

AUROBINDO PHARMA

RESULT UPDATE

KEY DATA

Rating	BUY
Sector relative	Outperformer
Price (INR)	1,141
12 month price target (INR)	1,420
52 Week High/Low	1,413/994
Market cap (INR bn/USD bn)	662/7.5
Free float (%)	48.2
Avg. daily value traded (INR mn)	1,587.8

SHAREHOLDING PATTERN

	Sep-25	Jun-25	Mar-25
Promoter	51.82%	51.82%	51.82%
FII	14.21%	14.37%	15.33%
DII	27.60%	26.93%	26.23%
Pledge	17.50%	17.08%	16.92%

FINANCIALS

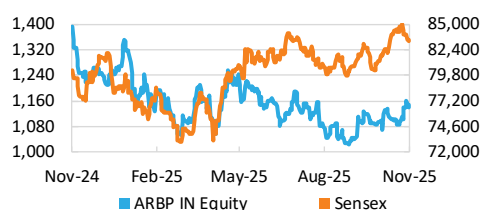
(INR mn)

Year to March	FY24A	FY25A	FY26E	FY27E
Revenue	2,90,019	3,17,237	3,34,411	3,63,556
EBITDA	58,430	66,054	69,241	76,093
Adjusted profit	33,142	34,859	37,405	45,696
Diluted EPS (INR)	57.1	60.0	64.4	78.7
EPS growth (%)	71.9	5.2	7.3	22.2
RoAE (%)	11.2	11.2	10.9	11.9
P/E (x)	20.0	19.0	17.7	14.5
EV/EBITDA (x)	10.9	9.6	8.8	7.6
Dividend yield (%)	0.4	0.4	0.4	0.5

CHANGE IN ESTIMATES

	Revised estimates		% Revision	
Year to March	FY26E	FY27E	FY26E	FY27E
Revenue	3,34,411	3,63,556	-0.6%	0.2%
EBITDA	69,241	76,093	0.0%	0.1%
Adjusted profit	37,405	45,696	-5.1%	0.7%
Diluted EPS (INR)	64.4	78.7	-5.1%	0.7%

PRICE PERFORMANCE



US core steady; Pen-G MIP awaited

Aurobindo (ARBP) beat consensus Q2FY26 revenue/EBITDA by 2%/1% while PAT missed by 5%. EBITDA margin came in at 20.3%, in-line with consensus. US business at USD417mn was in-line with our estimates. R&D spend was 5% of sales. PAT inched up 4% YoY to INR8.5bn.

The US base business performance has been stable while EU business has done well. Breakeven in China and Pen-G ramp-up are awaited. The MIP announcement and successful inspection at Eugia-III are key near-term triggers for a re-rating in our view. Over the medium term, biosimilars and CDMO remain key growth drivers. We are pencilling in 7%/14% revenue/EPS CAGR (FY25–27E); retain 'BUY' with a revised TP of INR1,420 (from INR1,445), valuing ARBP at 18x FY27E EPS.

Q2FY26: Beat on revenue/EBITDA, but miss on PAT

Q2FY26 revenue grew 6% YoY to INR82.9bn. Excluding gRevlimid, US revenue rose 6% YoY. Gross margin went up 89bp YoY to 59.7% despite minimal gRevlimid and high ARV contribution. EBITDA rose 7% YoY to INR16.8bn with margin at 20.3%. R&D spend inched up 1% YoY to INR4.14bn (5% of sales). PAT was up 4% YoY/3% QoQ to INR8.5bn due to high ETR and depreciation. Gross debt was USD843mn against USD884mn in Q1FY26. Net cash was USD170mn (Q2) versus USD140mn (Q1).

