

Aurobindo Pharma

BSE SENSEX

72,696

S&P CNX

22,513



Stock Info

Bloomberg	ARBP IN
Equity Shares (m)	581
M.Cap.(INRb)/(USD\$)	742.7 / 7.9
52-Week Range (INR)	1320 / 994
1, 6, 12 Rel. Per (%)	24/26/10
12M Avg Val (INR M)	1609
Free float (%)	48.2

Financials Snapshot (INR b)

Y/E MARCH	FY26E	FY27E	FY28E
Sales	334.8	368.4	410.4
EBITDA	68.9	78.5	88.2
Adj. PAT	36.1	44.4	51.5
EBIT Margin (%)	15.3	16.4	16.9
Cons. Adj. EPS (INR)	62.2	76.5	88.8
EPS Gr. (%)	2.0	22.9	16.0
BV/Sh. (INR)	620.9	693.4	776.2

Ratios

Net D:E	-0.1	-0.1	-0.2
RoE (%)	10.5	11.6	12.1
RoCE (%)	9.2	10.7	11.3
Payout (%)	6.4	5.2	6.8

Valuations

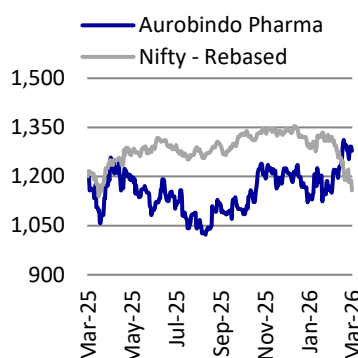
P/E (x)	20.6	16.7	14.4
EV/EBITDA (x)	10.6	8.8	7.5
Div. Yield (%)	0.3	0.3	0.5
FCF Yield (%)	2.8	5.0	3.9
EV/Sales (x)	2.2	1.9	1.6

Shareholding pattern (%)

As On	Dec-25	Sep-25	Dec-24
Promoter	51.8	51.8	51.8
DII	27.7	27.6	25.2
FII	13.9	14.2	16.3
Others	6.6	6.4	6.7

FII includes depository receipts

Stock Performance (1-year)



CMP: INR1,279

TP: INR1,500 (+17%)

Buy

Backward & forward integration unlocking PenG value chain

Large-scale fermentation + 6-APA conversion + policy support driving throughput and margin expansion

We visited the PEN-G plant of Aurobindo Pharma (ARBP) to gain insight into the manufacturing complexities and the degree of integration between processes:

- Under the Production-Linked Incentive (PLI) scheme, ARBP constructed the PEN-G and 6-APA plants within a record three-year period and ramped up production following the start of the PEN-G plant in Jul'25. The 6-APA plant is likely to scale up meaningfully over the next 3-4 months.
- The plant has a substantial fermentation capacity of ~7,600 KL and features backward integration extending to glucose manufacturing.
- Notably, ARBP is forward integrated to manufacture 6-APA and is in the process of further forward integration to produce amoxicillin and other APIs that require PEN-G as a raw material.
- Considering robust operational efficiency and financial support from the Government of India, we project an EBITDA of INR5.5-INR6.6b from this project over the next 12 months.
- Overall, we expect a 21% earnings CAGR over FY26-28, aided by: 1) biosimilars/EU market prospects, and 2) benefits from the PLI-led PENG-project and the integration of Lannett. We value ARBP at 16x 12M forward earnings to arrive at our TP of INR1,500. Reiterate BUY.

PEN-G/6-APA integrated manufacturing to drive optimum throughput

- On a 127-acre land parcel, ARBP has constructed the PEN-G plant with a capacity of 15,000TPA and the 6-APA plant with a capacity of 5,400 TPA. About 230 acres of land are available for further expansion.
- The company has constructed a desalination plant to make seawater suitable for the process, consuming ~18m3 of water daily.
- ARBP has 39 fermenters with a capacity of 325 KL each (17 units), 125 KL fermenters (12 units), and 56 KL fermenters (10 units).
- The technology, degree of backward integration, and scale of operations distinguish ARBP from its peers in this manufacturing setup.
- Maize serves as the primary feedstock for producing glucose, a key energy source for microorganisms. Another essential raw material, phenylacetic acid (PAA), is also manufactured in-house, thereby minimizing operational costs.
- Apart from physical infrastructure, ARBP has effectively developed inoculum to significantly improve yield.
- ARBP also employs a semi-continuous fermentation process to optimize both production and process productivity.
- In addition to maximizing process productivity, ARBP has improved overall cost efficiency through an in-house 52MW power plant, solvent recovery systems, and the in-house manufacturing of certain reagents.

