BUY
TP: Rs 2,011 | ▲ 18%

AUROBINDO PHARMA

| Pharmaceuticals | 05 November 2026

Growth across wide spread portfolio

- **Sales/ EBITDA/ PAT reported 2.8%/ 5.3%/3% respectively above our estimates. EBITDA Margin reported 50 bps above our estimates**
- **Management raised its EBITDA margin guidance to 22% from the earlier 21%, due to a sustainable, healthy product mix**
- **On roll forward to Sep'28 EPS, we continue to ascribe a PE of 21x to arrive at a PT of Rs 2007 (earlier PT of Rs 1859)**

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Numbers in-line with the estimates – Sales grew 23.9% YoY to Rs 102.6bn, driven by 25.2% YoY growth in the US (led by Lanett's integration), 27.5% in Europe, 16.3% in Growth markets, 10.5% in ARV and 21% in API. A healthy product mix led to 28.5% YoY growth in gross profit to Rs 21.5bn. Operating costs were higher due to Lanett's integration, with employee cost growing 29.8% YoY and SG&A (excluding R&D) also rising. Despite higher opex, EBITDA grew 28.5% YoY to Rs 21.5bn in 2QFY27. Thus, EBITDA margin increased 75 bps YoY to 21%. Subsequently, PAT grew 32.8% YoY to Rs 11.2bn in 2QFY27.

Europe sales continue to report record high - In constant currency terms, sales were EUR 288 mn, up 19%. Management expects double-digit growth to continue and sales to reach EUR 300 mn on a quarterly basis. Growth in 2QFY27 was driven by the base portfolio, new launches, better supply integration and biosimilars. The China facility, which supplies 15 products to Europe, is also aiding growth. Overall, we expect Europe sales to grow at a CAGR of 15.5% over FY26-29E to Rs 159bn by FY29E.

US sales driven by new launches and integration of Lanett - US sales grew 25% YoY to Rs 45bn, driven by 16% YoY growth in constant currency terms to USD 477 mn. The growth was driven by the growth of the core portfolio and the integration of Lannett. Lannett's sales in 2QFY27 were partly driven by new launches such as Advair, while the organic business also grew on exclusive launches of new products such as Pomalidomide. Overall, we expect US sales to grow at a CAGR of 5.6% over FY26-29E to Rs 169bn by FY29E.

Valuation – Factoring in higher EBITDA margin guidance, we revise our EPS estimates marginally upwards by 2.3%/2.6%/2.8% for FY27E/FY28E/FY29E, respectively. At the CMP, on a roll-forward to Sep'28 EPS of Rs 94 per share, the stock trades at a PE of 19x, and we continue to ascribe a PE of 21x to arrive at a PT of Rs 2,007 (earlier PT of Rs 1,859).

Key changes

Target	Rating
▲	◀ ▶

Ticker/Price	ARBP IN/Rs 1,705
Market cap	US$ 10.5bn
Free float	48%
3M ADV	US$ 15.5mn
52wk high/low	Rs 1,740/Rs 1,106
Promoter/FPI/DII	52%/18%/23%

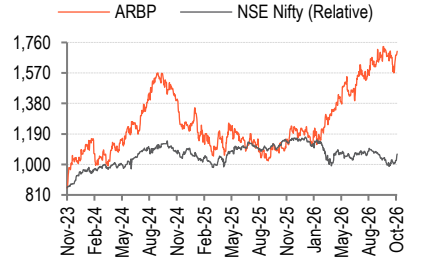
Source: NSE | Price as of 4 Nov 2026

Key financials

Y/E 31 Mar	FY26A	FY27E	FY28E
Total revenue (Rs mn)	336,530	394,256	443,754
EBITDA (Rs mn)	68,557	82,974	94,778
Adj. net profit (Rs mn)	35,685	44,942	50,116
Adj. EPS (Rs)	60.9	76.7	85.5
Adj. ROAE (%)	10.4	11.6	11.6
Adj. P/E (x)	28.0	22.2	19.9
EV/EBITDA (x)	14.7	12.0	10.3
Adj. EPS growth (%)	2.4	25.9	11.5