US business stable; Europe doing well; Pen-G ramping up gradually

US revenue fell 1% to USD417mn (in-line with our estimates). Excluding gRevlimid, revenue grew 6% QoQ, indicating a stable base business performance despite single digit price erosion. Injectables business is likely to recover to pre-disruption levels in a couple of quarters. Europe business rose 18%/6% YoY (INR/CC terms). Growth markets went up 4% YoY (USD). Currently, ARBP is operating Pen-G plant at 40–50% capacity, producing 6,000MT (annualised), but yields are improving and breakeven is on the horizon. Breakeven in the China plant is also likely within six months.

Pen-G MIP and Lannett FTC clearance near-term triggers

FY27 is likely to report multiple biosimilar filings to EMA and USFDA, including denosumab, omalizumab, tocilizumab, bevacizumab and trastuzumab, which should drive the next leg of growth for ARBP in the mid-to-long term. In the near term, MIP announcement and the subsequent Pen-G ramp-up are key things to watch. ARBP anticipates Eugia-III re-inspection in H1CY26; a positive outcome could trigger a multiple re-rating. Expanded scope of its biologics CDMO with Merck is encouraging development. We await FTC approval for the Lannett deal. We are cutting FY26E EPS by 5%, but retain FY27 estimates, retain 'BUY' with a revised TP of INR1,420 (from INR1,445).

Financials

Year to March	Q2FY26	Q2FY25	% Change	Q1FY26	% Change
Net Revenue	82,857	77,961	6.3	78,681	5.3
EBITDA	16,781	15,661	7.1	16,034	4.7
Adjusted Profit	8,485	8,174	3.8	8,248	2.9
Diluted EPS (INR)	14.6	14.1	3.8	14.2	2.9

Financial Statements

Income Statement (INR mn)

Year to March	FY24A	FY25A	FY26E	FY27E
Total operating income	2,90,019	3,17,237	3,34,411	3,63,556
Gross profit	1,63,990	1,86,975	1,98,790	2,16,679
Employee costs	39,229	44,756	50,524	54,060
R&D cost	14,776	16,220	16,454	18,178
Other expenses	51,554	59,944	62,571	68,348
EBITDA	58,430	66,054	69,241	76,093
Depreciation	15,217	16,494	16,782	17,263
Less: Interest expense	2,897	4,572	3,966	2,612
Add: Other income	5,186	6,219	5,353	6,300
Profit before tax	45,331	50,889	53,824	62,402
Prov for tax	12,110	15,827	16,430	16,711
Less: Exceptional item	(1,919)	0	0	0
Reported profit	31,730	34,859	37,405	45,696
Adjusted profit	33,142	34,859	37,405	45,696
Diluted shares o/s	581	581	581	581
Adjusted diluted EPS	57.1	60.0	64.4	78.7
DPS (INR)	4.5	4.0	4.7	5.3
Tax rate (%)	26.7	31.1	30.5	26.8

Important Ratios (%)

Year to March	FY24A	FY25A	FY26E	FY27E
Gross margin	56.5	58.1	58.3	59.3
R&D as a % of sales	5.1	5.3	5.3	5.1
Net Debt/EBITDA	(0.4)	(0.4)	(0.8)	(1.1)
EBITDA margin (%)	20.1	20.8	20.7	20.9
Net profit margin (%)	11.4	11.0	11.2	12.6
Revenue growth (% YoY)	16.7	9.4	5.4	8.7
EBITDA growth (% YoY)	55.5	13.0	4.8	9.9
Adj. profit growth (%)	71.9	5.2	7.3	22.2

Assumptions (%)

Year to March	FY24A	FY25A	FY26E	FY27E
GDP (YoY %)	6.7	6.0	6.2	6.2
Repo rate (%)	6.5	6.0	5.0	5.0
USD/INR (average)	83.0	84.0	82.0	83.0
US generics (USD mn)	1,715.1	1,780.5	1,917.1	2,006.2
API (USD mn)	511.0	550.3	615.6	665.3
Europe growth (%)	4.1	12.0	7.0	6.0
ROW growth (%)	27.6	12.0	10.0	10.0
ARV growth (%)	(9.0)	3.0	0	0
Capex (USD mn)	421.8	81.9	96.4	102.4

