

BUY

TP: Rs 1,686 | ▲ 15%

AUROBINDO PHARMA

Pharmaceuticals

22 May 2026

In-line estimates; growth drivers intact

- Sales/EBITDA/PAT were reported 1.4%/-0.3%/5.6% above our estimates. EBITDA margin came 34 bps lower than our estimates
- EBITDA margin was guided North of 21% in FY27 vs 20.4% in FY26; aided by a healthy product mix and backward integration
- Due to doubling of PAT CAGR to 18% from FY27-29 vs 9% from FY24-26; We Increase ascribed PE to 20x on Mar'28 EPS, TP of Rs 1,686

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In-line estimates: Aurobindo Pharma's (ARBP) earnings were in line with our estimates in Q4FY26, where sales grew by 5.6% YoY, driven by YoY growth of 30% in Europe, 24.7% in Growth Market, 6.5% in ARV; which was offset by 13.2% YoY growth in the US region. Flat RM cost and a healthy product mix led to 7% YoY increase in gross profit to Rs 53.2bn in Q4FY26. Subsequently, gross margin increased by 216 bps YoY to 61.3%. Employee costs went up by 18% YoY and 17.3% YoY growth in Other expenses ex of R&D led to EBITDA growth of 1% YoY while EBITDA Margin decreased by 104 bps YoY to 20.3%. During the quarter, interest cost declined by 14.6% YoY to Rs 982 mn, taxes were lower by 14.5% YoY, offset by forex loss of Rs 481 mn and 13% YoY decline in Other Income; thereby leading to 2% YoY growth in PAT to Rs 9.2bn. Adjusting against forex loss, PAT grew by 4% YoY to Rs 9.7bn in 4QFY26.

Europe grew on Generics portfolio – Europe region grew by 30% YoY to Rs 27.9bn (4.5% above our estimates) on the back of a healthy pick-up in the Generics portfolio across all regions. Going forward, the growth would likely be driven by the increasing supplies from the China plant, new launches, biosimilar launches and healthy traction in the base portfolio. Thus, we expect the region to at 11% CAGR in cc terms to Euro 1.39bn and 17% CAGR in INR terms to Rs 164.7bn by FY29E.

US base business to increase to USD2bn – US sales in Q4FY26 declined by 13% YoY to Rs 35.3bn; largely due to gRevlimid in the base. Going forward, the company expects the base business to grow closer to USD 2bn, driven by diversified launches, which can set off the price-erosion pressure. We expect the US business to grow at 5% CAGR from FY27-29 to USD 1.89bn by FY29E in cc terms and 10% CAGR growth in INR terms to Rs 193 bn by FY29.

Valuations: At CMP, the stock trades at 20x PE on FY27 EPS and 17x on FY28 EPS. We increase the ascribed PE to 20x (earlier 16x), due to 1) doubling of PAT CAGR 2) Product diversification from generic oral solids segments in the US and 3) increasing return ratios. We roll forward to Mar'28 EPS to arrive at TP of Rs 1,686 (earlier Rs 1,294); Maintain BUY on the stock.

Key changes

Target	Rating
▲	◀ ▶

Ticker/Price	ARBP IN/Rs 1,464
Market cap	US\$ 9.1bn
Free float	48%
3M ADV	US\$ 22.0mn
52wk high/low	Rs 1,550/Rs 1,016
Promoter/FPI/DII	52%/18%/23%

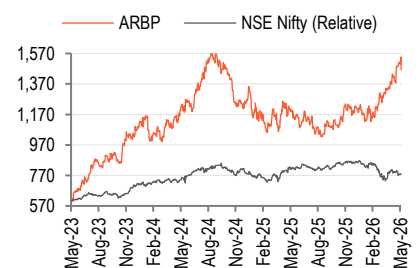
Source: NSE | Price as of 22 May 2026

Key financials

Y/E 31 Mar	FY26A	FY27E	FY28E
Total revenue (Rs mn)	336,530	377,751	424,597
EBITDA (Rs mn)	68,557	80,975	94,538
Adj. net profit (Rs mn)	35,685	42,472	49,335
Adj. EPS (Rs)	60.9	72.5	84.2
Consensus EPS (Rs)	61.6	77.0	87.0
Adj. ROAE (%)	10.4	11.0	11.5
Adj. P/E (x)	24.0	20.2	17.4
EV/EBITDA (x)	12.6	10.6	8.9
Adj. EPS growth (%)	2.4	19.0	16.2

