

BUY

TP: Rs 1,316 | ▲ 15%

AUROBINDO PHARMA

Pharmaceuticals

06 November 2025

In-line result; all growth levers in place

- Sales/EBITDA was 2.3%/0.2% above our estimates. PAT was 6% below estimates, while EBITDA margin at 20.3% came 42 bps lower
- Signed a 2nd CDMO deal with MSD, which shall require setting up two more 15KL bioreactor lines with a planned investment of Rs 10bn.
- Due to various growth levers intact, we maintain BUY. Ascribe PE of 15x on Sep'27 roll forward in line with 1YF mean PE

Foram Parekh
Research Analyst
 research@bobcaps.in

In-line earnings: Sales reported a growth of 6.3% to Rs 82.8 bn, driven by 68% YoY growth in ARV sales, 17.8% growth in the Europe region, 9% YoY surge in the Growth market, 3% growth in the US sales which was offset by 17% decline in API sales. Healthy product mix led to increase in gross margin at 59.7% and EBITDA margin sustaining at 20.4% and EBITDA growth of 7% YoY to Rs 16.7bn. Subsequently, PAT grew by 4% to Rs 8.4bn.

Europe continues to shine – During the quarter, Europe reported a growth of 7% above our estimates to Rs 24.8bn. The growth was driven by consistent performance across all major markets of France, Portugal, and Netherland with injectables contributing EUR100 million, accounting for 10% of European sales. European market growth is likely to sustain with 1) higher contribution from injectables as Eugia unit 3 plant clears 2) ramping up production from China plant 3) biosimilar launches that would enable increasing European margin from 18% 20%.

US sales (ex of gRevlimid) grow at 6% - US sales were reported to be in line with our estimates. The growth was driven by scaling up the sales of injectable, which is USD15mn away from the pre disruption levels though offset by very low Revlimid sales during the quarter. Going forward, gRevlimid sales would be almost negligible, which would be offset by 1) moderate price erosion of ~1% in the base products 2) increase in volume market share from 10% and 3) new product launches.

EBITDA margin guidance maintained at 20-21% for FY26E- During the quarter, Pen G plant continues to be at EBITDA loss (6k tons of production); hence healthy product mix drove EBITDA margin to 20.4%. Going forward, despite no gRevlimid sales, EBITDA margin is expected to increase with 1) scaling up of production in PenG plant 2) China plant breakeven from H2FY26 3) biosimilar launches in the regulated markets 4) commercialisation of CDMO project.

Maintain Buy - At CMP, on Sep'27 roll forward basis, the stock is trading at PE of 12.82x and we ascribe PE of 15x, in line with 1Y mean PE of 15x to arrive at TP 1,316 (earlier TP of Rs 1,251)

Key changes

Target	Rating
▲	◀ ▶

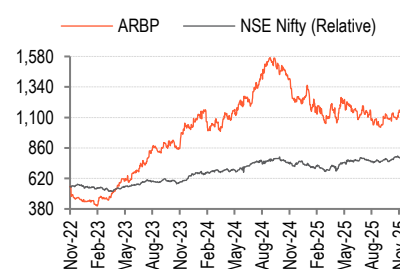
Ticker/Price	ARBP IN/Rs 1,141
Market cap	US\$ 7.5bn
Free float	48%
3M ADV	US\$ 16.9mn
52wk high/low	Rs 1,399/Rs 1,010
Promoter/FPI/DII	52%/18%/23%

Source: NSE | Price as of 6 Nov 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	64.8	75.4
Adj. ROAE (%)	11.5	10.2	13.4
Adj. P/E (x)	19.2	19.8	13.5
EV/EBITDA (x)	10.1	10.5	7.9
Adj. EPS growth (%)	3.6	(3.0)	46.6

