

## Sustained Momentum, Strategic Focus

**Est. Vs. Actual for Q4FY25:** Revenue – **INLINE**; EBITDA – **INLINE**; PAT – **MISS**

**Changes in Estimates post Q4FY25**

**FY26E/FY27E:** Revenue: 0.5%/4.2%; EBITDA: 2.9%/6.6%; PAT: 1.7%/3.9%

### Recommendation Rationale:

- **Steady Growth Backed by Robust US and Europe Sales:** Auro's revenue for Q4FY25 was reported at Rs 8,382 Cr, in line with our estimates. Revenue grew by 10.6% YoY and 5.1% QoQ, driven by strong performance in the US and European markets.
- **Margins Show Mixed Trends; Reported Profit Misses Estimates:** Gross margins improved by 30 bps QoQ but declined by 50 bps YoY. EBITDA margins decreased by 70 bps YoY but improved by 128 bps QoQ. Reported profit stood at Rs 903 Cr, missing our estimate of Rs 1,026 Cr.

### Sector Outlook: Positive

**Company Outlook & Guidance:** Aurobindo Pharma's management remains optimistic about sustaining its growth trajectory in FY26, building on the strong performance of FY25. The company targets a high single-digit revenue growth for FY26, excluding transient products, with expectations of continued momentum in key markets such as Europe and North America. Management also aims to maintain EBITDA margins at current levels of ~21%, supported by a favourable product mix, stable raw material prices, and improved operating efficiencies. Over the past two years, Aurobindo has allocated Rs 7,000 Cr in Capex, focusing on areas such as Biosimilars and Pen-G (API). Its future valuations will largely hinge on the return on invested capital (ROIC) generated from these significant investments.

**Current Valuation:** PE 20x for FY26E earnings (Earlier Valuation: PE 20x)

**Current TP:** Rs 1,500/share (Earlier TP: Rs 1,500/share)

**Recommendation:** BUY

### Financial Performance

Aurobindo Pharma's Q4FY25 results were in line with expectations. Revenue grew by 10.6% YoY and 5.1% QoQ, driven by strong performance in the US and European markets. Gross margins improved by 30 bps QoQ but declined by 50 bps YoY. EBITDA margins decreased by 70 bps YoY but improved by 128 bps QoQ. Reported profit stood at Rs 903 Cr, missing our estimate of Rs 1,026.

### Key Financials (Consolidated)

(Rs Cr)	Q4FY25	QoQ (%)	YoY (%)	Axis Est.	Variance
Net Sales	8,382	5.1	10.6	8,352	0.4
EBITDA	1,792	14.4	7.1	1,838	-2.5
EBITDA Margin	21.4%	129	-69	22.0%	
Net Profit	903	10.5	-9.7	1,026	-12.0
EPS (Rs)	15.5	10.5	-9.7	17.5	-11.4

Source: Company, Axis Securities Research

(CMP as of 27<sup>th</sup> May, 2025)

CMP (Rs)	1,188
Upside /Downside (%)	26%
High/Low (Rs)	1,592/1,010
Market cap (Cr)	69,000
Avg. daily vol. (6m)Shrs.	3,00,000
No. of shares (Cr)	58.08

### Shareholding (%)

	Sep-24	Dec-24	Mar-25
Promoter	51.8	51.8	51.8
FII's	16.6	16.3	15.3
MFs / UTI	18.5	17.8	18.2
Others	13.0	14.1	14.6

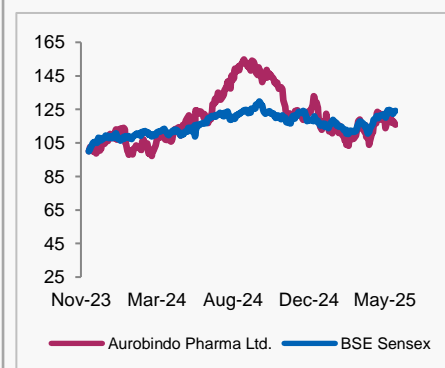
### Financial & Valuations

Y/E Mar (Rs Cr)	FY25	FY26E	FY27E
Net Sales	31,724	34,563	38,626
EBITDA	6,583	7,604	8,691
Net Profit	3,484	4,358	4,943
EPS (Rs)	60.0	75.0	85.1
PER (x)	19.8	15.8	14.0
EV/EBITDA (x)	10.5	8.7	7.2
P/BV (x)	2.1	1.9	1.7
ROE (%)	10.7	11.9	11.9