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

Financial Highlights

Fig 1 – Quarterly snapshot

(Rs mn)	Q2FY27	Q2FY26	YoY (%)	Q1FY27	QoQ (%)	Q2FY27E	Variance (%)
Net Sales	102,633	82,857	23.9	91,504	12.2	99,869	2.8
Total Expenses	81,075	66,076	22.7	72,693		79,395	
(%) of net sales	79	80		79		80	
Raw material consumed	39,833	33,389	19.3	36,270	9.8	40,447	(1.5)
(%) of net sales	39	40		40		41	
Gross Profit	21,558	16,781	28.5	18,811	14.6	20,473	5.3
Staff cost	16,586	12,773	29.8	14,802	12.1	15,979	3.8
(%) of net sales	16	15		16		16	
R&D cost	4,105	4,140	(0.8)	3,500	17.3	3,995	2.8
(%) of net sales	4	5		4		4	
SG&A	20,551	15,774	30.3	18,122	13.4	18,975	8.3
(%) of net sales	20	19		20		19	
EBITDA	21,558	16,781	28.5	18,811	14.60355	20,473	5.3
Depreciation	5,312	4,292		4,868		5,293	
EBIT	16,246	12,489	30.1	13,942	16.5	15,180	7.0
Interest	1,022	952	7.3	1,017		1,099	(7.0)
Other Income	1,654	1,206	37.1	2,116		1,997	(17.2)
PBT	16,878	12,743	32.45	15,042	12.20532	16,079	5.0
Less: Taxation	5,638	4,278	31.8	4,830		5,145	
PAT	11,239	8,465	32.8	10,212	10.06287	10,924	2.9
Less: Minority Interest	7	(20)		10		10	
Exceptional items	29	0		124		0	
PAT attributable to shareholders	11,261	8,485	32.7	10,326	9.054901	10,924	3
Key Ratios (%)							
Gross Margin	61.2	59.7	148.5	60.4	82.6	59.5	168.8
EBITDA Margin	21.0	20.3	75.1	20.6	44.7	20.5	50.4
Tax / PBT	33.4	33.6	(16.5)	32.1	129.6	32.0	140.7
NPM	11.0	10.2	73.5	11.2	(20.9)	10.9	1.3
EPS (Rs)	19.2	14.5	32.7	17.6	9.1	18.6	3.1
	19.22	14.48	32.7%	17.62		18.64	

Source: Company, BOBCAPS Research

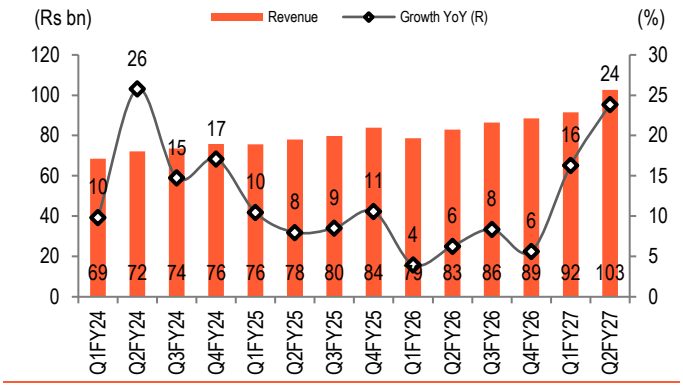
Fig 2 – Segmental Mix

(Rs mn)	Q2FY27	Q2FY26	YoY (%)	Q1FY27	QoQ (%)	Q2FY27E	Variance (%)
Formulations	91,010	73,250	24.2	81,000	12.4	88,919	2.4
US	45,550	36,380	25.2	37,700	20.8	43,700	4.2
Europe	31,610	24,800	27.5	29,370	7.6	30,502	3.6
Growth Markets	10,260	8,820	16.3	10,630	(3.5)	11,486	(10.7)
ARV	3,590	3,250	10.5	3,300	8.8	3,230	11.1
APIs	11,620	9,600	21.0	10,500	10.7	10,950	6.1
Net Sales	102,630	82,850	23.9	91,500	12.2	99,869	2.8