Source: Company, Bloomberg, BOBCAPS Research

Stock performance

Source: NSE



Financial Highlights

Fig 1 – Quarterly Snapshot

(Rs mn)	Q2FY26	Q2FY25	YoY (%)	Q1FY26	QoQ (%)	H1FY25	H1FY26	YoY (%)	FY25	FY26E	FY27E	FY28E
Net Sales	82,857	77,961	6.3	78,681	5.3	1,53,631	1,61,538	5.1	3,17,250	3,14,042	3,80,500	4,24,141
Total Expenses	66,076	62,299	6.1	62,647		1,21,774	1,28,723	6	2,51,183	2,46,508	2,89,601	3,25,564
(%) of net sales	80	80		80		79	80		79	78	76	77
Raw material consumed	33,389	32,103	4.0	32,392	3.1	62,830	65,781	5	1,30,262	1,30,328	1,59,810	1,78,139
(%) of net sales	40	41		41		41	41		41	42	42	42
Staff cost	12,773	11,095	15.1	12,288	3.9	21,814	25,061	15	44,756	47,442	50,288	53,305
(%) of net sales	15	14		16		14	16		14.1	15.1	13.2	12.6
R&D cost	4,140	4,100	1.0	3,670	12.8	7,490	7,810	4	16,220	15,702	19,025	23,328
(%) of net sales	5	5		5		5	5		5	5	5	6
SG&A	15,774	15,002	5.1	14,297	10.3	29,640	30,071	1	59,944	53,037	60,478	70,792
(%) of net sales	19	19		18		19	19		19	17	16	17
EBITDA	16,781	15,661	7.1	16,034	4.7	31,857	32,815	3.0	66,067	64,394	87,094	96,456
Depreciation	4,292	3,822		4,057		7,863	8,349	6	16,494	17,685	19,013	20,341
EBIT	12,489	11,839	5.5	11,977	4.3	23,994	24,466	2	49,573	46,709	68,081	76,115
Interest	952	1,127	(15.5)	978		2,237	1,930	(14)	4,572	3,887	3,304	2,808
Other Income	1,206	1,360	(11.3)	1,049		3,569	2,255	(37)	6,219	6,261	6,783	5,436
PBT	12,743	12,072	5.6	12,048	5.8	25,326	24,791	(2.1)	51,219	49,084	71,560	78,743
Less: Taxation	4,278	3,905	9.5	3,826		7,962	8,104	2	15,827	14,725	21,468	23,623
PAT	8,465	8,167	3.6	8,222	3.0	17,364	16,687	(3.9)	35,392	34,359	50,092	55,120
Less: Minority Interest	(20)	(7)		(25)		(3)	(45)		567	567	567	567
Exceptional items	0	0		0		0	0		0	0	0	0
PAT attributable to shareholders	8,485	8,175	3.8	8,247	2.9	17,368	16,731	(3.7)	34,825	33,792	49,526	54,554
Key Ratios (%)												
Gross Margin	59.7	58.8	88bps	58.8	87bps	59.1	59.3	17bps	58.9	58.5	58.0	58.0
EBITDA Margin	20.3	20.1	16bps	20.4	(12bps)	20.7	20.3	(42bps)	20.8	20.5	22.9	22.7
Tax / PBT	33.6	32.3	122bps	31.8	182bps	31.4	32.7	125bps	30.9	30.0	30.0	30.0
NPM	10.2	10.5	(26bps)	10.4	(23bps)	11.3	10.3	(97bps)	11.2	10.9	13.2	13.0
EPS (Rs)	14.5	14.0	3.8	14.1	2.9	29.6	28.6	-3.66	59.5	57.7	84.6	93.2