### Change in Estimates (%)

Y/E Mar	FY26E	FY27E
Sales	0.5%	4.2%
EBITDA	2.9%	6.6%
PAT	1.7%	3.9%

### Relative Performance



Source: Ace Equity

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## Financial Performance (Cont'd)

Aurobindo Pharma's Q4FY25 results were in line with expectations. Revenue grew by 10.6% YoY and 5.1% QoQ, driven by strong performance in the US and European markets. Gross margins improved by 30 bps QoQ but declined by 50 bps YoY. EBITDA margins decreased by 70 bps YoY but improved by 128 bps QoQ. Reported profit stood at Rs 903 Cr, missing our estimate of Rs 1,026.

In North America, Aurobindo recorded revenue of \$470 Mn (8.8% YoY growth in constant currency), with an estimated \$35 Mn contribution from gRevlimid. The growth was largely driven by volume gains in the base portfolio and stabilised pricing.

Revenue from the Europe segment, which contributes 25.6% to total revenue, grew by 17.2% YoY (+1.2% QoQ) to Rs 2,147 Cr. This was driven by increased demand, strong volume growth, and an expanding product portfolio. The company continues to expand its presence in Europe, focusing on both generics and speciality products. However, the Growth Markets segment experienced a short-term decline in Q4FY25, reporting revenue of Rs 786 Cr—a decrease of 7.8% YoY and 10% QoQ.

**Upcoming Pipelines and Growth Drivers:** Several key facilities are set to become major growth drivers: The China OST (Oral Solid Dosage) plant, with an annual capacity of 2 Bn units, was commercialised in FY25 and is expected to contribute meaningfully to revenues in FY26. The US-based OST plant at Dayton is slated for commercialisation in FY26, further strengthening the company's North American presence. The Raleigh plant in the US, which currently manufactures topical products, is expected to become fully operational soon, with expansion into transdermal and respiratory products.

A recent fire incident led to a temporary halt in operations in the Penicillin-G (Pen G) facility at Kakinada. However, before the incident, the plant had achieved encouraging yields. The company has submitted a renewal application for regulatory consent, and production is expected to resume promptly upon approval, reflecting Aurobindo's commitment to compliance and operational resilience.

## Outlook

- **Targeting Steady Growth in FY26:** Aurobindo Pharma's management remains optimistic about sustaining its growth trajectory in FY26, building on the strong performance of FY25. The company targets a high single-digit revenue growth for FY26, excluding transient products, with expectations of continued momentum in key markets such as Europe and North America. It also aims to maintain EBITDA margins at current levels, which are around 21%, supported by a favourable product mix, stable raw material prices, and improved operating efficiencies.
- **Focus on Capacity Expansion:** The China OST plant, commercialised in FY25, is expected to contribute to revenues in FY26, while the US-based OST plant at Dayton is slated for commercialisation later this year. The Raleigh plant in the US is also expected to become fully operational soon, expanding into transdermal and respiratory products. The company is investing in a robust pipeline, particularly in complex and respiratory products, including a partnership with a global pharma major for respiratory therapies.
- **Steady Progress in Biosimilars Segment:** Aurobindo Pharma's biosimilars segment is progressing steadily, with recent approvals and continued product development expected to drive future growth, especially in regulated markets. The Penicillin-G (Pen G) plant at Kakinada, after a temporary halt due to a fire incident, is poised to resume production once regulatory approvals are secured. Before the incident, the facility had achieved encouraging yields. Management remains optimistic about both biosimilars and Pen G, supported by ongoing investments, capacity expansion, and a strong focus on compliance and operational resilience.

## Valuations & Recommendation

Aurobindo Pharma's future outlook remains strong, supported by upcoming product launches and strategic initiatives in areas such as entry into Biosimilars, peptides, and CDMO services. **We maintain our BUY recommendation on Aurobindo Pharma with a TP of Rs 1,500/share.**

## Key Risks to Our Estimates and TP

- The USFDA inspection and issuing of WL/OAI or 483 observations may impact the revenue growth.
- Entry of new players may increase pricing pressures in the injectable portfolio.
- Delay in the launch of Biosimilars in the market.