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE



Financial Highlights

Fig 1 – Quarterly Snapshot

(Rs mn)	Q4FY26	Q4FY25	YoY (%)	Q3FY26	QoQ (%)	Q4FY26E	Variance (%)
Net Sales	88,533	83,821	5.6	86,458	2.4	87,274	1.4
Total Expenses	70,524	65,902	7.0	68,726	2.6	69,220	1.9
(%) of net sales	79.7	78.6		79.5		79.3	
Raw material consumed	34,291	34,279	0.0	34,812	(1.5)	35,346	(3.0)
(%) of net sales	38.7	40.9		40.3		40.5	
Staff cost	13,740	11,626	18.2	13,101	4.9	13,266	3.6
(%) of net sales	15.5	13.9		15.2		15.2	
R&D cost	4,161	4,230	(1.6)	4,090	1.7	4,102	1.4
(%) of net sales	4.7	5.0		4.7		4.7	
SG&A	18,332	15,767	16.3	16,723	9.6	16,506	11.1
(%) of net sales	20.7	18.8		19.3		18.9	
EBITDA	18,009	17,919	0.5	17,733	1.6	18,054	(0.3)
Depreciation	4,786	4,444		4,647		4,700	1.8
EBIT	13,223	13,475	(1.9)	13,085	1.1	13,354	(1.0)
Interest	982	1,150	(14.6)	928	5.9	950	3.4
Other Income	1,170	1,348	(13.2)	1,876	(37.6)	1,100	6.4
PBT	13,412	13,673	(1.9)	14,034	(4.4)	13,504	(0.7)
Less: Taxation	3,697	4,323	(14.5)	4,287	(13.8)	4,321	(14.4)
PAT	9,715	9,350	3.9	9,747	(0.3)	9,203	5.6
Less: Minority Interest	20	315		(9)		(20)	
Exceptional items	(481)	0		(653)		0	
PAT attributable to shareholders	9,214	9,035	2.0	9,102	1.2	9,203	0.1
Key Ratios (%)							
Gross Margin	61.3	59.1	216.3bps	59.7	153.3bps	59.5	176.8bps
EBITDA Margin	20.3	21.4	(103.6bps)	20.5	(16.8bps)	20.7	(34.6bps)
Tax / PBT	27.6	31.6	(404.9bps)	30.5	(298.3bps)	32.0	(443.4bps)
NPM	11.0	11.2	(18.2bps)	11.3	(30.0bps)	10.5	42.8bps
EPS (Rs)	16.5	15.4	7.3	16.6	(0.6)	15.7	5.3

Source: Company, BOBCAPS Research

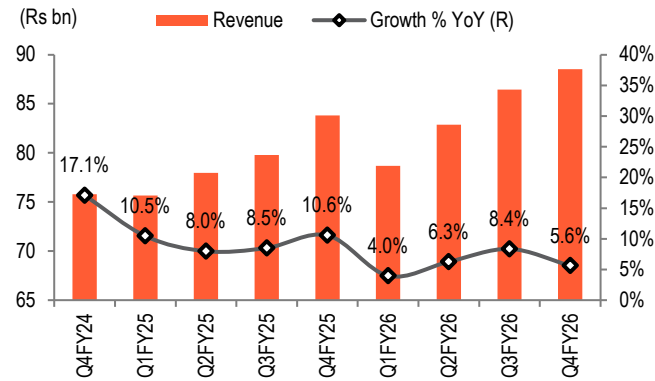
Fig 2 – Segmental Mix

(Rs mn)	Q4FY26	Q4FY25	YoY (%)	Q3FY26	QoQ (%)	Q4FY26E	Variance (%)
Formulations	76,370	73,130	4.4	76,830	-0.6	74,098	3.1
US	35,340	40,720	-13.2	37,390	-5.5	37,992	-7.0
Europe	27,950	21,470	30.2	27,030	3.4	26,733	4.6
Growth Markets	9,800	7,860	24.7	8,650	13.3	8,836	10.9
ARV	3,280	3,080	6.5	3,760	-12.8	536	512.1
APIs	12,080	10,690	13.0	9,630	25.4	11,118	8.7
Net Sales	88450	83820	5.5	86460	2.3	85216	3.8

