

BUY**TP: Rs 1,251 | ▲ 16%****AUROBINDO PHARMA**

Pharmaceuticals

05 August 2025

Europe growth, Pen G utilisation to protect margins

- Sales/EBITDA/PAT were 2%/4%/5% below estimates, mainly due to lower gRevlimid sales. EBITDA margin in-line at 20.4%
- Growth momentum to continue in Europe, as supplies of Biosimilars commercialise from H2FY26, enabling sales of EURO 1bn in FY26
- Factoring in Lannett's financials, we arrive at sales/PAT CAGR of 16%/27% from FY26-28. Ascribe 19x on June'27 roll forward basis

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Result below expectations: Sales grew by 4%, driven by 18% growth in the Europe region, 9% growth in the Growth Market, 49% growth in the ARV segment which was offset by a 2% decline in the US and 16% decline in the API segment. Lower gRevlimid sales offset by overall healthy product mix and softening of RM prices resulting in gross margin at 58.8% and EBITDA margin at 20.4%. Other Income reduced by 52% and high tax rate of 31.8% led to 10% YoY decrease in PAT.

Strong demand in base business to drive US growth: US sales declined by 2% YoY, largely due to lower gRevlimid sales from 4QFY25 and 1QFY26 and due to temporary moderation in customer demand due to destocking of inventory ahead of tariff woes. However, ex-gRevlimid, sales grew by 12%, largely driven by the Eugia injectable sales that grew by 11% both QoQ and YoY. Going forward, sales from gRevlimid is expected to be negligible due to exhaustion of quota, which would be offset by a higher traction in oral solids and injectables. Hence, we expect US sales to grow at 8% CAGR from FY26-28E.

Lannett's acquisition to bring synergies: The current acquisition to take 8-9 months to close subject to FTC approval. Synergies include access to 70 products including ADHD controlled substance, CMO products, a huge pipeline and a strong BD team with GM ~40% and EBITDA margin is ~15% through 40% utilization

Europe to sustain growth momentum: Sales growth was driven by deeper penetration across geographies and commercialisation of 1 Biosimilar in UK. The company expects 2-3 biosimilars to commercialise in Q3-Q4FY26, thus maintaining sales target of reaching EUR1bn.

Valuation: We have factored in Lannett's financials from FY27 and introduced FY28 estimates. We arrive at a sales/EBITDA/PAT CAGR of 16%/22%/27% from FY26-28, thereby maintaining BUY. We roll forward our valuation to June'27 and ascribe a PE of 19x (earlier 18x) on the synergy post closure in 8-9 months, to arrive at TP of Rs1,251.

Key changes

Target	Rating
▼	◀ ▶

Ticker/Price	ARBP IN/Rs 1,079
Market cap	US\$ 7.2bn
Free float	48%
3M ADV	US\$ 15.8mn
52wk high/low	Rs 1,592/Rs 1,010
Promoter/FPI/DII	52%/18%/23%

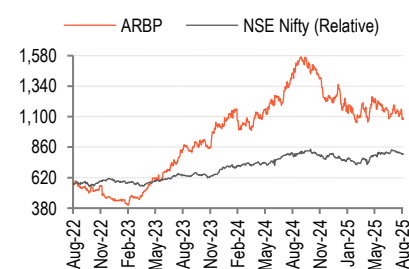
Source: NSE | Price as of 5 Aug 2025

Key financials

Y/E 31 Mar	FY25A	FY26E	FY27E
Total revenue (Rs mn)	317,250	314,042	380,500
EBITDA (Rs mn)	66,067	64,394	87,094
Adj. net profit (Rs mn)	34,825	33,792	49,526
Adj. EPS (Rs)	59.4	57.7	84.5
Consensus EPS (Rs)	59.4	69.8	77.8
Adj. ROAE (%)	11.5	10.2	13.4
Adj. P/E (x)	18.2	18.7	12.8
EV/EBITDA (x)	9.5	9.8	7.1
Adj. EPS growth (%)	3.6	(3.0)	46.6