## Change in Estimates

(Rs Cr)	New		Old		% Change	
	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E
Sales	34,563	38,626	34,382	37,061	0.5%	4.2%
EBITDA	7,604	8,691	7,392	8,153	2.9%	6.6%
PAT	4,358	4,943	4,286	4,760	1.7%	3.9%

Source: Company, Axis Securities Research

## Results Review

Particulars (Rs Cr)	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	YoY (%)	QoQ (%)
Sales	7,580	7,567	7,796	7,979	8,382	10.6	5.1
Other Operating Income	0	0	0	0	0		
<b>Net Sales</b>	<b>7,580</b>	<b>7,567</b>	<b>7,796</b>	<b>7,979</b>	<b>8,382</b>	10.6	5.1
<b>Growth (%)</b>	<b>17.1%</b>	<b>10.5%</b>	<b>8.0%</b>	<b>8.5%</b>	<b>10.6%</b>		
Total Expenditure	5,907	5,947	6,230	6,401	6,590	11.6	3.0
Raw Material Consumed	3,061	3,073	3,210	3,315	3,428	12.0	6.8
<b>% of sales</b>	<b>40.4%</b>	<b>40.6%</b>	<b>41.2%</b>	<b>41.6%</b>	<b>40.9%</b>		
<b>Gross margins %</b>	<b>59.6%</b>	<b>59.4%</b>	<b>58.8%</b>	<b>58.4%</b>	<b>59.1%</b>	<b>-52</b>	<b>28</b>
Employee Expenses	1,026	1,072	1,109	1,132	1,163	13.3	4.8
% of sales	13.5%	14.2%	14.2%	14.2%	13.9%		
Forex	14	0	0	50	0		
Other Expenses	1,806	1,803	1,910	1,904	2,000	5.8	6.0
% of sales	23.8%	23.8%	24.5%	23.9%	23.9%		
<b>EBITDA</b>	<b>1,673</b>	<b>1,620</b>	<b>1,566</b>	<b>1,578</b>	<b>1,792</b>	7.1	14.4
<b>EBITDAM (%)</b>	<b>22.1%</b>	<b>21.4%</b>	<b>20.1%</b>	<b>19.8%</b>	<b>21.4%</b>	<b>-69</b>	<b>129</b>
Interest	89	111	113	118	115		
Depreciation	354	404	382	419	444		
Share of JV	-13	-1	0	2	-32		
Exceptional Items	-122	0	0	0	0		
Other Income	136	221	136	157	135		
<b>PBT</b>	<b>1,230</b>	<b>1,324</b>	<b>1,207</b>	<b>1,200</b>	<b>1,335</b>	8.5	10.6
Tax	323	406	391	354	432		
Tax (%)	26.2%	30.6%	32.3%	29.5%	32.4%		
<b>Reported PAT</b>	<b>908</b>	<b>919</b>	<b>817</b>	<b>846</b>	<b>903</b>	-0.5	10.5

Source: Company, Axis Securities Research

## Geographical Breakup

Particulars (Rs Cr)	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	YoY (%)	QoQ (%)
USA	3,588	3,555	3,530	3,671	4,072	13.5	10.9
EU	1,832	1,982	2,105	2,121	2,147	17.2	1.2
Growth markets	852	709	812	873	786	-7.7	-10.0
ARV	238	229	193	307	306	28.6	-0.3
Betalactum	698	791	837	722	789	13.0	9.3
Non Betalactum	321	321	319	284	280	-12.8	-1.4

Source: Company, Axis Securities Research

## Financials (consolidated)

### Profit & Loss

(Rs Cr)

Y/E Mar, Rs Cr	FY25	FY26E	FY27E	FY28E
<b>Net Sales</b>	<b>31,724</b>	<b>34,563</b>	<b>38,626</b>	<b>43,499</b>
<b>Growth (%)</b>	<b>9.4%</b>	<b>9.0%</b>	<b>11.8%</b>	<b>12.6%</b>
Total Expenditure	25,141	26,959	29,935	33,538
Raw Material Consumed	13,026	14,516	16,223	18,270
% of sales	41.1%	42.0%	42.0%	42.0%
<b>Gross margins (%)</b>	<b>58.9%</b>	<b>58.0%</b>	<b>58.0%</b>	<b>58.0%</b>
Employee Expenses	4,476	4,839	5,214	5,916
% of sales	14.1%	14.0%	13.5%	13.6%
Other Expenses	7,639	7,604	8,498	9,352
% of sales	24.1%	22.0%	22.0%	21.5%
<b>EBIDTA</b>	<b>6,583</b>	<b>7,604</b>	<b>8,691</b>	<b>9,961</b>
<b>EBITDAM (%)</b>	<b>20.8%</b>	<b>22.0%</b>	<b>22.5%</b>	<b>22.9%</b>
Depreciation	1,649	1,779	1,923	2,019
EBIT	4,933	5,825	6,768	7,942
EBITM (%)	15.6%	16.9%	17.5%	18.3%
Interest	457	454	412	370
Other Income	622	460	500	500
Exceptional Items	0	0	0	0
Share of P/L of Associates	-32	-20	10	10
<b>PBT</b>	<b>5,066</b>	<b>5,811</b>	<b>6,866</b>	<b>8,082</b>
Tax Rate (%)	31.2%	25.0%	28.0%	28.0%
Tax	1,583	1,453	1,922	2,263
<b>Reported PAT</b>	<b>3,484</b>	<b>4,358</b>	<b>4,943</b>	<b>5,819</b>