Source: Company, BOBCAPS Research

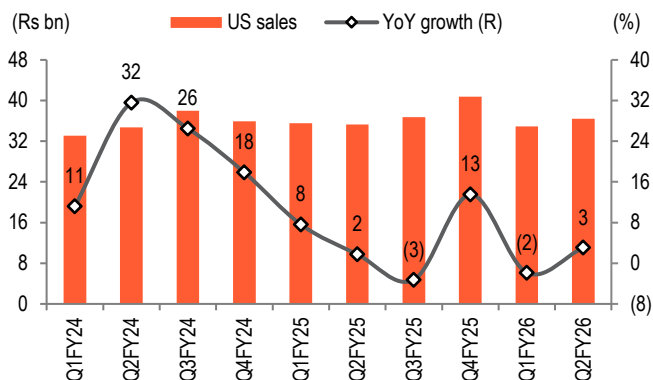
Fig 2 – Segmental Revenue

(Rs mn)	Q2FY26	Q2FY25	YoY (%)	Q1FY26	QoQ (%)	H1FY25	H1FY26	YoY (%)	FY25	FY26E	FY27E	FY28E
Formulations	73,250	66,400	10.3	69,530	5.4	1,31,150	1,42,780	8.9	2,73,890	2,72,974	2,96,388	3,24,752
US	36,380	35,300	3.1	34,880	4.3	70,850	71,260	0.6	1,48,160	1,34,028	1,43,410	1,56,317
Europe	24,800	21,050	17.8	23,380	6.1	40,870	48,180	17.9	83,560	91,916	1,01,108	1,11,218
Growth Markets	8,820	8,120	8.6	7,720	14.2	15,210	16,540	8.7	31,800	35,934	39,887	44,274
ARV	3,250	1,930	68.4	3,550	(8.5)	4,220	6,800	61.1	10,370	11,096	11,984	12,942
APIs	9,600	11,561	(17.0)	9,151	4.9	22,481	18,758	(16.6)	43,230	41,069	44,838	48,961
Lannetts financials											39,274	50,428
Net Sales	82,850	77,961	6.3	78,681	5.3	1,53,631	1,61,538	5.1	3,17,250	3,14,042	3,80,500	4,24,141

