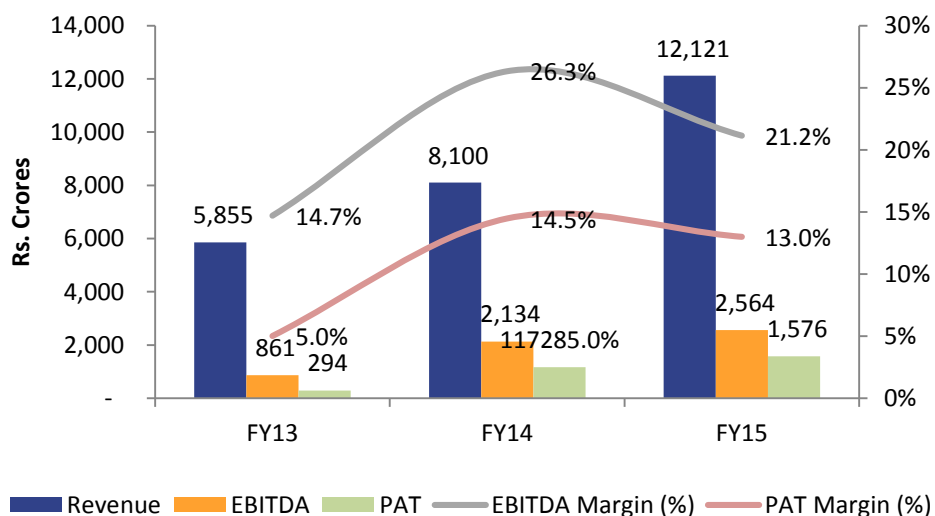
Geography wise revenue breakup (FY15)



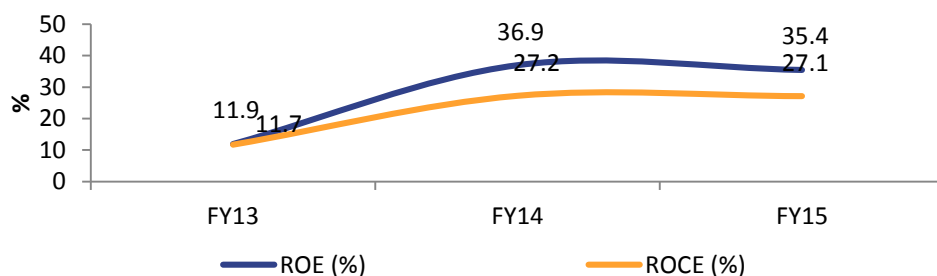
Business break-up (FY15)



Financial snapshot of Aurobindo Pharma



Return Ratios Trend



Source: Company, In-house research

The company's product portfolio is composed of 387 ANDAs including 198 final approvals, 30 tentative approvals and 159 pending approvals.

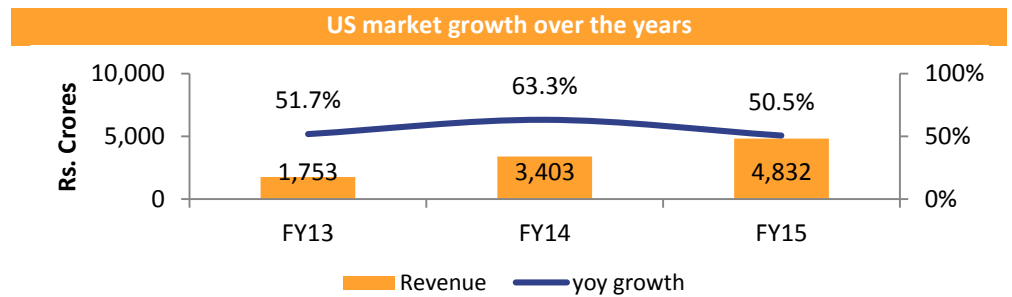
In FY14, the company acquired 60% stake in Eugia which develops and markets niche Hormonal and Oncology generic formulations for the regulated markets.

Natrol acquisition has fast tracked Aurobindo's entry into the nutraceuticals markets with niche and differentiated products.