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE



Fig 1 – Financial Highlights

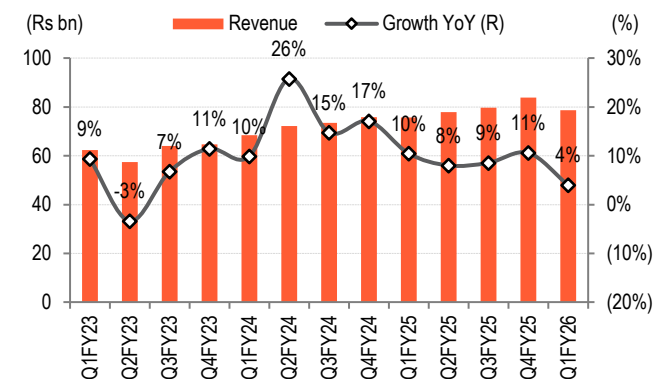
(Rs mn)	Q1FY26	Q1FY25	YoY (%)	Q4FY25	QoQ (%)
Net Sales	78,681	75,670	4.0	83,821	(6.1)
Other Related Income					
Total Income					
Total Expenses	62,647	59,475		65,902	
(%) of net sales	80	79		79	
Raw material consumed	32,392	30,727	5.4	34,279	(5.5)
(%) of net sales	41	41		41	
Staff cost	12,288	10,720	14.6	11,626	5.7
(%) of net sales	16	14		14	
R&D cost	3,670	3,390	8.3	4,230	(13.2)
(%) of net sales	4.7	4.5		5.0	
SG&A	14,297	14,638	(2.3)	15,767	(9.3)
(%) of net sales	18.2	19.3		18.8	
EBITDA	16,034	16,196	(1.0)	17,919	(10.5)
Depreciation	4,057	4,041		4,444	
EBIT	11,977	12,155	(1.5)	13,475	(11.1)
Interest	978	1,110	(12.0)	1,150	
Other Income	1,049	2,209	(52.5)	1,348	
PBT	12,048	13,254	(9.1)	13,673	(11.9)
Less: Taxation	3,826	4,057	(5.7)	4,323	
Less: Minority Interest	(25)	4		315	
Recurring PAT	8,247	9,193	(10.3)	9,035	(8.7)
Exceptional items	0	0		0	
Reported PAT	8,247	9,193	(10.3)	9,035	(8.7)
Key Ratios (%)			(bps)		(bps)
Gross Margin	58.8	59.4	(56.3)	59.1	(27.4)
EBITDA Margin	20.4	21.4	(102.5)	21.4	(100.0)
Tax / PBT	31.8	30.6	114.8	31.6	14.1
NPM	10.5	12.1	(166.7)	10.8	(29.7)
EPS (Rs)	14.1	15.7		15.4	

Source: Company, BOBCAPS Research

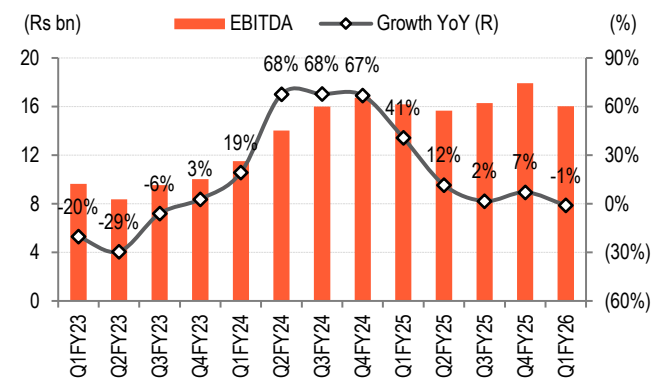
Fig 2 – Revenue Mix

(Rs mn)	Q1FY26	Q1FY25	YoY (%)	Q4FY25	QoQ (%)
Formulations	69,530	64,840	7.2	73,130	(4.9)
US	34,880	35,550	(1.9)	40,720	(14.3)
Europe	23,380	19,820	18.0	21,470	8.9
Growth Markets	7,720	7,090	8.9	7,860	(1.8)
ARV	3,550	2,380	49.2	3,080	15.3
APIs	9,160	10,920	(16.1)	10,690	(14.3)
Net Sales	78,690	75,760	3.9	83,820	(6.1)