Source: Company, BOBCAPS Research

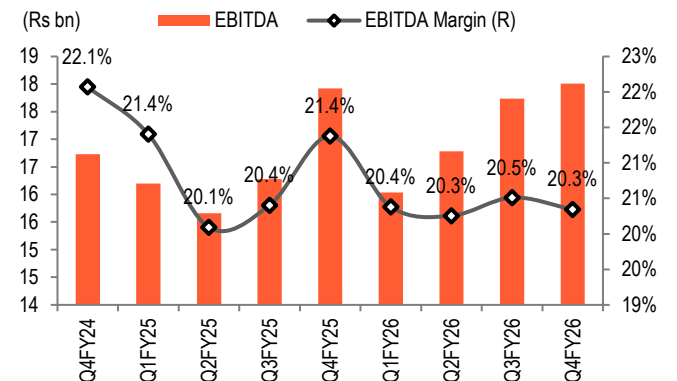
Financial Charts

Fig 3 – Sales growth led by good performance across businesses



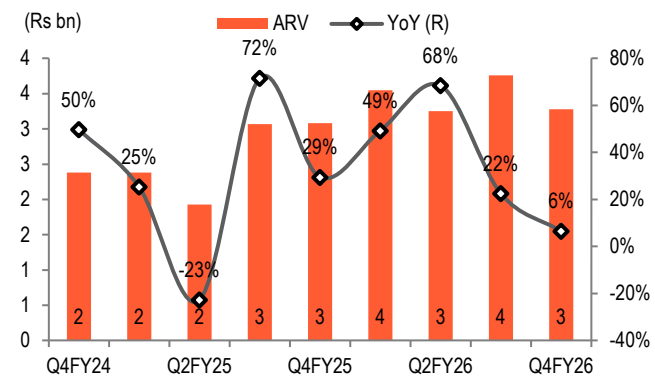
Source: Company, BOBCAPS Research

Fig 4 – EBITDA Margin increased due to healthy Gross Margins



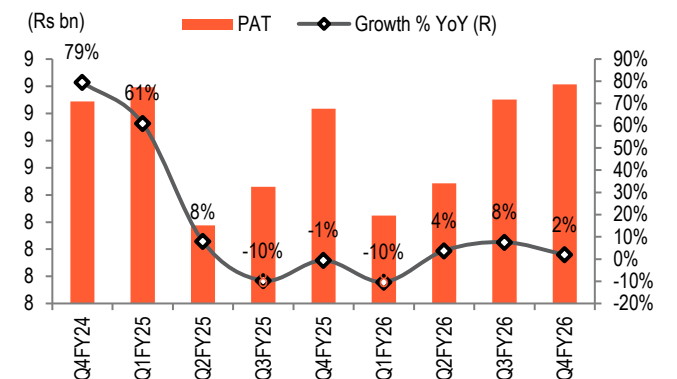
Source: Company, BOBCAPS Research

Fig 5 – ARV — strong volume growth partially offset by pricing pressure



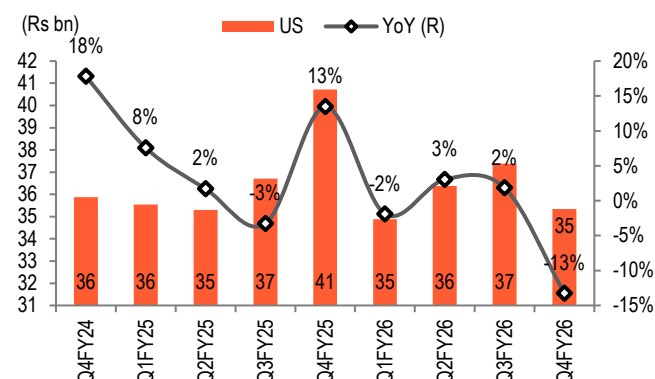
Source: Company, BOBCAPS Research

Fig 6 – PAT sales growth driven by healthy operations



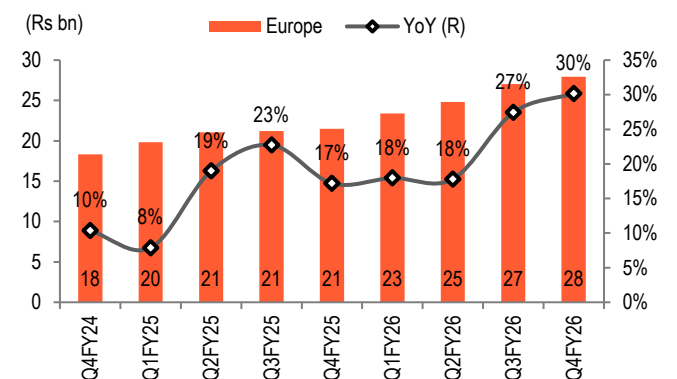
Source: Company, BOBCAPS Research

Fig 7 – US revenue declined by no gRevlimid sales



Source: Company, BOBCAPS Research

Fig 8 – Europe growth driven by new launches



Source: Company, BOBCAPS Research

Earning Call Highlights

Outlook

- EBITDA margins guided to sustain and progressively improve to North of 21% in FY27.
- **Europe:** Minimum double-digit constant-currency growth with Euro 1 bn (Rs 91 bn) base.
- **India domestic formulation:** Double-digit growth in FY27.
- **China OSD facility:** Targeting at a low double-digit EBITDA margin in FY27 (was loss-making at ~\$ 7mn in Q4).
- **Pen-G / 6-APA:** Expected to contribute meaningfully in FY27 (EBITDA-positive from Q4FY26).
- US business geographic mix will likely shift from the current ~70:30 (Eugia vs ex-US) towards 60:40 over the medium term, as Europe, growth markets and new US segments scale up.
- Management expects the biosimilar business to reach an inflection point by 2030; supported by a portfolio of 7-8 products across Europe & growth markets, along with 2-3 products in the U.S.; reflecting the improving commercial momentum as well as pipeline expansion.
- **FY27 guidance for global specialty & injectables:** Double-digit growth on ex-Revlimid base. Interesting launches in pipeline, but more colour expected in the next quarter, once the plant regulatory clearances come through.