Valuation Metrics

Year to March	FY24A	FY25A	FY26E	FY27E
Diluted P/E (x)	20.0	19.0	17.7	14.5
Price/BV (x)	2.2	2.0	1.8	1.6
EV/EBITDA (x)	10.9	9.6	8.8	7.6
Dividend yield (%)	0.4	0.4	0.4	0.5

Source: Company and Nuvama estimates

Balance Sheet (INR mn)

Year to March	FY24A	FY25A	FY26E	FY27E
Share capital	586	581	581	581
Reserves	2,97,842	3,25,952	3,62,196	4,06,440
Shareholders funds	2,98,428	3,26,533	3,62,777	4,07,021
Minority interest	80	(64)	(64)	(64)
Borrowings	66,476	82,629	54,407	48,835
Trade payables	44,542	41,889	44,588	50,300
Other liabs & prov	38,413	43,348	43,336	46,600
Total liabilities	4,50,715	4,97,850	5,08,559	5,56,208
Net block	1,12,608	1,18,950	1,22,168	1,26,906
Intangible assets	40,766	42,387	49,607	51,968
Capital WIP	27,394	32,660	31,769	34,538
Total fixed assets	1,80,768	1,93,997	2,03,545	2,13,411
Non current inv	3,217	2,517	3,679	3,999
Cash/cash equivalent	91,631	1,09,020	1,09,994	1,31,490
Sundry debtors	48,167	57,459	55,888	60,759
Loans & advances	129	156	148	161
Other assets	1,30,977	1,31,655	1,32,157	1,43,239
Total assets	4,50,715	4,97,850	5,08,559	5,56,208

Free Cash Flow (INR mn)

Year to March	FY24A	FY25A	FY26E	FY27E
Reported profit	31,730	34,859	37,405	45,696
Add: Depreciation	15,217	16,494	16,782	17,263
Interest (net of tax)	2,681	4,404	3,966	2,612
Others	(8,531)	(4,066)	11	111
Less: Changes in WC	(16,751)	(12,445)	3,765	(6,989)
Operating cash flow	24,345	39,246	61,929	58,692
Less: Capex	(27,803)	(19,679)	(26,385)	(27,129)
Free cash flow	(3,458)	19,568	35,544	31,563

Key Ratios

Year to March	FY24A	FY25A	FY26E	FY27E
RoE (%)	11.2	11.2	10.9	11.9
RoCE (%)	14.1	14.4	14.0	14.9
Inventory days	265	285	282	269
Receivable days	58	61	62	59
Payable days	121	121	116	118
Working cap (% sales)	34.4	33.7	30.9	30.3
Gross debt/equity (x)	0.2	0.3	0.2	0.1
Net debt/equity (x)	(0.1)	(0.1)	(0.2)	(0.2)
Interest coverage (x)	14.9	10.8	13.2	22.5

Valuation Drivers

Year to March	FY24A	FY25A	FY26E	FY27E
EPS growth (%)	71.9	5.2	7.3	22.2
RoE (%)	11.2	11.2	10.9	11.9
EBITDA growth (%)	55.5	13.0	4.8	9.9
Payout ratio (%)	8.3	6.7	7.2	6.7

Q2FY26 conference call: Key takeaways

US business

- US injectables grew 6% QoQ. Aurobindo will still take one–two quarters to get back to pre-disruption levels and another USD5–10mn to need to be added.
- gRevlimid was minimal for the quarter and it will be close to 0 in Q3FY26.
- **Price erosion** – There has been low single-digit (~1%) erosion QoQ. Some products were opportunistic and when those taper down due to competition, price erosion will increase. Net-net, ARBP is at a comfortable position.
- US Rx share for ARBP is ~10.2% (ARBP is the largest) and it comes after covering >50% of the market.
- **Lannett** – It has a number of products that will be good additions. ARBP is awaiting FTC approval as of now.