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Investors are advised to refer through important disclosures made at the last page of the Research Report.

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Government support through a minimum import price in place now

- The Director General of Foreign Trade (DGFT) notified in Jan'26 that imports of Penicillin-G for domestic consumption are restricted at values not less than INR2,216 (USD24) per kg for the next one year.
- Similarly, imports of 6-APA for domestic consumption are restricted at values below INR3,405 (USD37) per kg. Amoxicillin sales are also limited to values less than INR2,733 (USD29.7) per kg.
- Volume-wise, out of the planned 15,000MT of Pen-G output, 3,000MT is earmarked for domestic sales, while 12,000MT will be converted into ~6,000MT of 6-APA used in antibiotics such as amoxicillin, ampicillin, piperacillin, sulbactam, and tazobactam.
- The domestic demand for PEN-G equivalent is between 12,000 and 13,000TPA. The entire demand for 6-APA, about 4,000 TPA, is currently met through imports, while ARBP can fulfill the entire domestic demand. The domestic demand for Amoxicillin salts is 4000TPA.
- The company invested INR35b in a large-scale penicillin manufacturing complex in Kakinada, with reported allocations of INR27b for Pen-G and INR8b for 6-APA.
- The minimum import duty on these products, combined with the availability of manufacturing capacity, would not only enable domestic sales but also enhance the economic viability of investments in this PLI project.

Valuation and view

- We expect a 9%/14%/21% revenue/EBITDA/PAT CAGR over FY26-28. We expect ARBP's earnings to be driven by 1) the scale-up of the PEN-G plant, 2) increased external sales of 6-APA, 3) higher off-take in the EU markets, and 4) new product launches/market share gains in the US and the integration of Lannett.
- We value ARBP at 16x 12M forward earnings to arrive at our TP of INR1,500.