Source: Company, BOBCAPS Research

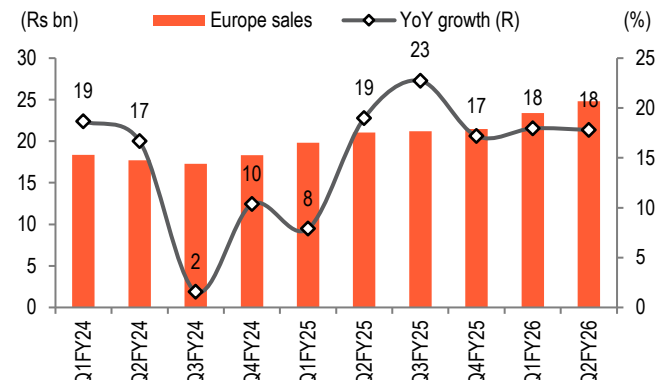
Financials in Charts

Fig 3 – US sales declined due to no meaningful gRevlimid sales



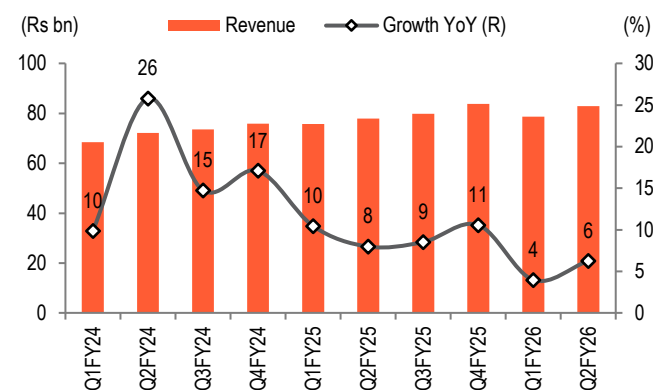
Source: Company, BOBCAPS Research

Fig 4 – Europe sales increased with healthy traction in focused geographies



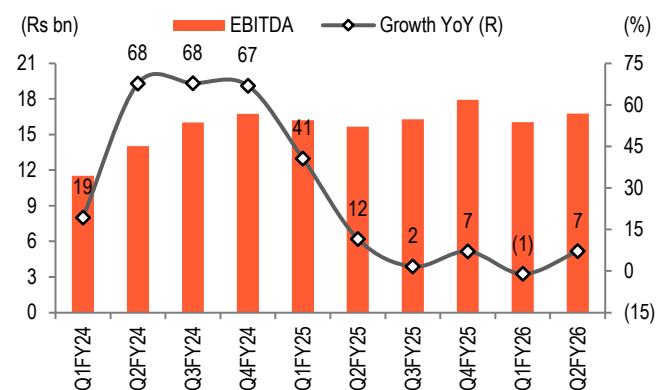
Source: Company, BOBCAPS Research

Fig 5 – Overall sales growth driven by healthy Europe and Growth markets



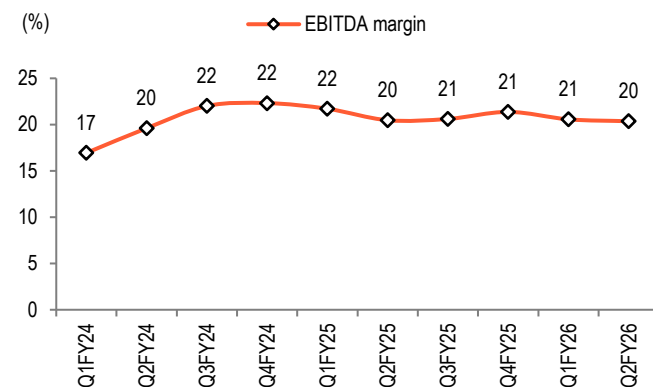
Source: Company, BOBCAPS Research

Fig 6 – EBITDA growth picked up due to healthy product mix



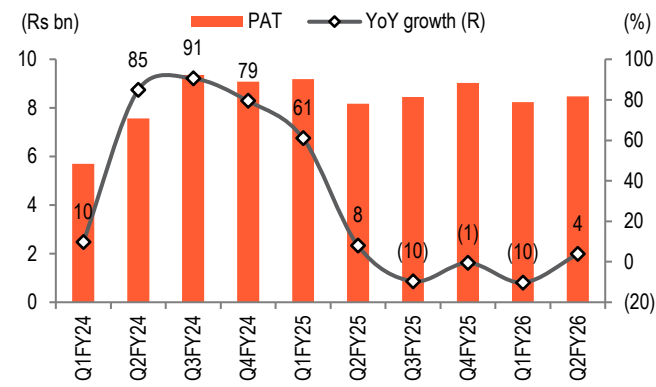
Source: Company, BOBCAPS Research

Fig 7 – EBITDA Margin marginally lower QoQ due to lower gRevlimid sales



Source: Company, BOBCAPS Research

Fig 8 – Stable operations led to stable PAT



Source: Company, BOBCAPS Research

Earnings Call Highlights

Management guidance:

- **EBITDA margin:** Management guided a margin target of 20–21% for FY26, to be driven by improved product mix, ramping up of plants and operating leverage.
- **Europe formulations sales** on track to exceed €1bn in annual revenues by the end of FY26.
- Management expects the **China facility** to EBITDA breakeven by Q3 or Q4FY26.
- Current **Europe business margins** in high-teens and management aims to bring it closer to ~20%, which will be driven by products ramp-up and operating leverage.
- **Asset turnover:** ARPB spent \$145mn on the China plant and in the next 2-3 years asset turnover for the China plant could touch 1x.

Operational highlights:

- **Pen-G facility:** Operations at the Pen-G facility commenced in July 2025. During the quarter, the plant produced around 1,050 MT while operating at about 40–50% fermenter capacity, indicating an annualised capacity of roughly 6,000 MTPA. Yields are showing steady improvement.
- **PLI benefit:** Current production of the Pen-G facility is sufficient to qualify for PLI benefit.
- **Utilization:** Achieving higher utilisation in the Pen-G plant (e.g., raising monthly output from ~500 TPM to ~800 TPM) would improve EBITDA contribution materially.
- **China facility:** The China site is ramping up. It has European approval for 10 products and three local approvals. It is ramping up towards 2 bn capacity and is expected to reach EBITDA breakeven by Q3 or Q4FY26. China to contribute meaningfully to the top line and EBITDA as ramp-up completes.
- **US facility:** The packaging approvals are secured from the Dayton plant and product launches are scheduled from January 2026. Management expects Dayton to start contributing significantly to revenues in FY27.
- Despite lower Revlimid contribution, gross margins during the quarter have expanded due to increasing formulations contribution, strong growth in Europe and favourable product mix in the US.

US formulations:

- **Sales:** US formulations revenue was reported at \$417 mn for the quarter. US revenue (ex-Revlimid) grew ~6% QoQ. US injectable sales also grew 6% QoQ.
- **Growth drivers:** Growth was driven by volume increases and new product launches.
- **New launches:** Launched 6 new products in the quarter.
- **ANDA status:** Filed 13 ANDAs and received 7 final approvals during the quarter.

- **Price erosion:** The overall US price erosion stood at low single-digit on a basket basis.
- **Eugia III facility:** Several new launches and injectable volume growth are tied to the Eugia-III facility re-inspection and clearance. ARPB had an FDA acceptance for re-inspection (letter dated 25 Sep) and expects re-inspection any time within the regulatory window (generally within 8 months). Many injectable launches are from the Eugia-III clearance, while oncology oral solids are coming from Eugia-I facility.

Europe formulations

- **Sales:** Europe grew ~18% YoY, with reported revenue of €243 mn in the quarter. Europe is on track to exceed €1 billion in annual revenues by the end of FY26.
- **Injectables:** Injectables make up ~10% of the European business.
- **Margins:** Margins for the entire Europe business in high-teens and management aims to bring it closer to ~20%. The improvement is expected as more products ramp-up and operating leverage kicks in.