Source: Company, BOBCAPS Research

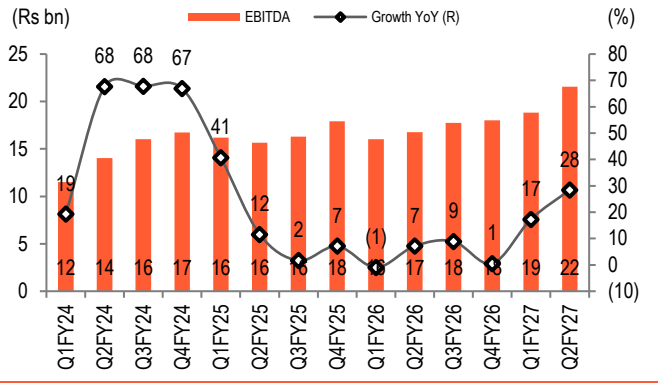
Financial Charts

Fig 3 – Sales driven by growth across geographies



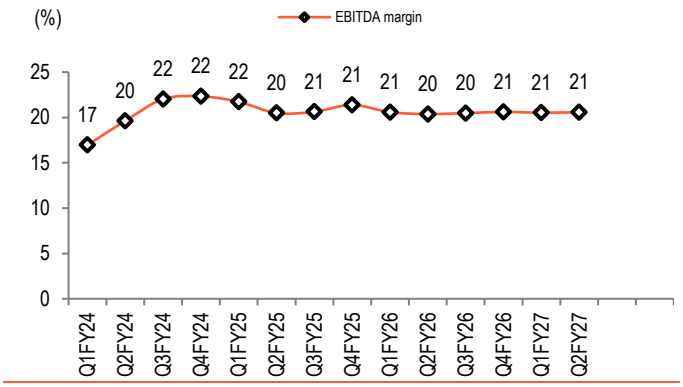
Source: Company, BOBCAPS Research

Fig 4 – EBITDA growth driven by integration of Lanet's acquisition



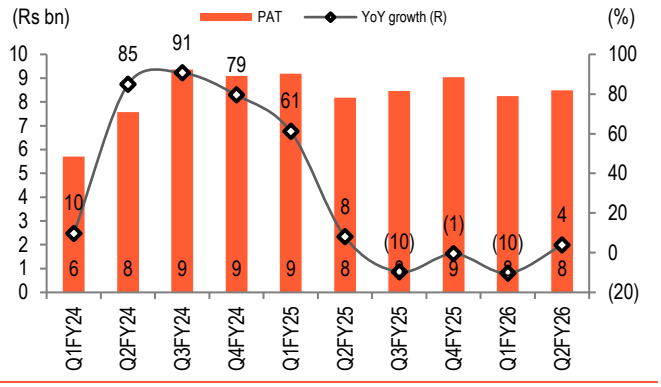
Source: Company, BOBCAPS Research

Fig 5 – Healthy product mix led to stable margins



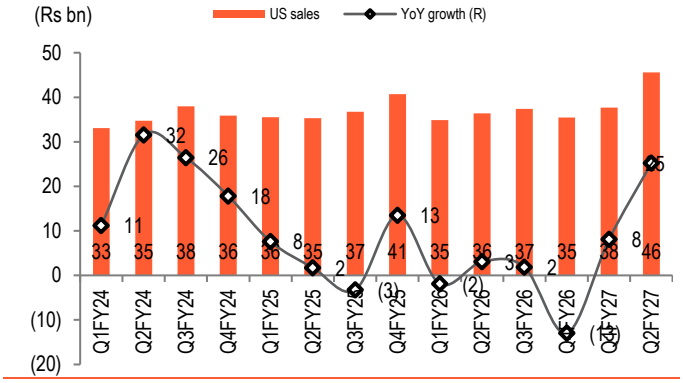
Source: Company, BOBCAPS Research

Fig 6 – Healthy operations led to healthy PAT



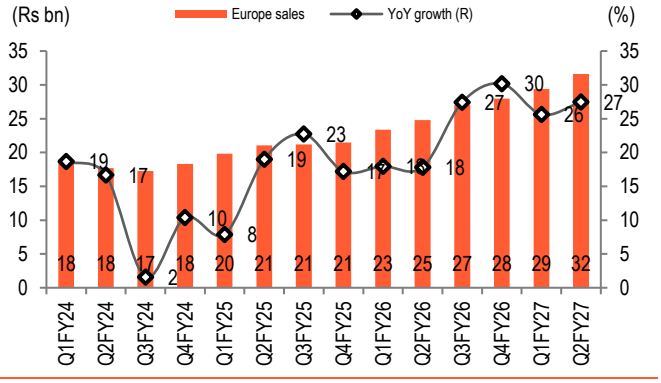
Source: Company, BOBCAPS Research

Fig 7 – Us sales driven by both organic and organic growth



Source: Company, BOBCAPS Research

Fig 8 – Europe sales driven by new launches



Source: Company, BOBCAPS Research

Earnings call highlights

U.S. activity: 10 launches, 7 ANDAs filed, 12 final approvals.