US: Major market for Aurobindo

US generics has been the growth driver for the company over the past three years and the largest contributor to the company's revenues and profitability. US formulations contributed 50.5% to total formulations revenue and 39% to overall revenues in FY15. US business grew at a CAGR of 40% over FY10-15 benefitted by the company's strategy to focus on formulations instead of APIs. The company's product portfolio comprises of 387 ANDAs including 198 final approvals, 30 tentative approvals and 159 pending approvals.

The company has filed 79 ANDAs with USFDA under injectables segment of which 31 have already received approvals.



Source: Company, In-house research

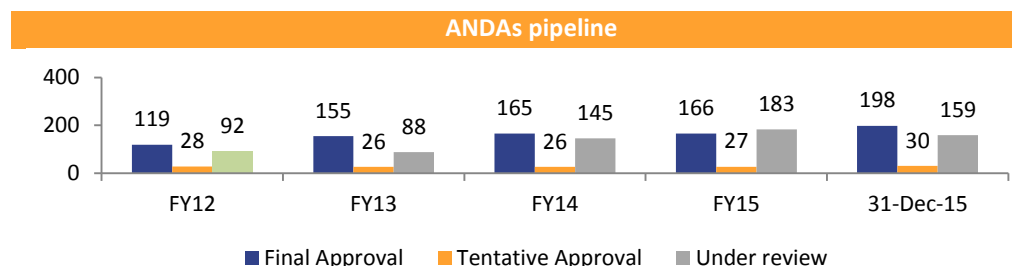
Traction in specialty products and controlled substances

In FY14, the company acquired 60% stake in Eugia which develops and markets niche Hormonal and Oncology generic formulations for the regulated markets. Currently, the company is working on 15 oncology products and has completed its first exhibit batches for three hormone products.

The company supplies controlled substances in the US market through its subsidiary (Aurolife) in the US and this segment is a reasonable contributor to the company's revenues. Aurolife continues to witness increase in demand from government. The company has sixteen ANDA filings for controlled substances pending with the USFDA.

Natrol acquisition in the US

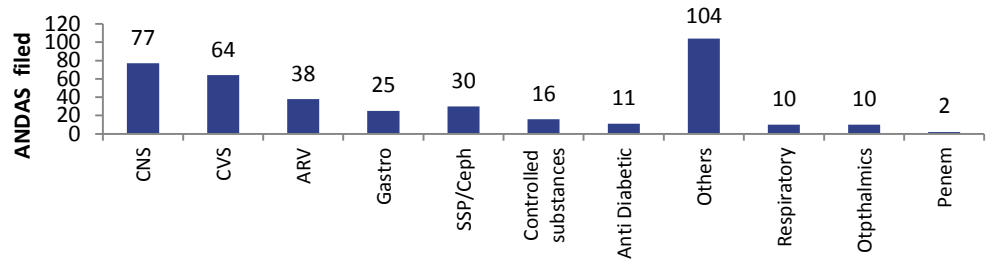
The company acquired the assets of nutritional supplement maker Natrol Inc. for USD 132.5 million in 2014. Natrol manufactures and sells quality nutritional supplements in the US and select international Markets. During FY15, Natrol Inc. reported a loss of Rs. 7 crores on revenue of Rs. 192 crores. Natrol acquisition has fast tracked Aurobindo's entry into the nutraceuticals markets with niche and differentiated products.



Source: Company, In-house research

Acquisition of new products from Actavis has strengthened the company's presence in Western Europe.