Growth markets:

- **Sales:** Growth markets revenue was Rs 8,820 mn, up ~9% YoY, driven by volume growth and a decent performance in the commercial offerings.
- **Growth contributors:** China, Canada and Brazil were the important contributors to growth markets, with China seen as a key EBITDA growth driver as it ramps.

ARV formulations

- **ARV revenue** was Rs 3,250 mn, up 69% YoY, driven by higher volumes and new tender wins across multiple geographies. Management expects sustained momentum over the medium to long term.

API

- **API revenue** stood at Rs 9,610 mn (12% of sales). The API business reflects the ongoing pricing dynamics and that the mix in the quarter shifted toward formulations (which helped margins). Specific pricing-pressure drivers were not quantified beyond comment that API markets remain dynamic.

Update on Biosimilars

Fig 9 – Biosimilar Pipeline

Biosimilar Name	Europe Filing Timeline	US Filing Timeline	Additional Details
Denosumab (Prolia/Xgeva biosimilar)	April 2026	July quarter 2026 (Q2FY27)	Phase-III trial completed in 446 patients across 5 EU countries and 40 clinical sites. EMA filing Apr-26; FDA submission Jul-26. Validation batches underway.
Omalizumab (Xolair biosimilar)	June- July 2026	Sept-Oct 2026	Phase-III recruitment completed in chronic spontaneous urticaria. Global market size ~\$4 bn out of which US market size ~\$2.5-2.6bn
Tocilizumab (Immunology biosimilar)	July quarter 2026	Phase-III waiver discussion ongoing with USFDA	Completed PK/PD study; received EMA nod to proceed to Phase-III; engaging USFDA for possible Phase-III waiver.
Bevqolva (Bevacizumab biosimilar)	April 2026	End of CY26	Received Phase-III waiver from EMA; first supply started in UK; FDA filing expected end-CY26.
Trastuzumab (Herceptin biosimilar)	Later half of CY26	Later half of CY26	US filing postponed to later half of CY26 due to manufacturing optimization; Denosumab and Omalizumab prioritized first.

Source: Company, BOBCAPS Research

Valuation Methodology

Aurobindo reported in-line set of numbers where Europe and Growth markets continued to report healthy growth offset by 17% decline in the API sales. Despite lower gRevlimid sales during the quarter, gross margins improved to 59.7% and EBITDA margin to 20.4%.

Going forward, margins are likely to improve with 1) Europe sales reaching EUR1bn 2) US injectable sales inching up at pre disruption level 3) China plant contributing to the EBITDA from H2FY26 4) Dayton plant contributing to sales from FY27 5) Ramp-up of Pen G facility with production likely to inch up to 800 tons for breakeven from the current 500 tons per month 6) commercialisation of CDMO plant for MSD.

The company has limited product concentration risk, and we believe the tariff concerns on generics are largely behind. We therefore maintain our BUY rating on the stock. Factoring in Lannett's numbers, we arrive at sales/EBITDA/PAT CAGR of 16%/22%/27% from FY26-28E. At CMP, on Sep'27 roll forward basis, the stock is trading at PE of 12.82x and we ascribe PE of 15x, in line with 1Y mean PE of 15x to arrive at TP 1,316 (earlier TP of Rs 1,251)

Fig 10 – Actual Vs Estimates

(Rs mn)	Q2FY26A	Q2FY26E	Var. (%)	Cons. Est	Var. (%)
Revenue	82,857	81,003	2.3	83,043	(0.2)
EBITDA	16,781	16,750	0.2	17,013	(1.4)
EBITDA Margin (%)	20.3	20.7	(43bps)	20.5	(23bps)
PAT	8,485	9,042	(6.2)	9,265	(8.4)
EPS	14.5	15.4	(6.2)	15.9	(8.9)

Source: Company, BOBCAPS Research

Fig 11 – Revised Estimates

(Rs mn)	New			Old			Change (%)		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Sales	3,14,042	3,80,500	4,24,141	3,14,042	3,80,500	4,24,141	0.0	0.0	(0.0)
EBITDA	64,394	87,094	96,456	64,394	87,094	96,456	(0.0)	(0.0)	0.0
EBITDA margin (%)	20.5	22.9	22.7	20.5	22.9	22.7	(0bps)	(0bps)	(0bps)
PAT	33,792	49,526	54,554	33,792	49,526	54,554	0.0	(0.0)	(0.0)
EPS (Rs)	57.7	84.5	93.1	57.7	84.5	93.1	(0.0)	0.0	0.0