Strategic Milestones

- **Lannett acquisition completed:** Adds complex and controlled substances capability and around 70 commercial product families.
- **A1 Biochem acquisition:** A step towards an integrated, end-to-end small molecule CRDMO business with experience across 800+ projects.
- **ADQUEY:** First NCE/NDA product (atopic dermatitis), launched in October, along with a new dedicated dermatology business unit.
- **Respiratory:** gAdvair launched in mid-quarter; gQvar approved.
- **Raleigh unit:** Received VAI classification, supporting filings in transdermal, dermal and respiratory products.

FY2027 Guidance (Reiterated)

- Double-digit revenue growth
- EBITDA margin north of 21%
- Absolute EBITDA above ₹8,000 crore, with potential upside from strategic high-value businesses
- Long-term EBITDA margin ambition: management expects EBITDA Margin to be at **22%**) driven by Lannett integration, China ramp-up and biosimilars/biologics.
- **FY2028:** Expected to be “far better” than FY2027, driven by a full year of Lannett, China scale-up and biosimilars.

Europe and API

- Europe growth is sustained by the base business, loss-of-exclusivity launches, late-to-launch products, and upcoming CuraTeQ and Eugia launches. Management sees no saturation and expects continued double-digit growth.
- Portugal: Aurobindo is the market leader. In a couple of countries it has moved up one or two positions.
- Vizag Unit 15 is a principal supplier for Europe.

China facility

- First products were delivered about 15 months ago; 15+ products are now coming out.
- **Break-even expected this quarter.** The H1 operating loss was about $3-4 million, around $1 million last quarter.

Margins and costs

- Higher raw material costs from the “Gulf issue” have not fully flowed through consumption and will in coming quarters.
- Operating leverage and SG&A rationalisation helped margins, and rationalisation will continue in phases.
- Opex (excluding R&D and COGS) was about ₹2,150 crore last quarter and ₹2,400 crore this quarter, with Lannett adding roughly ₹200 crore. It is expected at about ₹2,450 crore going forward. There were no one-offs.

Lannett

- Management said Lannett’s EBITDA is in line with or better than company-wide EBITDA, and Q1 performance exceeded expectations.
- The facility is still underutilized, and filings and approvals take time.
- Existing CDMO work is about 10-15% of capacity. Management will be selective and will not take low-margin work just to fill capacity.
- Lannett’s contribution was not disclosed. Management said the non-Lannett U.S. business also grew.
- Aurobindo’s Lannett does not market insulin glargine (that sits with the older entity, Lanex, which is not part of Aurobindo).

Respiratory

- Raleigh capacity utilisation is currently very low. MDI manufacturing has not yet started, and utilisation should improve in 6-9 months.
- One partnered inhalation asset has launched, and management expects it to do better than planned. The partnership is with a pharma major, and talks are under way with others.
- Four in-house inhalation products are in development, with the market described as “several billions”.
- Timeline: gAdvair is the start, an in-house product comes in a few months, another product within 18-24 months, and a major product beyond 18 months because of LOE timing. A scaled-up business around mid-2029 is “not very far off”.

ADQUEY

- Field force is in place (set up in September). Management declined to give peak sales or share. The underlying non-steroidal topical market is growing around 20% by management's understanding, and early traction is "in line" and encouraging.

Pomalidomide: Shared exclusivity, a decent contributor but not a major opportunity.

Pen-G plant

- 6-APA prices rose recently, with the impact visible in about 15-20 days.
- An anti-dumping duty application has been filed and notified by the government.
- The plant is EBITDA-positive but at a very low level. Capacity is 15,000 tons, with production around 10,000 tons against Indian demand of about 9,000 tons. Management hopes for about 12,000 tons next year, with PLI benefit still to come.

Biologics

- TheraNym is a contract manufacturing business built around one anchor customer, MSD Expansion of the model is contemplated in the 2030s.
- Biosimilars trastuzumab and bevacizumab launched in the U.K. with repeat orders from the NHS. Contribution is not yet substantial but encouraging.

Capex: Routine capex is about $50 million per quarter (about $200 million a year). H1 spending of about ₹1,600 crore includes strategic items (biologics and intangibles for partner products).

Eugia: On track for its FY2027 guidance, growing at double digits and back to full production at all plants. The U.S. share is now about 55% (vs. 70% earlier), with rest of world and Europe at 45%, trending toward 50/50 in FY2028-29.