Exhibit 1: Valuation snapshot

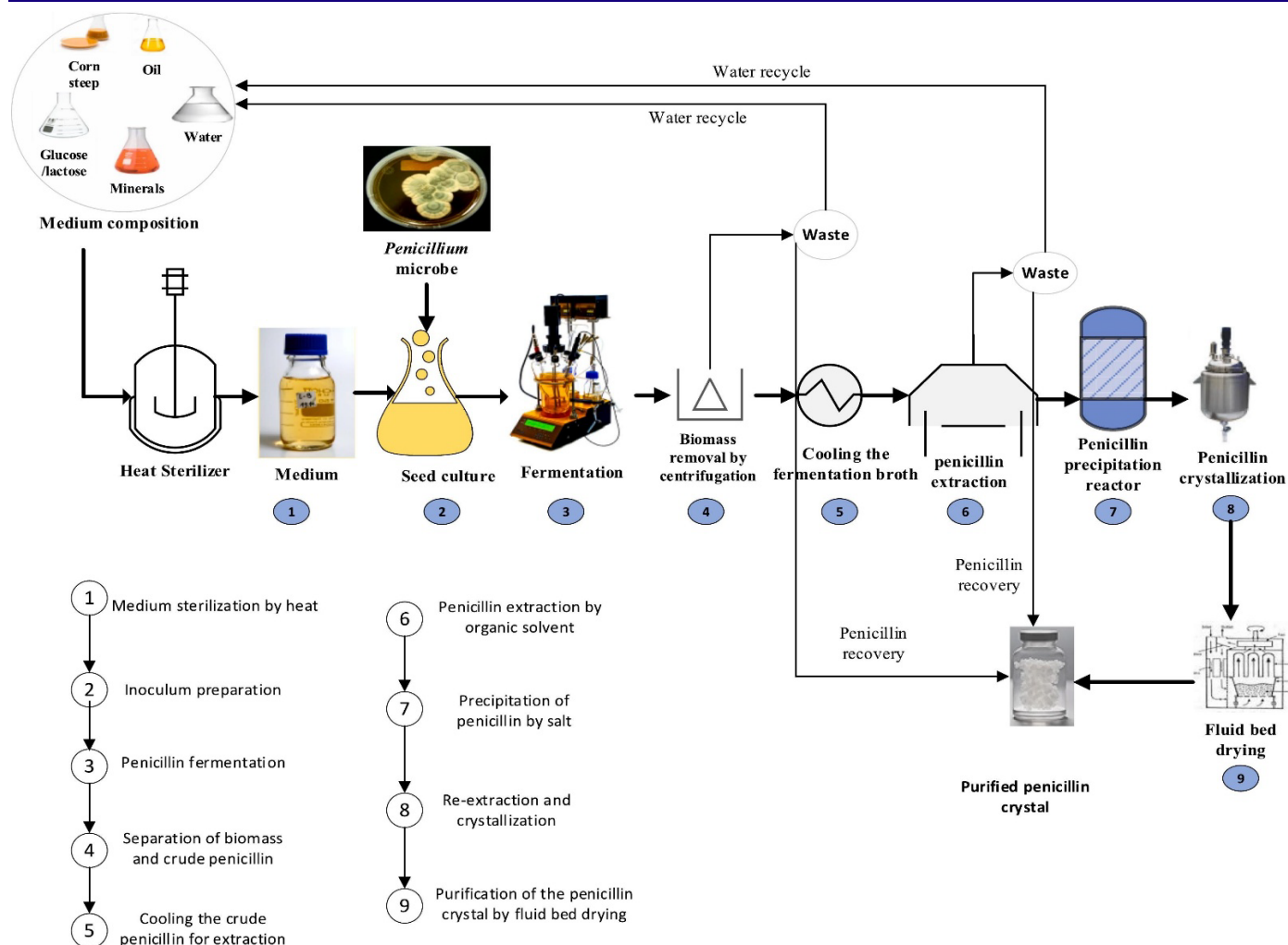
Company	Reco	MCap (USDb)	EPS (INR)			EPS Gr. YoY (%)			P/E (x)			EV/EBITDA (x)			ROE (%)		
			FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Ajanta Pharma	Buy	3.9	84.5	100.5	113.2	13.0	18.9	12.7	33.1	27.9	24.7	24.5	20.6	18.9	25.3	25.0	23.5
Alkem Pharma	Neutral	1.4	35.1	43.5	52.9	20.4	24.1	21.6	18.4	14.8	12.2	12.0	10.1	8.2	12.6	13.9	14.9
Alkem Lab	Neutral	6.7	207.7	180.8	199.2	14.7	-12.9	10.2	24.8	28.5	25.8	22.1	20.1	18.2	19.3	15.0	15.0
Aurobindo Pharma	Buy	8.1	62.2	76.5	88.8	2.0	22.9	16.0	20.6	16.7	14.4	10.6	8.8	7.5	10.5	11.6	12.1
Biocon	Buy	5.4	2.8	6.8	8.9	89.6	139.0	30.8	129.1	54.0	41.3	19.4	15.5	13.3	2.1	4.9	6.0
Cipla	Neutral	10.8	54.0	53.6	61.6	-14.0	-0.7	14.9	22.7	22.8	19.8	15.9	15.4	12.9	12.4	11.1	11.5
Dr Reddy's Labs	Neutral	11.5	66.2	66.1	68.5	-1.7	-0.1	3.7	18.9	19.0	18.3	12.5	10.8	9.8	15.2	13.4	12.3
ERIS Lifescience	Neutral	1.9	34.0	47.4	57.5	32.8	39.2	21.3	37.3	26.8	22.1	17.3	14.4	12.2	15.4	18.5	19.0
Gland Pharma	Buy	2.8	57.5	71.4	83.3	35.7	24.1	16.6	28.0	22.6	19.4	16.0	13.1	10.9	9.9	11.0	11.5
Glenmark Pharma.	Buy	6.6	20.2	75.9	87.1	-57.7	276	14.8	103.4	27.5	24.0	42.1	17.5	15.2	6.3	20.7	19.6
Glaxosmit Pharma	Neutral	4.3	62.6	70.8	80.4	16.2	13.0	13.6	36.4	32.2	28.4	28.1	24.3	20.8	41.7	36.6	32.7
Granules India	Buy	1.5	23.9	32.0	39.0	23.8	34.2	21.7	24.3	18.1	14.9	13.3	10.7	9.0	14.8	17.1	17.6
Ipca Labs.	Buy	4.2	45.5	52.0	61.6	26.4	14.3	18.5	33.7	29.5	24.9	20.4	17.3	14.4	15.5	15.6	16.1
Lupin	Neutral	11.3	109.1	103.1	108.4	51.6	-5.5	5.2	21.1	22.3	21.2	13.4	13.7	12.3	24.8	18.8	16.6
Mankind Pharma	Buy	8.8	46.1	64.1	74.0	-1.0	39.3	15.4	41.7	30.0	26.0	24.1	20.0	16.8	12.6	15.9	16.3
Rubicon Research	Buy	1.4	14.4	19.0	25.3	76.3	32	33.4	53.0	40.2	30.2	33.0	26.5	20.6	26.9	23.0	24.8
Sun Pharma	Buy	45.4	48.4	56.1	65.1	2.8	15.9	16.1	36.3	31.3	27.0	24.3	20.9	18.0	15.2	15.6	16.0
Torrent Pharma.	Neutral	15.4	59.6	67.0	97.3	3.2	12.4	45.2	70.7	62.9	43.3	33.6	23.0	19.1	14.3	10.2	13.8
Zydus Lifesciences	Neutral	9.5	44.0	44.6	49.0	-4.5	1.4	9.9	19.6	19.3	17.6	12.9	11.8	10.5	16.9	14.7	14.1