Eugia

- Once Eugia-III gets approval, multiple products can be launched. Vizag plant will also be a growth lever.
- USFDA has sent a letter dated September 25, 2025 stating they will re-inspect Eugia-III. Usually it happens anytime within eight months.
- Oncology oral solids are from Eugia-I. Part of injectables are from Eugia-III.

Biologics/Biosimilars

- ARBP believes it will be cost competitive and the last man standing. It is making products, which have a long life cycle.
- ARBP expects seven EU approvals and a couple in the US by FY28.
- Successful **denosumab** trials conducted in Europe. ARBP is working towards submitting MA to EMA by Apr-2026. Validation batches are taking time and hence, it will take time compared to Jan-26 before. USFDA in Q2FY27. ARBP will be in the second wave of launches for this drug. However ARBP believes biosimilars will shape the market for this in the next two years.
- **Omalizumab** – Patient recruitment completed for phase III trial. EMA MA submission expected in Q2FY27 and for USFDA in Q3FY27. The US market is ~USD2.5bn and ARBP will be the third player in this. Product has two indications.
- **Tocilizumab** – Phase III clinical study waiver received from EMA. Q2FY27 submission expected in Q2FY27. Discussion with USFDA is also likely for a phase III waiver.
- **Bevacizumab** – Phase I study has been completed. Waiver for phase III has been received from EMA. ARBP expects to submit file in Apr-2026. USFDA filing plans remain unchanged (end-2026).
- Currently, ARBP is focusing on streamlining activities with CROs. Continuous supply to European partners is being targeted from Mar-26.
- USFDA has said that they are looking to reduce the need for comparative efficacy studies and removing interchangeability study requirements.

- Trastuzumab was going to be filed with USFDA but it will be pushed to H2CY26. Denosumab will be followed by omalizumab for now. USFDA inspection should happen by end of CY26.

Europe/China/growth markets

- **Europe** – Well on track for EUR1bn mark. All major countries (Germany, Netherlands, Portugal and France) are contributing well. ARBP has >80% portfolio coverage (excluding biosimilars and inhalation range) and trying for 85–90%. Injectable component is ~10% (~USD100mn). The margin is high-teens now and is aimed to be reached to 20% levels.
- **China** - As on date, there is USD1mn loss in China plant. Breakeven is likely between Q3FY26 and Q4FY26. Going forward, in the next three years, turnover should be in triple digits. Productivity in China is high. Asset turn of 1x is likely (~USD150mn).
- Canada and Brazil are going reasonably well.

Pen-G

- During Q2FY26, 1050MT was produced by operating at 40–50% capacity amounting to 6000MT on an annualised basis. Yields are consistently improving.
- As and when policy changes, capacity will be ramped up quickly and production can be taken to 15000MT. PLI benefit is still there with current production levels.
- Pen-G EBITDA breakeven is near. A 500MT/month is being done now and at 800MT, breakeven will be achieved.
- As a plan B, ARBP is continuously working on improving yields.
- ARBP is biggest consumer of 6APA and it can produce and consume on its own.

Financials/others

- **FY26 EBITDA margin guidance** – 20–21%. FY27 guidance can be given after Pen-G MIP, which should happen within 2 months from now.
- **ETR** – ARBP does not take tax credit for losses and hence, ETR appears to have gone up. It will fall below 25% once these businesses turn profitable.
- **Capex** – Not going for any major greenfield projects now. In H1FY26, milestone payment was paid after partnering with a global pharma company. There has been a new warehouse put up in the US. Biologics capex will be incurred going ahead. Vial filling lines are being added in Curateq and it will be qualified in Q2FY27. Bioreactors will come online in Q3FY26. In H1FY26, a second product was signed with MSD and two additional 15KL mammalian bioreactor lines are being added in the same facility.
- GLP-1 products will be done at Vizag plant and ARBP will be in the second phase of launches. ARBP may do some small acquisition for India GLP-1 opportunity. ~INR3bn is the revenue for India as of now and it may go up by INR1bn further but India is not being looked at as a big opportunity for ARBP.
- There is improvement across businesses that is driving EBITDA improvement.
- Gross margin has gone up because of formulation products going up versus API, Europe growing and operating leverage helping and US product mix is also improving. Once Pen-G comes fully, gross margin will improve even more and may cross 60%.