US Formulation

- **Growth levers:** Expansion of basic business, new product launches, ongoing acquisition banners. and the expanding pipeline across water, trans-thermal, and respiratory products. With this initiative, aim for US business to touch 2 bn revenue milestones over the near term, depending on the materialisation of acquisition.
- Lannett FTC review progressing; closure expected early Q2FY27 - delayed by 76-day US government shutdown (Feb-Apr). Lannett will contribute to only ~2 quarters in FY27.
- **Eczema NDA - Difamilast ("AD" brand):** The launch targeted in Q2FY27. A dedicated Dermatology salesforce is being built separately from the existing Oncology team.
- **Ryzneuta (Efbemalenograstim alfa):** Got approval ~1.5 years ago; the launch was delayed. Starting to gain market traction; brand and scientific story still being built. Longer-term positioning strategy in a competitive market.
- Management indicated that the current ~US\$400mn revenue run-rate represents a reasonable base for the US business going forward, excluding the impact of acquisitions and potential contributions from NCEs.

- **Eugia injectables regulatory:** Awaiting USFDA approval for Eugia Unit 3 and Eugia Unit 1 (both audited); more colour on launches are expected in the next quarter.

European Business

- Q4 Europe revenue Rs 27.9 bn (+30% YoY); Euro 261 mn vs Euro 236 mn in Q4FY25.
- Full-year Europe crossed the Euro 1 bn (Rs 91 bn) milestone for the 1st time.
- Europe remains a strategic growth engine, supported by portfolio expansion, improving market penetration, reliable supply capabilities, and stronger customer relations.
- Europe EBITDA margin just above 20%; expected to improve further.
- Growth driven across key geographies (France, Portugal, Germany, Netherlands); performance ahead of the overall European market.