Biosimilar strategy: In response to Sandoz's Bio100 ambition and Fresenius Kabi's tie-up with WuXi Biologics for 37 biosimilars, Dr. Satakarni said Aurobindo will be selective rather than match their scale. The approach is to focus on subcutaneous and device-combination formats, use partners (Orion in the Nordics, Stada) and in-license where it makes sense.

Valuation methodology

ARBP's numbers were in line with our estimates on all fronts. The growth was broad-based and is likely to be sustained due to new launches and no product concentration risk. ARBP has strong manufacturing set up which would aid to profitability with rising capacity utilisation at the Raleigh unit, an increase in products from the China plant and higher profitability from the PEG plant. Thus, management has increased its EBITDA margin guidance to 22%. Factoring in the increased EBITDA margin guidance, we revise our EPS estimates marginally upwards by 2.29%/2.64%/2.81% for FY27E/FY28E/FY29E, respectively.

At the CMP, on a roll-forward to Sep'28 EPS of Rs 94 per share, the stock trades at a PE of 19x, and we continue to ascribe a PE of 21x to arrive at a PT of Rs 2,007 (earlier PT of Rs 1,859).

Fig 9 – Change in Estimates table

Rs mn	New			Old			Change in Estimates		
	FY27E	FY28E	FY29E	FY27E	FY28E	FY29E	FY27E	FY28E	FY29E
Sales	394256	443754	491136	394256	443754	491136	0.00%	0.00%	0.00%
EBITDA	86916	99216	112538	82974	94778	107626	4.75%	4.68%	4.56%
EBITDA Margin (%)	22.0%	22.4%	22.9%	21.0%	21.4%	21.9%	100	100	100
EPS (Rs)	78.5	87.8	99.8	76.7	85.5	97.1	2.29%	2.64%	2.81%

Source: Company, BOBCAPS Research

Key risks

Key downside risks to our estimates are:

- Slower capacity utilisation of plants
- Lesser yield from the pen G plant
- Slowdown of new launches

Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY25A	FY26A	FY27E	FY28E	FY29E
Total revenue	**317,237**	**336,530**	**394,256**	**443,754**	**491,136**
EBITDA	66,054	68,557	82,974	94,778	107,626
Depreciation	16,494	17,782	20,587	23,247	26,005
EBIT	49,560	50,775	62,387	71,531	81,621
Net interest inc./(exp.)	(4,572)	(3,840)	(4,049)	(4,083)	(3,718)
Other inc./(exp.)	6,219	4,820	4,935	3,112	2,230
Exceptional items	0	0	0	0	0
EBT	51,206	51,756	63,273	70,561	80,133
Income taxes	15,827	16,089	18,349	20,463	23,239
Extraordinary items	0	(638)	0	0	0
Min. int./Inc. from assoc.	520	(18)	(18)	(18)	(18)
Reported net profit	**34,859**	**35,047**	**44,942**	**50,116**	**56,912**
Adjustments	0	638	0	0	0
Adjusted net profit	**34,859**	**35,685**	**44,942**	**50,116**	**56,912**

Balance Sheet

Y/E 31 Mar (Rs mn)	FY25A	FY26A	FY27E	FY28E	FY29E
Accounts payables	41,889	55,673	70,210	80,240	90,154
Other current liabilities	38,246	59,198	43,368	48,813	44,202
Provisions	5,585	7,535	8,827	9,935	10,996
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	408,591	455,803	509,811
Shareholders' fund	316,578	367,052	409,172	456,383	510,392
Total liab. and equities	**484,968**	**570,186**	**600,196**	**653,698**	**705,321**
Cash and cash eq.	83,486	98,703	51,869	37,171	26,930
Accounts receivables	57,459	70,944	86,412	109,419	121,102
Inventories	105,437	120,529	145,821	176,286	195,109
Other current assets	39,127	43,297	67,418	71,444	93,807
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**	**600,196**	**653,698**	**705,321**

Cash Flows

Y/E 31 Mar (Rs mn)	FY25A	FY26A	FY27E	FY28E	FY29E
Cash flow from operations	**45,924**	**60,608**	**4,697**	**36,531**	**40,130**
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)	(4,049)	(4,083)	(3,718)
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)**	**(18,980)**	**(17,280)**	**(15,371)**
Chg in cash & cash eq.	**20,703**	**15,217**	**(46,833)**	**(14,699)**	**(10,241)**
Closing cash & cash eq.	**83,486**	**98,703**	**51,869**	**37,171**	**26,930**