Source: MOFSL, Company

Pen-G manufacturing process snapshot

- The industrial production of PEN-G begins with raw material preparation, using maize as the primary feedstock. Approximately 600–700 metric tons of maize are processed daily on a large industrial scale to produce about 300–400 metric tons of glucose, which serves as the main carbon and energy source for microbial growth. This stage also generates by-products such as germ oil, germ cake, gluten, fibers, and corn steep liquor, which are utilized as cattle or poultry feed.
- Medium (1): Essential nutrients required for the growth of microorganisms in the medium.
- Seed Culture (2): This is used for the initial growth of microorganisms utilizing a sugar source. Inoculum (penicillin-producing microbe – a fungus) naturally secretes PEN-G.
- Main Fermenter (3): Once the desired biomass concentration is achieved in the seed fermenter, it is transferred to the main fermenter. PEN-G is naturally produced by the microorganism through the consumption of nutrients, primarily glucose. Phenylacetic acid is added as a precursor, and ammonia is used to adjust the pH. Dissolved oxygen is essential for the survival of microorganisms. This process is conducted under specific temperature and pressure conditions to optimize PEN-G production.

Exhibit 2: Manufacturing process flow of PEN-G



Source: MOFSL, Company

- Biomass Removal by Centrifugation (4): The fermentation broth undergoes a centrifugation process to separate the microorganisms from the PEN-G.
- The fermentation broth is cooled (5) during the harvest process.
- Subsequently, the broth undergoes an extraction process (6) to separate PEN-G, followed by precipitation (7) and crystallization (8).
- Particularly, for 6-APA, PENG is transferred to the next manufacturing stage through the pipeline in liquid form.
- ***The core of the production process lies in the fermentation stage, which utilizes the high-yield fungal strain *Penicillium chrysogenum*. This strain has been developed through in-house strain improvement programs to maximize productivity and consistency.***
- ***ARBP employs an intermediate semi-continuous operation to maintain optimal production conditions and ensure continuous output, thereby maximizing yield and fermenter efficiency.***
- Overall, the process is characterized by strict control over process parameters, optimized fermentation protocols, and rigorous raw material and in-process quality checks, ensuring consistent and reproducible outputs at scale.