Pen-G & API Backward Integration

- External Pen-G + excipient sales commenced in Q4; Rs 1.0 Bn+ sold externally in the quarter. Offtake was low in Q3 due to the high imported material still being in the market; expected to pick up strongly in the coming weeks.
- **Pen-G production run-rate:** March ~11,300 MT annualised; April ~10,800 MT. Managed across 17 fermenters to avoid inventory build-up while optimising yields. Annualised output to exceed 10,000 MT at >80% utilisation with consistent yields.
- Biosimilars - Strategy, Pipeline & Financial Framework
- Currently in the early innings of commercialisation. Supplies initiated in EU territories; LATAM tender (Mexico) is being serviced; Stada partnership is expected to fructify by CY2026-end, and should be followed by revenue recognition.
- CY2026 US filing pipeline: Targeting 3 US filings - Omalizumab, denosumab (entering filing phase with EMA, Health Canada and FDA this year), and bevacizumab (already approved MHRA and Health Canada; under EMA review; US filing planned). A flawless execution of the US filings in the 1st attempt is management's top priority.
- Omalizumab - First-wave positioning: Only 3 serious players including Celltrion. Expect Omalizumab to be a \$2.2 bn product even in the wake of the biosimilar competition kicking in.
- Product selection strategy: Focused on longer life-cycle assets. Pegfilgrastim (\$3.54 bn market; ~4–5 US players, no follow-on drug; targeting \$50 mn–\$60 mn revenues vs large market share); trastuzumab IV (launched 150mg + 420mg), with optionality in trastuzumab SC (patent cliff 2028–29). No ambition of taking 20-25% market share; targeting sustainable at 5-10% share on COGS-led competitiveness.
- Biosimilar gross margin framework: 65-70% currently; expected to shift to 70-75%, as Omalizumab and trastuzumab SC enter the mix post 2028-29. Margins

modelled even after building in 75-85% price erosion in Europe, ~60% in the US, ~70-80% blended.

- Total biosimilar investment — Jul'18 till date: ~EUR 450 mn (CapEx + OpEx). Resulted in 4 EU approvals, 2 Health Canada approvals, and 3 product filings - described as the fastest in peer group.
- 2030 vision: 7-8 products approved in Europe and growth markets + 2-3 US approvals. Biosimilar business inflection guided for FY29-30.

Biologics CDMO (TheranyM)

- **Products signed:** 3 product schedules with MSD (1 product per schedule = 3 products total). All commercial biological entities and no development-stage products. Technology transfer underway for the 1st (early commercial) product; the second is a relatively established commercial product. TheranyM enters MSD's global supply chain directly upon regulatory approval.
 - **Geography ramp up sequence:** Emerging markets are to be the 1st, followed by Europe and then potentially US over time, as the GMP capability and regulatory compliance deepen.
- **Unit 1 timeline:** Commissioning by the end of CY2026 with guidance around the first 60 KL capacity installation commissioning remains the same; PQ/validation batches schedules in CY2027; customer regulatory filings slated for CY2027; stockpiling CY2028; steady revenues begin in CY2028.
- **Unit 2 timeline:** Greenfield drug substance facility: Commissioning CY2029; revenues will begin in CY2031. A combined Unit 1 + Unit 2 contribution from CY2031; Unit 1 gives a head-start from CY2028.
- **Scale context:** Total mammalian cell culture capacity across 3 product schedules: ~120,000L – the largest CMO capacity in India; lower rung of global top CMOs (Lonza ~570,000L; Samsung ~600,000L). 10Y contract with MSD for anchor credibility building.
- **CMO capex:** ~\$ 175mn for greenfield Unit 2 drug substance facility.
- **Long-term vision (2032+):** Transition from single-customer CMO to multi-customer, multi-modality CDMO. Currently a CMO, and not a CDMO. **Target:** Backward integration into contract development by 2032. MSD anchor is a deliberate 5Y de-risking strategy. Not a one-customer business in long term.