Source: Company, BOBCAPS Research

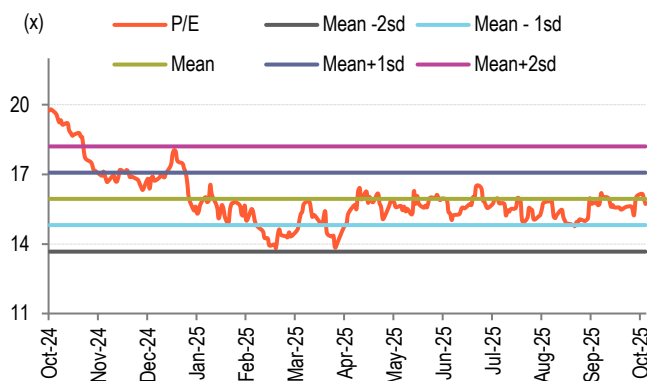
Key Risk

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
- Delay in FTC approval for Lannett's acquisition

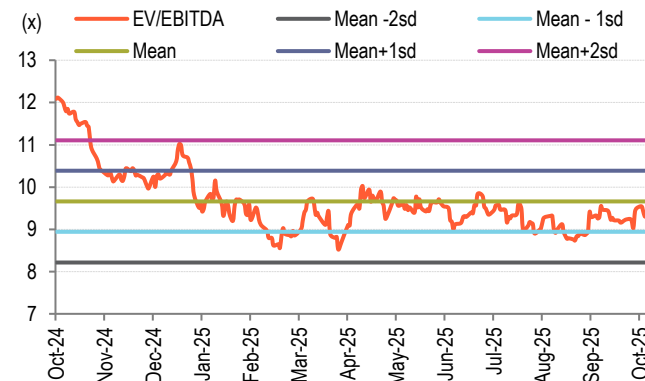
Valuation Bands

Fig 12 – 1YF P/E band



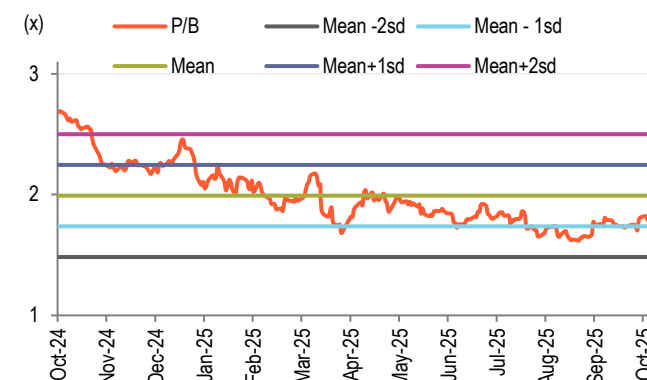
Source: Company, BOBCAPS Research

Fig 13 – 1YF EV/EBITDA band



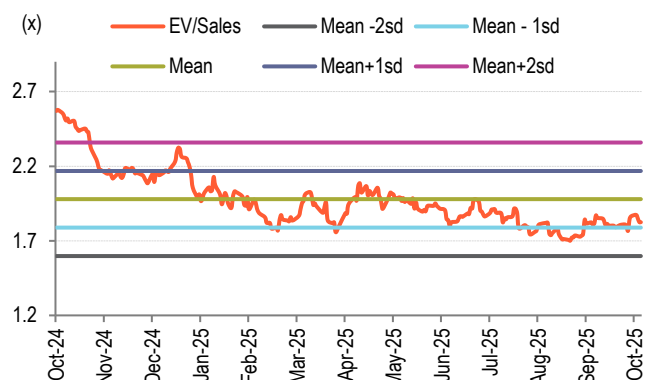
Source: Company, BOBCAPS Research

Fig 14 – 1 YF P/B band



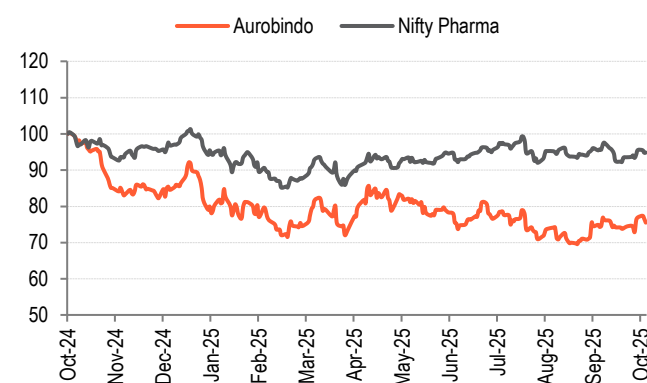
Source: Company, BOBCAPS Research

Fig 15 – 1 YF EV/Sales band



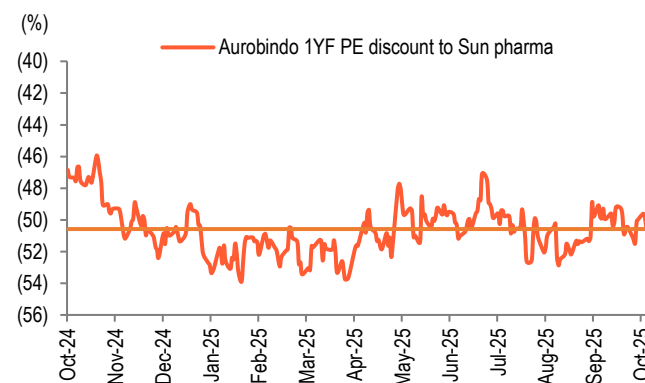
Source: Company, BOBCAPS Research

Fig 16 – Nifty pharma Vs Aurobindo



Source: Company, BOBCAPS Research

Fig 17 – Aurobindo 1YF P/E discount to Sun



Source: Company, BOBCAPS Research