- ARV revenues grew on the back of higher volumes and tender wins across multiple geographies. The momentum is likely to sustain over the medium to long term.

Exhibit 1: Segmental details (INR mn)

Year to March	Q2FY26	Q2FY25	YoY (%)	Q1FY26	QoQ (%)	Nuvama estimate	Deviation (%)
Total Formulations	73,250	66,400	10.3	69,530	5.4	71,729	2.1
US	36,380	35,300	3.1	34,880	4.3	35,771	1.7
Europe	24,800	21,050	17.8	23,380	6.1	24,104	2.9
Growth Markets	8,820	8,120	8.6	7,720	14.2	8,776	0.5
ARV	3,250	1,930	68.4	3,550	-8.5	3,078	5.6
Total API	9,600	11,560	-17.0	9,160	4.8	10,108	(5.0)
Betalactum	6,680	8,370	-20.2	6,330	5.5	7,083	(5.7)
Non Betalactum	2,920	3,190	-8.5	2,830	3.2	3,025	(3.5)
Total gross sales	82,850	77,960	6.3	78,690	5.3	81,837	1.2

Source: Company, Nuvama Research

Exhibit 2: Actuals versus estimates (INR mn)

Year to March	Q2FY26	Q2FY25	YoY (%)	Q1FY26	QoQ (%)	Nuvama estimate	Deviation (%)	Consensus estimate	Deviation (%)
Net revenues	82,857	77,961	6.3	78,681	5.3	81,837	1.2	81,501	1.7
Gross profit	49,468	45,858	7.9	46,289	6.9	47,875	3.3		
Gross margin (%)	59.7	58.8	89 bps	58.8	88 bps	58.5			
Employee Expenses	12,773	11,095	15.1	12,288	3.9	12,315	3.7		
R&D	4,140	4,100	1.0	3,670	12.8	3,683	12.4		
Other expenses	15,774	15,002	5.1	14,297	10.3	15,140	4.2		
EBITDA	16,781	15,661	7.1	16,034	4.7	16,737	0.3	16,550	1.4
EBIDTA margin	20.3	20.1	17 bps	20.4	-13 bps	20.5		20.3	
Net finance expense (income)	952	1,127	(15.5)	978	(2.6)	1,033	(7.8)		
Depreciation	4,292	3,823	12.3	4,057	5.8	4,044	6.1		
PBT	12,743	12,072	5.6	12,049	5.8	13,616	(6.4)		
Income tax expense	4,278	3,905	9.5	3,826	11.8	3,813	12.2		
Tax rate (%)	34	32	171.7	32	205.1	28			
Profit adj. for exceptionals	8,485	8,174	3.8	8,248	2.9	9,776	(13.2)	8,969	(5.4)
Reported Profit	8,485	8,174	3.8	8,248	2.9	9,776	(13.2)	8,969	(5.4)

Source: Company, Nuvama Research

Exhibit 3: Quarterly snapshot (INR mn)

