

Business Line, Delhi

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Broker's Call

Prabhudas Lilladher

Aurobindo Pharma (Accumulate)

CMP: ₹436.25

Target: ₹482

Aurobindo acquired Actavis' Western Europe business with gross consideration of \$30 million.

The acquisition is likely to expand Aurobindo's operations across seven countries in Western Europe and enlarge its portfolio with 1,200 marketed products and 200 products in pipeline. We believe that likely possibility of headroom expansion in valuation for Aurobindo would be limited post acquisition in Europe.

This is due to a) operating loss in EU to drag consolidated earnings; and b) addition of 450 employees implies strong contingent liability for PF contribution in EU.

We expect robust earnings from Cymbalta (with 20 per cent market share) to aid the optimistic scenario and maintain PE of 14x-16x valuation in the near-to-medium term.

We downgrade our recommendation to 'Accumulate'.

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