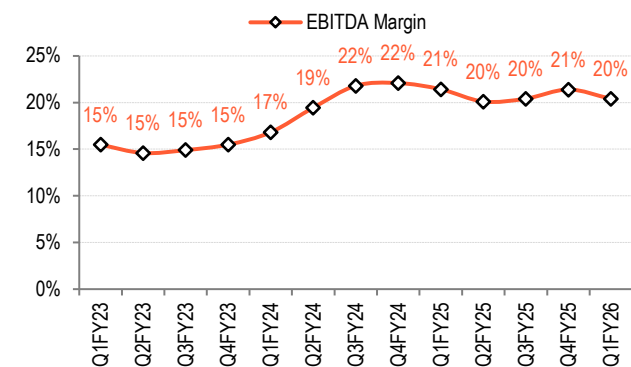
Source: Company, BOBCAPS Research

Fig 3 – Sales lowered given lower gRevlimid sales

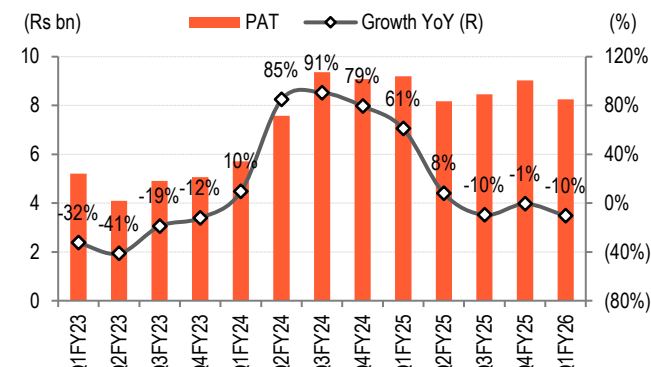
Source: Company, BOBCAPS Research

Fig 4 – EBITDA lowered on higher employee expense

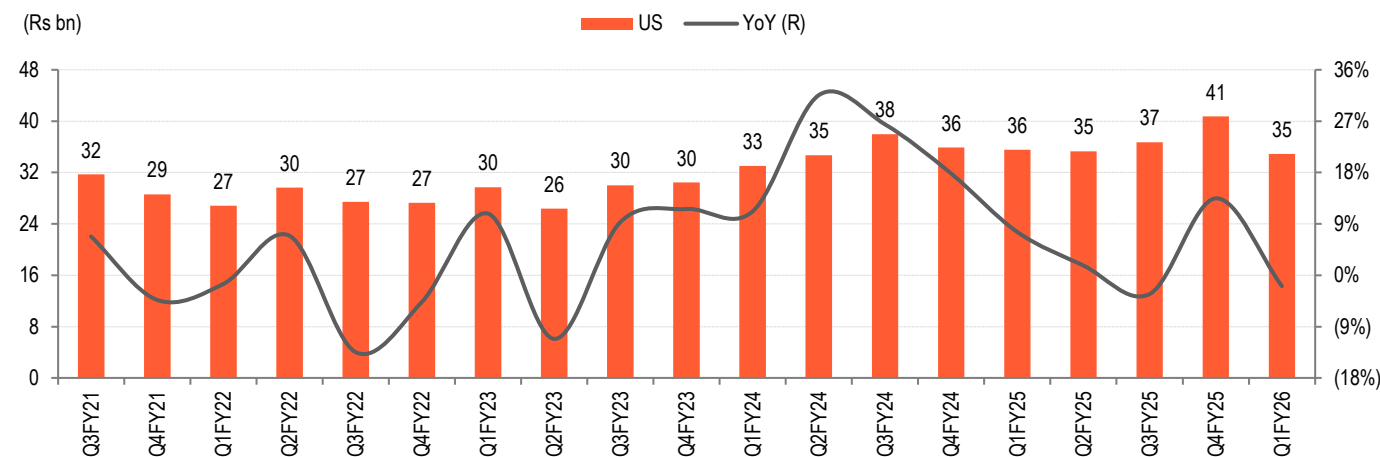
Source: Company, BOBCAPS Research

Fig 5 – EBITDA margin maintained amidst lower gRevlimid sales

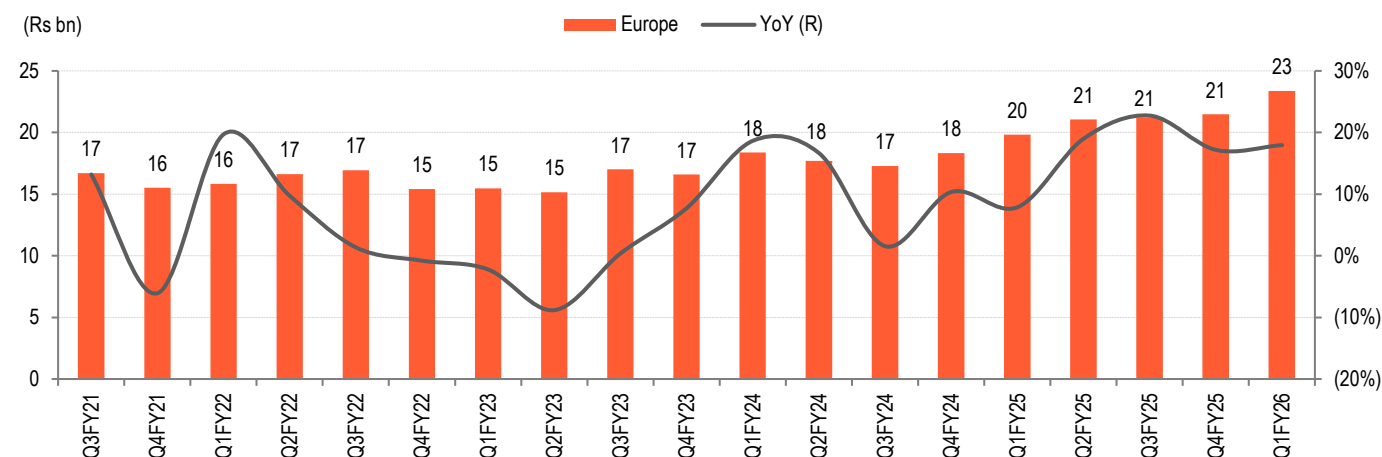
Source: Company, BOBCAPS Research

Fig 6 – PAT lower on higher tax rate

Source: Company, BOBCAPS Research

Fig 7 – US sales lowered on lack of gRevlimid sales and destocking of inventory by wholesalers

Source: Company, BOBCAPS Research

Fig 8 – Europe sales higher due to growth across geographies and commercialisation of 1 biosimilar in the UK


Source: Company, BOBCAPS Research

Earnings Call Highlights

Outlook –

EBITDA margin - Sustain EBITDA margin at 20-21% for FY26

Europe – Expect to cross the milestone of EURO 1 bn by end of FY26

Company Updates

Revenue – gRevlimid sales lower by Rs1.50bn vs Q1 FY25 and Rs 5.50 bn vs Q4 FY25

EBITDA - EBITDA level Q1 FY26 includes a substantially lower contribution from gRevlimid vs both Q4 FY25 and Q1 FY26

PenG - The facility resumed operations on 1st of July. Continues to scale up operations, have achieved encouraging yields and are confident of keeping up the momentum

Plant profitability - Last quarter loss was less than Rs 500 mn

Output - Yields are improving by the day, and will hopefully stabilise in August and September.

Segment Break-up

US Sales

Sales - Significant reduction in the transient product sale g Revlimid, a temporary moderation in customer demand, due to seasonal dynamics destocking effects of the last quarter inventory on anticipated tariffs. Overall steady demand in overall base business and launched 15 new products.

gRevlimid - Most of the Revlimid settlement quantities have sold it. Have nothing more to sell other than a minimal listing. So, the price erosion to not have any bearing on future revenues. Henceforth Q2 & Q3 to not have gRevlimid sales due to exhaustion of quantities.

Market share – Expect more market share, starting Feb'26. So, despite having limited sales of gRevlimid for next 1-2 quarters, expect Q4 to be better as the entire market would open up and the company has its own capacities.

Injectable - Sales increased by 11% QoQ.

ARV - Delivered a strong 55% YoY rise, reaching Rs 3.55 bn; primarily driven by volume uptake and new tender wins in several geographies. Expect the growth to sustain in the near term.