Per Share

Y/E 31 Mar (Rs)	FY25A	FY26A	FY27E	FY28E	FY29E
Reported EPS	59.5	59.8	76.7	85.5	97.1
Adjusted EPS	59.5	60.9	76.7	85.5	97.1
Dividend per share	2.5	2.5	2.5	2.5	2.5
Book value per share	541.1	627.4	699.2	779.9	872.2

Valuations Ratios

Y/E 31 Mar (x)	FY25A	FY26A	FY27E	FY28E	FY29E
EV/Sales	3.1	3.0	2.5	2.2	2.0
EV/EBITDA	15.1	14.7	12.0	10.3	9.1
Adjusted P/E	28.7	28.0	22.2	19.9	17.6
P/BV	3.2	2.7	2.4	2.2	2.0

DuPont Analysis

Y/E 31 Mar (%)	FY25A	FY26A	FY27E	FY28E	FY29E
Tax burden (Net profit/PBT)	68.1	68.9	71.0	71.0	71.0
Interest burden (PBT/EBIT)	103.3	101.9	101.4	98.6	98.2
EBIT margin (EBIT/Revenue)	15.6	15.1	15.8	16.1	16.6
Asset turnover (Rev./Avg TA)	21.0	19.9	21.3	22.4	22.9
Leverage (Avg TA/Avg Equity)	1.2	1.2	1.2	1.1	1.1
Adjusted ROAE	11.5	10.4	11.6	11.6	11.8

Ratio Analysis

Y/E 31 Mar	FY25A	FY26A	FY27E	FY28E	FY29E
YoY growth (%)					
Revenue	10.7	6.1	17.2	12.6	10.7
EBITDA	20.1	3.8	21.0	14.2	13.6
Adjusted EPS	15.4	2.4	25.9	11.5	13.6
Profitability & Return ratios (%)					
EBITDA margin	20.8	20.4	21.0	21.4	21.9
EBIT margin	15.6	15.1	15.8	16.1	16.6
Adjusted profit margin	11.0	10.6	11.4	11.3	11.6
Adjusted ROAE	11.5	10.4	11.6	11.6	11.8
ROCE	14.8	13.1	14.5	15.0	15.6
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	2.8	3.0
Net interest coverage ratio	10.8	13.2	15.4	17.5	22.0
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%

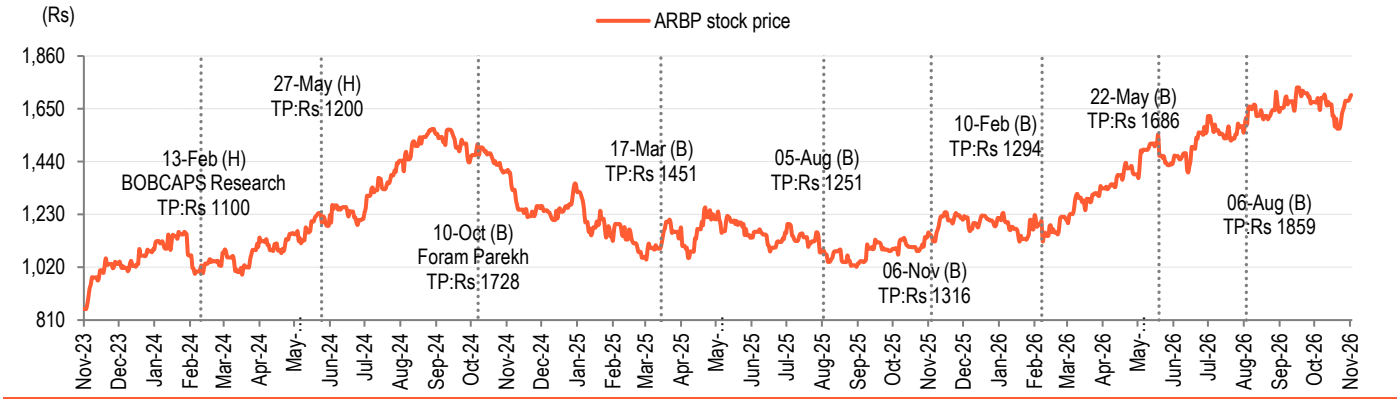
HOLD – Expected return from -6% to +15%

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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