Source: Company, Axis Securities Research

### Balance Sheet

(Rs Cr)

Y/E Mar, Rs Cr	FY25	FY26E	FY27E	FY28E
Share Capital	58	58	58	58
Reserves & Surplus	32,589	36,683	41,363	46,919
<b>Shareholders Fund</b>	<b>32,647</b>	<b>36,741</b>	<b>41,421</b>	<b>46,977</b>
Total Debt	8,263	7,563	6,863	6,163
- Deferred Tax (Net)	2,456	2,264	2,104	1,953
- Trade Payables	4,189	4,735	5,291	5,959
Provisions	14,682	15,233	15,791	16,559
Others	<b>49,785</b>	<b>54,239</b>	<b>59,317</b>	<b>65,489</b>
<b>Total Liabilities</b>	<b>1.6</b>	<b>1.6</b>	<b>1.6</b>	<b>1.7</b>
<b>Gross Block</b>	<b>2,284</b>	<b>1,800</b>	<b>1,800</b>	<b>1,200</b>
Depreciation	<b>20,440</b>	<b>22,240</b>	<b>24,040</b>	<b>25,240</b>
% of GB	8,545	10,324	12,248	14,267
Net Block	41.8%	46.4%	50.9%	56.5%
CWIP	11,895	11,916	11,793	10,973
<b>- Fixed Assets</b>	<b>3,266</b>	<b>3,266</b>	<b>3,266</b>	<b>3,266</b>
Investment	22,623	22,871	23,114	22,733
- Deferred Tax (Net)	0	0	0	0
Loans & Advances	10,544	11,363	12,699	14,301
Others	5,746	6,060	6,773	7,627
- Inventories	8,235	10,614	13,012	16,641
- Trade Receivables	2,622	3,314	3,704	4,171
<b>- Cash</b>	<b>27,162</b>	<b>31,368</b>	<b>36,203</b>	<b>42,756</b>
<b>Total Assets</b>	<b>49,785</b>	<b>54,239</b>	<b>59,317</b>	<b>65,489</b>

Source: Company, Axis Securities Research

**Cash Flow**

(Rs Cr)

Y/E Mar, Rs Cr	FY25	FY26E	FY27E	FY28E
PBT	5,066	5,811	6,866	8,082
Add: Depreciation	1,649	1,779	1,923	2,019
Add: Interest	457	454	412	370
Cash flow from operations	7,173	8,044	9,201	10,471
Change in working capital	1,524	995	1,705	2,045
Taxes	1,583	1,453	1,922	2,263
Miscellaneous expenses	0	0	0	0
Net cash from operations	4,066	5,596	5,573	6,163
Capital expenditure	-2,934	-1,800	-1,800	-1,200
Change in Investments	50	0	0	0
Net cash from investing	-2,883	-1,800	-1,800	-1,200
Increase/Decrease in debt	1,615	-700	-700	-700
Dividends	-264	-264	-264	-264
Interest	-457	-454	-412	-370
Others	-120	0	-0	0
Net cash from financing	774	-1,417	-1,375	-1,333
Net Inc./ (Dec.) in Cash	1,957	2,379	2,398	3,629
Opening cash balance	6,278	8,235	10,614	13,012
Closing cash balance	8,235	10,614	13,012	16,641