R&D – Spend at 4.7% of sales reflect our ongoing commitment to innovation and to build a robust pipeline, especially in complex generics and specialty therapy.

Capex – Lowered to USD 73mn from the earlier USD100 mn. To reiterate, the company is not expecting any further greenfield capex investments in the near to mid-term and to focus on maintenance and replacement CapEx and the capacity enhancements in the existing facilities.

Biosimilars - Expect launch in Q3 and Q4 of FY26 when margins may be higher than the company level margin.

China facility - \$145mn invested in the China facility, where production has been commenced from Q4 FY25 and the invoicing started in Q1 FY26. With an initial capacity of 2 bn+ units, the facility is ramping up as expected, will begin contributing to revenue in the coming quarters as also expected to break even at EBITDA level by Q3 FY26.

US manufacturing facilities - ~\$70mn in two US facility Dayton, to start producing from Q2, Q3 FY26, waiting for approval from regulatory authorities.

Eugia Vizag plant - We expect to file 20+ products in the US and Europe from this site over the next 2 years.

Eugia unit 3 - Have invited the US FDA for reinspection.

Eugia geographical exposure - Eugia's exposure to ROW would be USD50mn and USD 100 mn towards European region; growth markets like Canada and Brazil continue growing.

Biologics - ~\$13 mn spent in biologics CMO; the balance \$100mn+ expected to be invested between now and March 27th

Capacity - Initially started the project with 2:15 KL mammalian cell culture bioreactor lines and the capex guidance was around Rs 10 - to 13bn. This translates into the need to add two more 15 KL bioreactor manufacturing lines and its associated purification and utility capacities. These lines to come into operation somewhere in FY28.

Lannett's acquisition – The Lannett acquisition is subject to FTC approval. Integration is expected to be easily done because the company has similar kinds of products; only that they are in the ADHD segment. They are mostly into control substances. and even their other product is very close to what ARBP has. Also, the company has a strong BD team. There are 70+ plus active products and many of them are in control substances. They are all in niche areas where products are in short supply.

Valuation Methodology

Aurobindo reported sales/EBITDA/PAT 2%/4%5% below our estimates, primarily due to lower gRevlimid sales in the US and lower API sales. EBITDA was down due to higher employee cost while PAT lower on lower Other income and higher tax rate of 32% vs our estimate of 28%. Amidst lower gRevlimid sales, EBITDA margin was in line with our estimate of 20.4%, driven from moderation of RM prices and other expense rationalisation.

Going forward, contribution from gRevlimid is expected to be negligible as their quota is exhausted that would be offset by: 1) higher traction in the injectable sales that is back to pre-disruption level 2) higher demand in oral solids 3) higher yield from the PenG plant 4) commercial supplies from biosimilars in the European market 5) stabilisation of API prices 6) sustained momentum from the ROW market 7) synergies from the acquisition of Lannett's facility by getting access to controlled substances and CMO. All these drivers to aid in margin protection of 20-21% for FY26.

We have factored in Lannett's financials from FY27 and introduced FY28 estimates. We arrive at a sales/EBITDA/PAT CAGR of 16%/22%/27% from FY26-28, thereby maintaining BUY. We roll forward our valuation to June'27 and ascribe a PE of 19x (earlier 18x) on Lannett's synergy post closure in 8-9 months, to arrive at TP of Rs 1,251.

Fig 9 – change in estimates

(Rs mn)	New		Old		Change (%)	
	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E
Sales	314,042	380,500	345,488	374,903	(9.1)	1.5
EBITDA	64,394	87,094	72,482	81,011	(11.2)	7.5
EBITDA margin (%)	20.5	22.9	21.0	21.6	(47bps)	128bps
EPS (Rs)	57.7	84.5	70.9	80.8	(18.7)	4.6

Source: Company, BOBCAPS Research

Key Risks

Key downside risks to our estimates:

- any USFDA regulatory escalation for Unit 3
- implementation of US tariff
- delays in filing biosimilar products
- heightened price erosion in the US
- delays in execution or commercialisation of biologics products

Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Total revenue	290,000	317,250	314,042	380,500	424,141
EBITDA	58,411	66,067	64,394	87,094	96,456
Depreciation	15,217	16,494	17,685	19,013	20,341
EBIT	43,195	49,573	46,709	68,081	76,115
Net interest inc./(exp.)	(2,897)	(4,572)	(3,887)	(3,304)	(2,808)
Other inc./(exp.)	5,574	6,219	6,261	6,783	5,436
Exceptional items	0	0	0	0	0
EBT	45,871	51,219	49,084	71,560	78,743
Income taxes	12,110	15,827	14,725	21,468	23,623
Extraordinary items	(1,919)	0	0	0	0
Min. int./Inc. from assoc.	132	567	567	567	567
Reported net profit	31,711	34,825	33,792	49,526	54,554
Adjustments	1,919	0	0	0	0
Adjusted net profit	33,630	34,825	33,792	49,526	54,554

Balance Sheet

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Accounts payables	44,542	41,889	46,461	55,251	61,588
Other current liabilities	32,799	38,246	40,826	41,855	46,655
Provisions	4,825	5,585	5,528	6,698	7,467
Debt funds	66,476	82,671	70,271	59,730	50,770
Other liabilities	0	0	0	0	0
Equity capital	586	586	586	586	586
Reserves & surplus	289,361	315,992	346,918	393,514	445,138
Shareholders' fund	289,947	316,578	347,504	394,100	445,724
Total liab. and equities	438,589	484,968	510,590	557,634	612,204
Cash and cash eq.	62,783	83,486	90,437	72,477	97,620
Accounts receivables	48,167	57,459	60,227	83,397	92,962
Inventories	98,082	105,437	110,990	140,733	156,874
Other current assets	42,219	39,127	50,561	65,066	72,528
Investments	3,723	2,517	2,517	2,517	2,517
Net fixed assets	115,455	121,894	120,809	118,397	114,656
CWIP	38,687	49,000	49,000	49,000	49,000
Intangible assets	29,473	26,048	26,048	26,048	26,048
Deferred tax assets, net	0	0	0	0	0
Other assets	0	0	0	0	0
Total assets	438,589	484,968	510,590	557,634	612,204

Cash Flows

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Cash flow from operations	31,617	45,891	42,704	15,414	56,439
Capital expenditures	(16,600)	(16,600)	(16,600)	(16,600)	(16,600)
Change in investments	1,705	1,205	0	0	0
Other investing cash flows	0	0	0	0	0
Cash flow from investing	(14,895)	(15,395)	(16,600)	(16,600)	(16,600)
Equities issued/Others	0	0	0	0	0
Debt raised/repaid	13,614	16,195	(12,401)	(10,541)	(8,959)
Interest expenses	(2,897)	(4,572)	(3,887)	(3,304)	(2,808)
Dividends paid	(2,930)	(2,930)	(2,930)	(2,930)	(2,930)
Other financing cash flows	(22,569)	(18,486)	64	0	0
Cash flow from financing	(14,781)	(9,793)	(19,153)	(16,774)	(14,697)
Chg in cash & cash eq.	1,941	20,703	6,952	(17,960)	25,142
Closing cash & cash eq.	62,783	83,486	90,437	72,477	97,620

Per Share

Y/E 31 Mar (Rs)	FY24A	FY25A	FY26E	FY27E	FY28E
Reported EPS	54.1	59.4	57.7	84.5	93.1
Adjusted EPS	57.4	59.4	57.7	84.5	93.1
Dividend per share	2.5	2.5	2.5	2.5	2.5
Book value per share	495.3	541.1	593.8	673.4	761.7

Valuations Ratios

Y/E 31 Mar (x)	FY24A	FY25A	FY26E	FY27E	FY28E
EV/Sales	2.1	2.0	2.0	1.6	1.5
EV/EBITDA	10.6	9.5	9.8	7.1	6.4
Adjusted P/E	18.8	18.2	18.7	12.8	11.6
P/BV	2.2	2.0	1.8	1.6	1.4