ANDAs filed by Therapeutic area



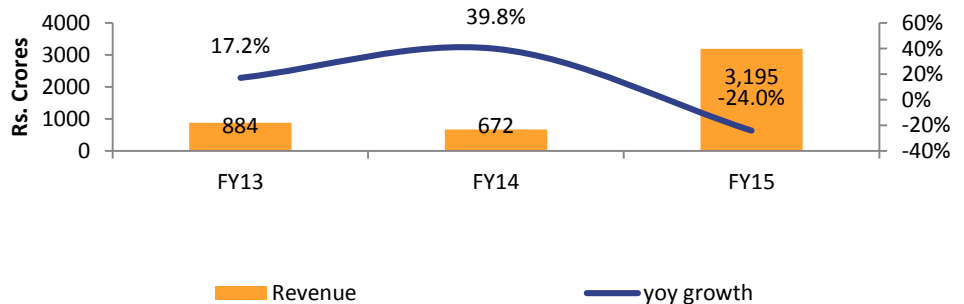
Source: Company, In-house research

European business of the company

Aurobindo has expanded its presence in Europe by acquiring Milopharm in 2006, Pharmacin in 2007 and Actavis in 2014. Actavis business is spread over 7 countries in Europe – France, Germany, Netherlands, United Kingdom, Spain, Italy, and Portugal. This acquisition brought in a pipeline of 1,200 products, an additional 200 products under development and 1,250 dossier license rights. Acquisition of new products from Actavis has strengthened the company's presence in Western Europe with full-fledged sales force and a readymade hospital sales infrastructure for Aurobindo to launch its own injectable and specialty portfolio. Actavis acquisition provides front end infrastructure in five segments including generics, branded products, over-the-counter products, hospital products and generics tenders.

After Actavis acquisition in 2014, the sales contribution from Europe has increased from 8% in FY14 to 26% in FY15. The company has transferred 28 products to its Indian facility and reported positive EBITDA margin for the second consecutive quarter in Q3FY16 after Actavis acquisition. Further, the company is trying to leverage its ability to source lower cost APIs by shifting manufacturing base from Europe to India.

European business growth trend



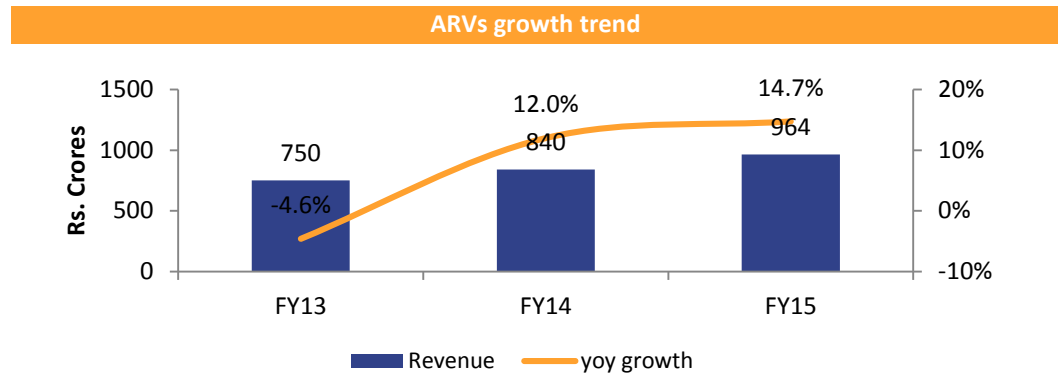
Source: Company, In-house research

Currently, the company has filed 38 ANDAs in the ARVs segment.

Increase in ARVs contribution to the company's revenues

ARVs business contributed 8% to overall revenue in FY15 and grew at a CAGR of 14.2% over FY10-15. The company provides cost effective generic version of ARV products catering to more than 100 countries. Currently, the company is focusing on global tenders floated by Multi-Lateral organizations and govt. agencies. The company has filed an ANDA application for DTG 50mg with USFDA under the PEPFAR program and is currently developing a Triple drug combination containing DTG. WHO announced DTG as a first line reserve drug in its 2015 HIV treatment guidelines.

Currently, it has filed 38 ANDAs in ARVs segment.