Source: Company, Axis Securities Research

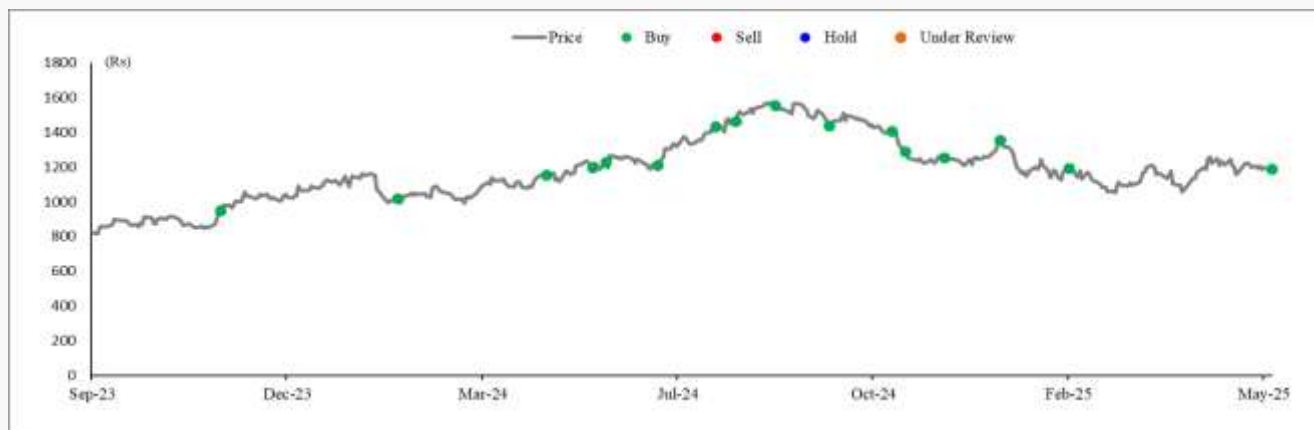
**Ratio Analysis**

(%)

Y/E Mar, Rs Cr	FY25	FY26E	FY27E	FY28E
<b>Sales growth</b>	<b>9.4</b>	<b>9.0</b>	<b>11.8</b>	<b>12.6</b>
OPM	20.8	22.0	22.5	22.9
Oper. profit growth	12.7	15.5	14.3	14.6
COGS / Net sales	41.1	42.0	42.0	42.0
Overheads/Net sales	38.2	36.0	35.5	35.1
Depreciation / G. block	8.1	8.0	8.0	8.0
Effective interest rate	31.2	25.0	28.0	28.0
Net wkg.cap / Net sales	41.7	41.2	41.3	41.3
Net sales / Gr block (x)	1.6	1.6	1.6	1.7
RoCE	15.5	17.9	20.0	22.8
Debt/equity (x)	0.3	0.2	0.2	0.1
Effective tax rate	31.2	25.0	28.0	28.0
RoE	10.7	11.9	11.9	12.4
Payout ratio (Div/NP)	4.5	4.5	4.5	4.5
EPS (Rs)	60.0	75.0	85.1	100.2
EPS Growth	9.9	25.1	13.4	17.7
CEPS (Rs)	88.4	105.7	118.2	135.0
DPS (Rs)	4.5	4.5	4.5	4.5

Source: Company, Axis Securities Research

## Aurobindo Pharma Price Chart and Recommendation History



Date	Reco	TP	Research
09-Nov-23	BUY	1,100	Result Update
12-Feb-24	BUY	1,170	Result Update
02-May-24	BUY	1,265	Top Picks
27-May-24	BUY	1,320	Result Update
03-Jun-24	BUY	1,320	Top Picks
01-Jul-24	BUY	1,330	Top Picks
01-Aug-24	BUY	1,650	Top Picks
12-Aug-24	BUY	1,612	Result Update
02-Sep-24	BUY	1,650	Top Picks
01-Oct-24	BUY	1,730	Top Picks
04-Nov-24	BUY	1,730	Top Picks
11-Nov-24	BUY	1,460	Result Update
02-Dec-24	BUY	1,730	Top Picks
01-Jan-25	BUY	1,500	Top Picks
10-Feb-25	BUY	1,500	Result Update
28-May-25	BUY	1,500	Result Update

Source: Axis Securities Research

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BUY	More than 10%
HOLD	Between 10% and -10%
SELL	Less than -10%
NOT RATED	We have forward looking estimates for the stock, but we refrain from assigning valuation and recommendation.
UNDER REVIEW	We will revisit our recommendation, valuation and estimates on the stock following recent events
NO STANCE	We do not have any forward-looking estimates, valuation or recommendation for the stock

Note: Returns stated in the rating scale are our internal benchmark.