Year to March	Q2FY26	Q2FY25	% change	Q1FY26	% change	FY25	FY26E	FY27E
Net Revenue	82,857	77,961	6.3	78,681	5.3	3,17,237	3,34,411	3,63,556
Cost of revenue	33,389	32,103	4.0	32,392	3.1	1,30,262	1,35,621	1,46,877
Gross profit	49,468	45,858	7.9	46,289	6.9	1,86,975	1,98,790	2,16,679
Employee cost	12,773	11,095	15.1	12,288	3.9	44,756	50,524	54,060
R&D	4,140	4,100	1.0	3,670	12.8	16,220	16,454	18,178
Other expenses	15,774	15,002	5.1	14,297	10.3	59,944	62,571	68,348
EBITDA	16,781	15,661	7.1	16,034	4.7	66,054	69,241	76,093
EBITDA margin (%)	20	20		20		21	21	21
Depreciation	4,292	3,823	12.3	4,057	5.8	16,494	16,782	17,263
EBIT	12,489	11,839	5.5	11,977	4.3	49,560	52,459	58,830
Less: Interest Expense	952	1,127	(15.5)	978	(2.6)	4,572	3,966	2,612
Add: Other income	1,206	1,360	(11.3)	1,049	14.9	6,219	5,353	6,300
Add: Exceptional items	0	0		0		0	0	0
Profit before tax	12,743	12,072	5.6	12,049	5.8	51,206	53,846	62,518
Less: Provision for Tax	4,278	3,905	9.5	3,826	11.8	15,827	16,430	16,711
Less: Minority Interest	20	7	171.2	25	(19.8)	23	11	5
Add: Share of profit from associates						-317	-22	-116
Reported Profit	8,485	8,174	3.8	8,248	2.9	35,085	37,405	45,696
Adjusted Profit	8,485	8,174	3.8	8,248	2.9	35,085	37,405	45,696
No. of Diluted shares outstanding	581	581		581		581	581	581
Adjusted Diluted EPS	14.6	14.1	3.8	14.2	2.9	60.4	64.4	78.7
as % of revenues								
Cost of revenue	40.3	41.2		41.2		41.1	40.6	40.4
Employee cost	15.4	14.2		15.6		14.1	15.1	14.9
R&D	5.0	5.3		4.7		5.1	4.9	5.0
Total operating expenses	79.7	79.9		79.6		79.2	79.3	79.1
Gross profit	59.7	58.8		58.8		58.9	59.4	59.6
Operating profit	15.1	15.2		15.2		15.6	15.7	16.2
Net profit	10.2	10.5		10.5		11.1	11.2	12.6
Tax rate	33.6	32.3		31.8		30.9	30.5	26.7

Source: Company, Nuvama Research

Company Description

Aurobindo Pharma (ARBP), unlike other major Indian pharma companies, is a pure generic player with export focus that has achieved scale primarily through acquisitions. In its drive to grow via consolidation and gain scale, company has been the most aggressive and also the most successful as company always focused on value. Its aggressive inorganic strategy is much like its global peers, and its strength lies in its execution. Company's future investments are mainly in injectables and now it has started investing meaningfully in biosimilars.

Investment Theme

ARBP has followed a strategy of acquiring portfolios & technologies and bolstering offerings. It is on the cusp of filing transdermals, biosimilars, nasals, inhalers and depot injections. While promising, it also involves high R&D investments that are likely to push R&D to 6% of sales and also increase execution risks vis-a-vis generics. However, gRevlimid settlement offers cushion to the high risk business given that this opportunity will be there for at least 3 years. In the medium term, pipeline of 170 pending ANDAs, its 50 annual launches and injectable capacity expansion should translate to mid-to-high single-digit growth. API expansion, the PLI scheme and contract manufacturing opportunity in biologics CDMO promise long-term growth. Additionally the company has recently acquired business of Lannett, which may offer growth opportunity in the US.

Key Risks

- Higher US pricing pressure and potential tariffs by US administration on foreign manufacturers.
- Slowdown in ANDA approvals and USFDA related regulatory risks are part of the generics business.
- Failure to ramp-up utilization at Pen-G and China manufacturing facility.
- Failure to complete acquisition of Lannett.