Valuation Methodology

Aurobindo's results were in line with our estimates on all fronts. Going forward, growth triggers to be intact where 1) US sales to reach closer to USD 2bn driven by new launches, 2) Europe growth to be driven by wider penetration of the European market, 3) Growth market sales to be driven by increasing supplies from the China plant, 4) API sales to be driven by external supplies of Pen G, Biosimilars to witness pick up in sales in FY27 amidst late entrant with ~70-75% price erosion.

Healthy product mix and Pen G backward integration to led to EBITDA margin of 21.4% in FY27E, 22.3% in FY28E and 23.5% in FY29E. The company expects to clock sales in Biologics from MSD Pharma from FY29 onwards, for the 1st 60kl capacity; the remaining batch of 60kl to get commissioned from FY32. In lieu of this, we have also raised capex from USD 200 mn to USD 300 for FY27-FY29E.

Thus, we marginally lower our EPS estimates by -2.4% in FY27E to Rs 72.6 and by 0.2% in FY28E by Rs 84 per share. We introduce FY29 estimates and arrive at Sales/EBITDA/PAT CAGR of 12%/17%/18% respectively from FY27-29E vs the earlier Sales/EBITDA/PAT CAGR of 8%/12%/9% from FY24-26.

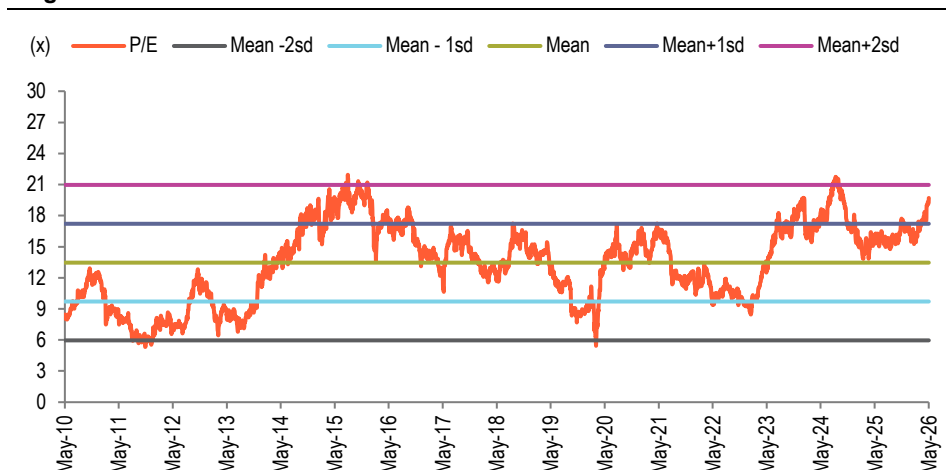
At CMP, the stock trades at 20x PE on FY27 EPS and 17x on FY28 EPS. We increase the ascribed PE to 20x (earlier 16x), due to 1) doubling of PAT CAGR 2) Product diversification from generic oral solids segments in the US and 3) increasing return ratios. We roll forward to Mar'28 EPS to arrive at TP of Rs 1,686 (earlier Rs 1,294); Maintain BUY on the stock

Fig 9 – Change in Estimates

(Rs mn)	New		Old		Change (%)	
	FY27E	FY28E	FY27E	FY28E	FY27E	FY28E
Sales	377,751	424,597	366,451	400,440	3.1	6.0
EBITDA	80,975	94,538	77,723	87,417	4.2	8.1
EBITDA Margin (%)	21.4	22.3	21.2	21.8	20bps	43.5bps
EPS (Rs)	72.6	84.3	75	84.5	(2.4)	(0.2)

Source: Company, BOBCAPS Research

Fig 10 – 1 YF P/E Band



Source: Bloomberg

Key upside risks

- Faster approval of the Lanett acquisition to lead to increase in our estimates
- Faster utilisation rate of China plant can Europe sales and increase margins

Key downside risks

- Decline in PEN G plant yield can impact gross margins
- Higher price erosion in the US business
- Increase in operational cost can set off the backward-integration benefit

Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY25A	FY26A	FY27E	FY28E	FY29E
Total revenue	317,237	336,530	377,751	424,597	474,354
EBITDA	66,054	68,557	80,975	94,538	111,323
Depreciation	16,494	17,782	20,587	23,247	26,005
EBIT	49,560	50,775	60,387	71,291	85,318
Net interest inc./(exp.)	(4,572)	(3,840)	(3,795)	(3,226)	(2,742)
Other inc./(exp.)	6,219	4,820	4,935	3,409	2,600
Exceptional items	0	0	0	0	0
EBT	51,206	51,756	61,527	71,474	85,176
Income taxes	15,827	16,089	19,073	22,157	26,405
Extraordinary items	0	(638)	0	0	0
Min. int./Inc. from assoc.	520	(18)	(18)	(18)	(18)
Reported net profit	34,859	35,047	42,472	49,335	58,790
Adjustments	0	638	0	0	0
Adjusted net profit	34,859	35,685	42,472	49,335	58,790

Balance Sheet

Y/E 31 Mar (Rs mn)	FY25A	FY26A	FY27E	FY28E	FY29E
Accounts payables	41,889	55,673	67,271	76,776	87,073
Other current liabilities	38,246	59,198	41,553	46,706	42,692
Provisions	5,585	7,535	8,457	9,506	10,620
Debt funds	82,671	80,728	68,619	58,326	49,577
Other liabilities	0	0	0	0	0
Equity capital	586	581	581	581	581
Reserves & surplus	315,992	366,471	406,121	452,552	508,437
Shareholders' fund	316,578	367,052	406,701	453,133	509,018
Total liab. and equities	484,968	570,186	592,601	644,447	698,981
Cash and cash eq.	83,486	98,703	56,819	43,338	34,600
Accounts receivables	57,459	70,944	82,795	104,695	116,964
Inventories	105,437	120,529	139,716	168,676	188,442
Other current assets	39,127	43,297	64,595	68,360	90,602
Investments	2,517	10,511	10,511	10,511	10,511
Net fixed assets	121,894	143,299	155,262	165,965	174,960
CWIP	49,000	52,136	52,136	52,136	52,136
Intangible assets	26,048	30,767	30,767	30,767	30,767
Deferred tax assets, net	0	0	0	0	0
Other assets	0	0	0	0	0
Total assets	484,968	570,186	592,601	644,447	698,981

Cash Flows

Y/E 31 Mar (Rs mn)	FY25A	FY26A	FY27E	FY28E	FY29E
Cash flow from operations	45,924	60,608	9,394	36,891	40,657
Capital expenditures	(16,600)	(28,303)	(32,550)	(33,950)	(35,000)
Change in investments	1,205	(7,994)	0	0	0
Other investing cash flows	0	0	0	0	0
Cash flow from investing	(15,395)	(36,297)	(32,550)	(33,950)	(35,000)
Equities issued/Others	0	(5)	0	0	0
Debt raised/repaid	16,195	(1,943)	(12,109)	(10,293)	(8,749)
Interest expenses	(4,572)	(3,840)	(3,795)	(3,226)	(2,742)
Dividends paid	(2,930)	(2,904)	(2,904)	(2,904)	(2,904)
Other financing cash flows	(18,520)	(402)	82	0	0
Cash flow from financing	(9,827)	(9,093)	(18,727)	(16,423)	(14,395)
Chg in cash & cash eq.	20,703	15,217	(41,883)	(13,482)	(8,738)
Closing cash & cash eq.	83,486	98,703	56,819	43,338	34,600

Per Share

Y/E 31 Mar (Rs)	FY25A	FY26A	FY27E	FY28E	FY29E
Reported EPS	59.5	59.8	72.5	84.2	100.3
Adjusted EPS	59.5	60.9	72.5	84.2	100.3
Dividend per share	2.5	2.5	2.5	2.5	2.5
Book value per share	541.1	627.4	695.0	774.3	869.8

Valuations Ratios

Y/E 31 Mar (x)	FY25A	FY26A	FY27E	FY28E	FY29E
EV/Sales	2.7	2.6	2.3	2.0	1.8
EV/EBITDA	13.0	12.6	10.6	8.9	7.6
Adjusted P/E	24.6	24.0	20.2	17.4	14.6
P/BV	2.7	2.3	2.1	1.9	1.7