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	2.3	2.1	2.2	1.8	1.6
EV/EBITDA	11.5	10.1	10.5	7.9	7.2
Adjusted P/E	19.9	19.2	19.8	13.5	12.2
P/BV	2.3	2.1	1.9	1.7	1.5

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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Name of the Research Entity: **BOB Capital Markets Limited**

Registered office Address: **1704, B Wing, Parinee Crescenzo, G Block, BKC, Bandra East, Mumbai 400051**

SEBI Research Analyst Registration No: **INH0000000040 valid till 03 February 2025**

Brand Name: **BOBCAPS**

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BUY – Expected return >+15%

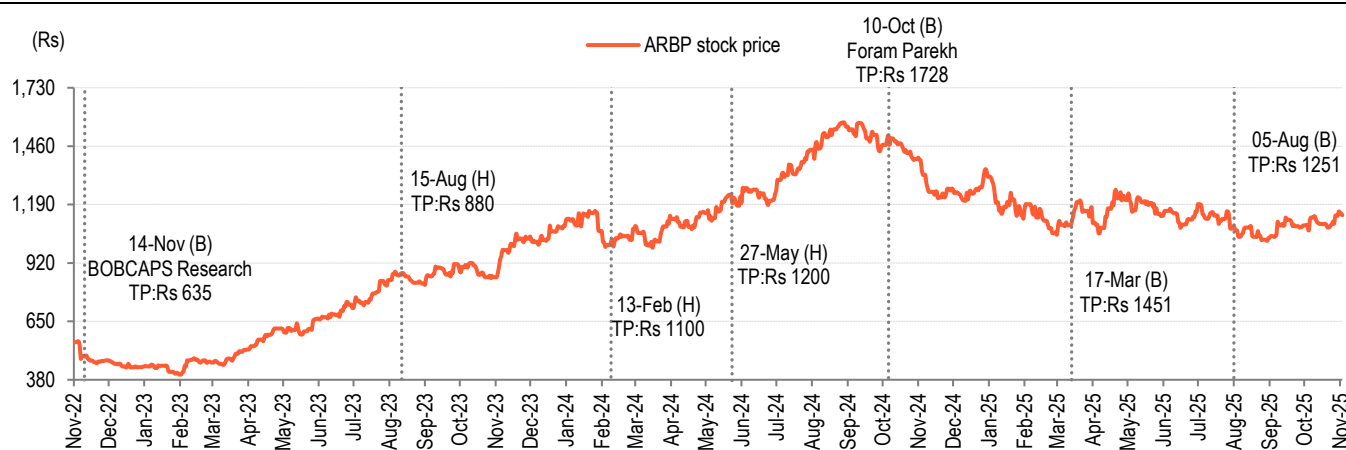
HOLD – Expected return from -6% to +15%

SELL – Expected return <-6%

Note: Recommendation structure changed with effect from 21 June 2021

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