Additional Data

Management

Chairman	Mr. K Ragunathan
Vice Chairman	Mr. K Nithyananda Reddy
CFO	S. Subramanian
Managing Director	N. Govindarajan
Auditor	B S R & Associates LLP

Holdings – Top 10*

	% Holding		% Holding
Quant	4.25	Vanguard	2.03
Icici Pru	3.98	SBI Pension	1.81
HDFC AMC	3.35	Mirae Asset	1.78
Axis Clinicals	2.97	SBI Funds	1.72
LIC	2.91	Blackrock	1.62

*Latest public data

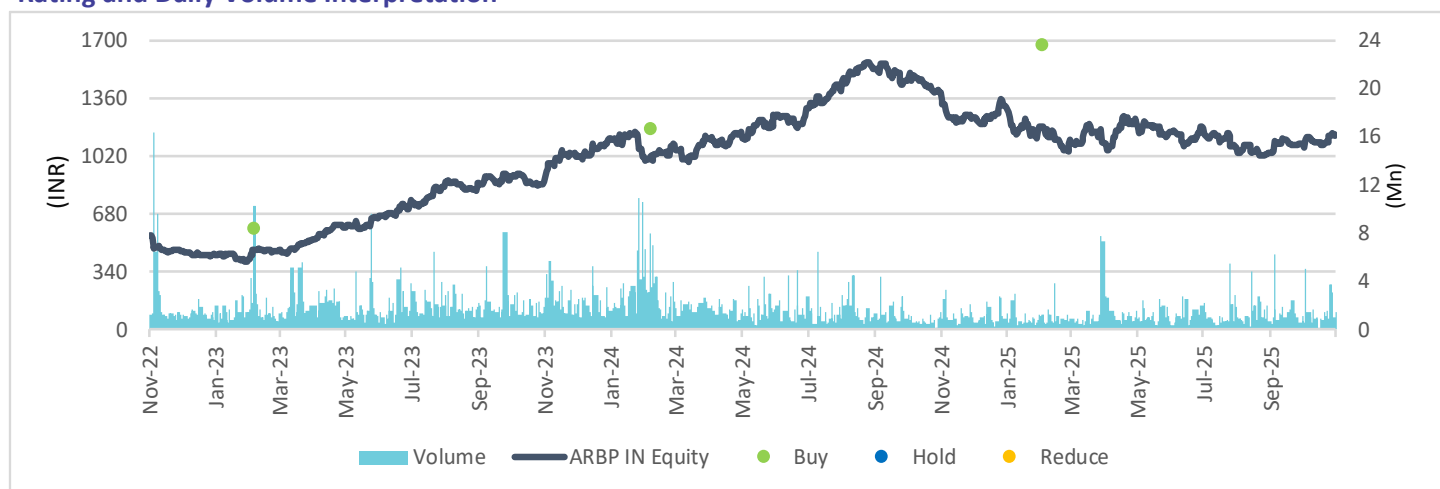
Recent Company Research

Date	Title	Price	Reco
05-Aug-25	Weak showing; Pen-G execution critical; <i>Result Update</i>	1,079	Buy
31-Jul-25	Aurobindo acquires Lannett Company; <i>Company Update</i>	1,158	Buy
19-Jun-25	New assets: A pill for healthy future ; <i>Visit Note</i>	1,105	Buy

Recent Sector Research

Date	Name of Co./Sector	Title
05-Nov-25	Sun Pharmaceuticals	Below-guidance R&D spend yet again; <i>Result Update</i>
03-Nov-25	Ajanta Pharma	Margins outperform despite mix change; <i>Result Update</i>
31-Oct-25	Jubilant Pharmova	Line-3 starts multi-year optimism ; <i>Result Update</i>

Rating and Daily Volume Interpretation



Rating Rationale & Distribution: Nuvama Research

Rating	Expected absolute returns over 12 months	Rating Distribution
Buy	15%	205
Hold	<15% and >-5%	68
Reduce	<-5%	37

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