Source: Company, In-house research

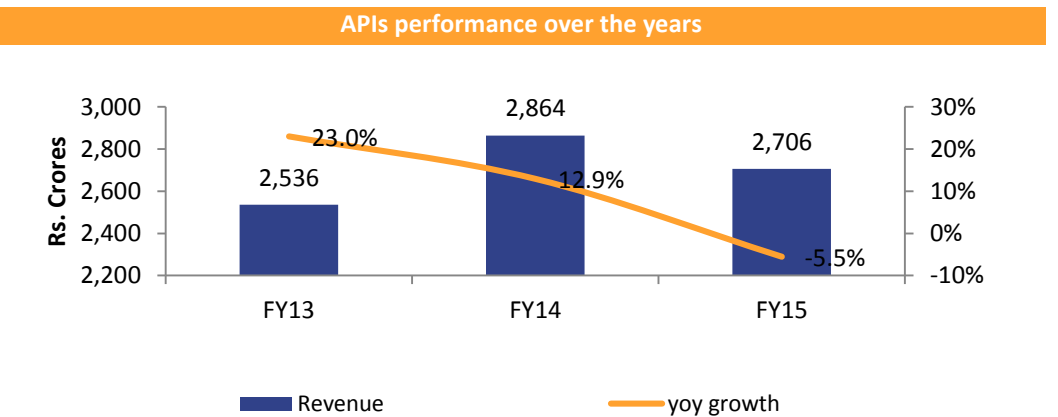
RoW markets of the company

RoW markets contributed 5% to overall revenue and grew at 23% in FY15. The Company's focused markets include Brazil, South Africa, Ukraine, Mexico and it is further expanding into select markets of Asia Pacific, Africa, and Middle East.

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Performance of the company's API business

APIs accounted for 22% of overall revenues of the company and reported a de-growth of 5.5% in FY15 due to increasing captive consumption. Currently, the company has 363 API filings with more focus on regulated markets and high value specialty products.



Source: Company, In-house research

Balance Sheet (Consolidated)

(Rs.Cr)	FY13	FY14	FY15
Share Capital	29	29	29
Reserve and surplus	2,577	3,721	5,127
Net Worth	2,606	3,750	5,156
Minority Interest	11	26	26
Total Debt	3,384	3,769	4,451
Other non-current liabilities	77	215	230
Total Equity & Liabilities	6,078	7,759	9,862
Net Fixed Assets	2,857	3,031	4,125
Investments	22	20	20
Net current assets	2,942	3,901	5,232
Other non-current assets	256	807	486
Total Assets	6,078	7,759	9,862

Cash Flow (Consolidated)

Y/E (Rs. Cr)	FY13	FY14	FY15
Net profit/loss before tax & extraordinary items	374	1,533	2,168
Net cashflow from operating activities	278	644	1,295
Net cash used in investing activities	(246)	(819)	(1,409)
Net cash used from financing activities	108	118	93
Net inc/dec in cash and cash equivalents	140	(57)	(21)

Financial performance snapshot

Net sales of the company stood at Rs. 12,121 Crores in FY15, a growth of 49.6% as compared to Rs. 8,100 Crores in FY14. The operating expenses of the company increased by 60.2% YoY to Rs. 9,557 Crores from Rs. 5,966 Crores during the year. The company's EBITDA grew by 20.2% YoY to Rs. 2,564 Crores in FY15 from Rs. 2,134 Crores in FY14. EBITDA margin contracted by 519 bps to 21.2% in FY15 from 26.3% in FY14. Net profit increased by 34.4% to Rs. 1,576 Crores in FY15 from Rs. 1,173 Crores in FY14. The NPM contracted by 148 bps to 13.0% from 14.5% during the above period.

Profit & Loss Account (Consolidated)

(Rs.Cr)	FY13	FY14	FY15
Net revenue	5,855	8,100	12,121
Expenses	4,994	5,966	9,557
EBITDA	861	2,134	2,564
Depreciation	249	313	333
EBIT	612	1,821	2,231
Interest cost	267	310	160
Other Income	29	22	97
Profit Before Tax	374	1,533	2,168
Tax	83	363	597
Profit After Tax	291	1,169	1,571
Minority Interest	(2)	(4)	(5)
P/L from Associates	-	-	-
Adjusted PAT	294	1,173	1,576
E/o expense / (income)	-	-	-
Reported Profit	294	1,173	1,576

Key Ratios (Consolidated)

	FY13	FY14	FY15
EBITDA Margin (%)	14.7	26.3	21.2
EBIT Margin (%)	10.5	22.5	18.4
NPM (%)	5.0	14.5	13.0
ROCE (%)	11.7	27.2	27.1
ROE (%)	11.9	36.9	35.4
EPS (Rs.)	10.1	40.2	54.0
P/E (x)	14.5	12.7	22.6
BVPS (Rs.)	89.5	128.7	176.6
P/BVPS (x)	1.6	4.0	6.9
EV/EBITDA (x)	8.6	8.7	15.5



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