DuPont Analysis

Y/E 31 Mar (%)	FY25A	FY26A	FY27E	FY28E	FY29E
Tax burden (Net profit/PBT)	68.1	68.9	69.0	69.0	69.0
Interest burden (PBT/EBIT)	103.3	101.9	101.9	100.3	99.8
EBIT margin (EBIT/Revenue)	15.6	15.1	16.0	16.8	18.0
Asset turnover (Rev./Avg TA)	21.0	19.9	20.5	21.5	22.2
Leverage (Avg TA/Avg Equity)	1.2	1.2	1.2	1.1	1.1
Adjusted ROAE	11.5	10.4	11.0	11.5	12.2

Ratio Analysis

Y/E 31 Mar	FY25A	FY26A	FY27E	FY28E	FY29E
YoY growth (%)					
Revenue	10.7	6.1	12.2	12.4	11.7
EBITDA	20.1	3.8	18.1	16.8	17.8
Adjusted EPS	15.4	2.4	19.0	16.2	19.2
Profitability & Return ratios (%)					
EBITDA margin	20.8	20.4	21.4	22.3	23.5
EBIT margin	15.6	15.1	16.0	16.8	18.0
Adjusted profit margin	11.0	10.6	11.2	11.6	12.4
Adjusted ROAE	11.5	10.4	11.0	11.5	12.2
ROCE	14.8	13.1	14.2	15.1	16.4
Working capital days (days)					
Receivables	66	77	80	90	90
Inventory	121	131	135	145	145
Payables	48	60	65	66	67
Ratios (x)					
Gross asset turnover	1.5	1.4	1.4	1.4	1.4
Current ratio	3.3	2.7	2.9	2.9	3.1
Net interest coverage ratio	10.8	13.2	15.9	22.1	31.1
Adjusted debt/equity	0.0	0.0	0.0	0.0	0.0

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

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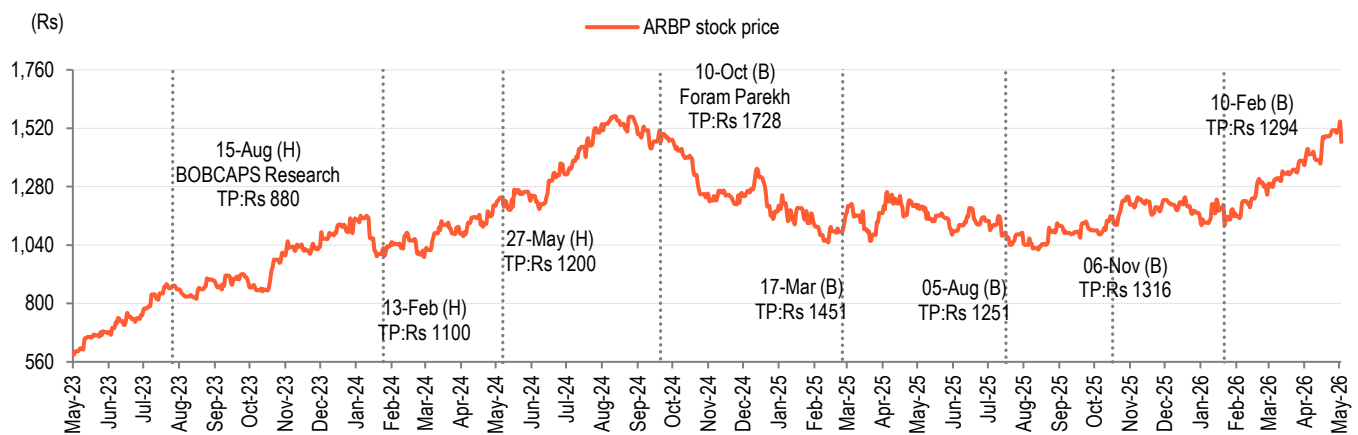
Recommendation scale: Recommendations and Absolute returns (%) over 12 months

- 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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