DuPont Analysis

Y/E 31 Mar (%)	FY24A	FY25A	FY26E	FY27E	FY28E
Tax burden (Net profit/PBT)	73.3	68.0	68.8	69.2	69.3
Interest burden (PBT/EBIT)	106.2	103.3	105.1	105.1	103.5
EBIT margin (EBIT/Revenue)	14.9	15.6	14.9	17.9	17.9
Asset turnover (Rev./Avg TA)	21.5	21.0	19.2	21.8	22.3
Leverage (Avg TA/Avg Equity)	1.2	1.2	1.2	1.2	1.1
Adjusted ROAE	12.1	11.5	10.2	13.4	13.0

Ratio Analysis

Y/E 31 Mar	FY24A	FY25A	FY26E	FY27E	FY28E
YoY growth (%)					
Revenue	16.7	9.4	(1.0)	21.2	11.5
EBITDA	55.4	13.1	(2.5)	35.3	10.7
Adjusted EPS	68.0	3.6	(3.0)	46.6	10.2

Profitability & Return ratios (%)

EBITDA margin	20.1	20.8	20.5	22.9	22.7
EBIT margin	14.9	15.6	14.9	17.9	17.9
Adjusted profit margin	11.6	11.0	10.8	13.0	12.9
Adjusted ROAE	12.1	11.5	10.2	13.4	13.0
ROCE	14.5	14.8	13.0	17.2	17.2

Working capital days (days)

Receivables	61	66	70	80	80
Inventory	123	121	129	135	135
Payables	56	48	54	53	53

Ratios (x)

Gross asset turnover	1.5	1.5	1.4	1.5	1.6
Current ratio	3.1	3.3	3.4	3.5	3.6
Net interest coverage ratio	14.9	10.8	12.0	20.6	27.1
Adjusted debt/equity	0.0	0.0	(0.1)	0.0	(0.1)

Source: Company, BOBCAPS Research | Note: TA = Total Assets

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BUY – Expected return >+15%

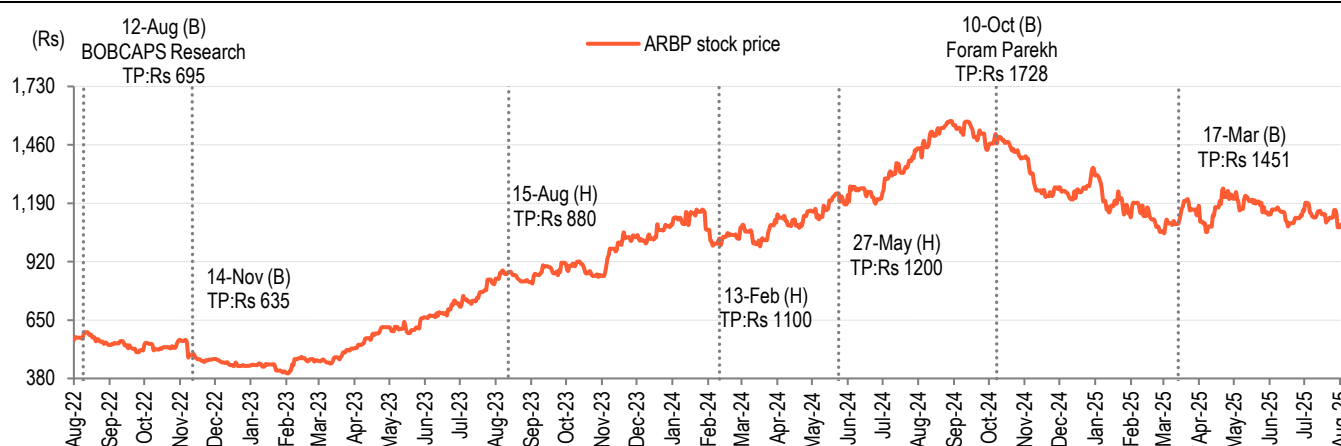
HOLD – Expected return from -6% to +15%

SELL – Expected return <-6%

Note: Recommendation structure changed with effect from 21 June 2021

Our recommendation scale does not factor in short-term stock price volatility related to market fluctuations. Thus, our recommendations may not always be strictly in line with the recommendation scale as shown above.

Ratings and Target Price (3-year history): AUROBINDO PHARMA (ARBP IN)



B – Buy, H – Hold, S – Sell, A – Add, R – Reduce

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