6-APA: Integrated conversion improves cost efficiency/supply chain control

- ARBP further strengthened its antibiotic value chain through its subsidiary Qule Pharma, which operates a dedicated 6-APA manufacturing facility with an installed capacity of ~5,400 MT per annum, backed by an investment of ~INR4.2b.
- The conversion of Pen-G to 6-APA (chemical synthesis) is carried out through an enzymatic hydrolysis process using penicillin acylase (penicillin amidase). This enzyme selectively cleaves the side chain from Pen-G. In this reaction ($\text{Pen-G} + \text{H}_2\text{O} \rightarrow \text{6-APA} + \text{phenylacetic acid}$), the β -lactam core structure (6-APA) is preserved, while phenylacetic acid is released and recovered as a valuable byproduct.
- The process is typically conducted in an aqueous medium under controlled conditions (pH ~7.5-8.5 / temperature ~25-35°C), often employing immobilized enzymes to enhance stability, efficiency, and reusability. After the reaction, downstream processing involves the separation and purification of 6-APA, along with the recovery of phenylacetic acid, ensuring optimal process economics.
- The 6-APA serves as a core building block for high-volume semi-synthetic penicillins, such as amoxicillin, ampicillin, and piperacillin, where different side chains are chemically attached to tailor their therapeutic properties.
- Thus, the integration of 6-APA not only strengthens ARBP's presence in the antibiotic value chain but also provides strategic flexibility to expand into higher-value formulations, supporting long-term growth and margin improvement.

Story in charts

Exhibit 3: Expect sales CAGR of 10% over FY26-28

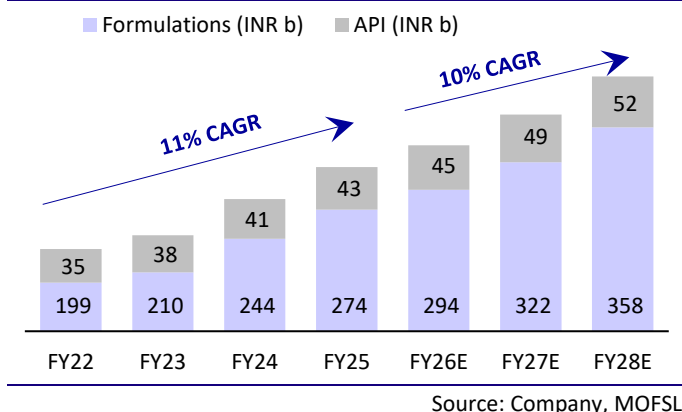


Exhibit 4: US sales to clock a 8.6% CAGR over FY26-28

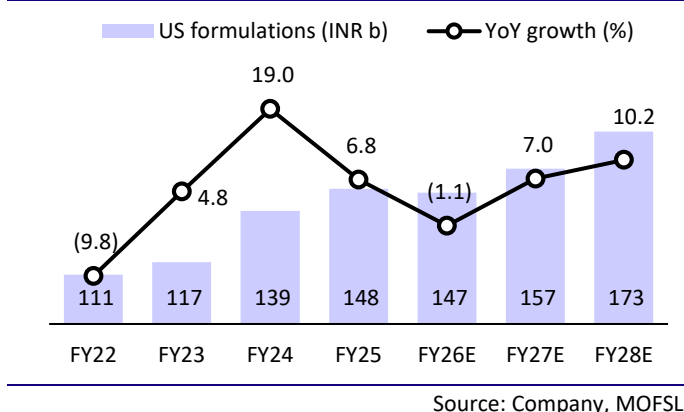


Exhibit 5: EBITDA margin to be in the range of 20-22%

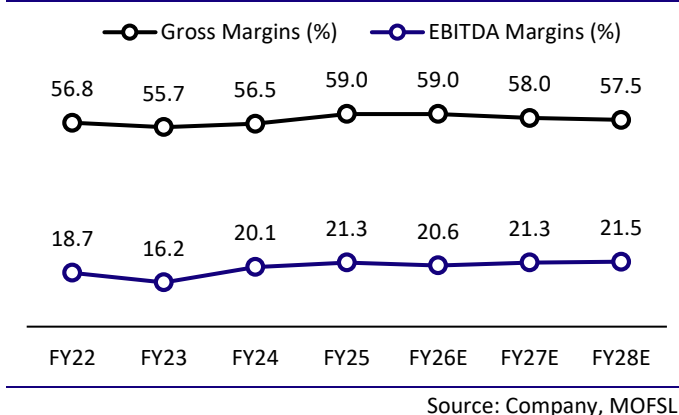


Exhibit 6: EBITDA to clock a 13% CAGR over FY26-28

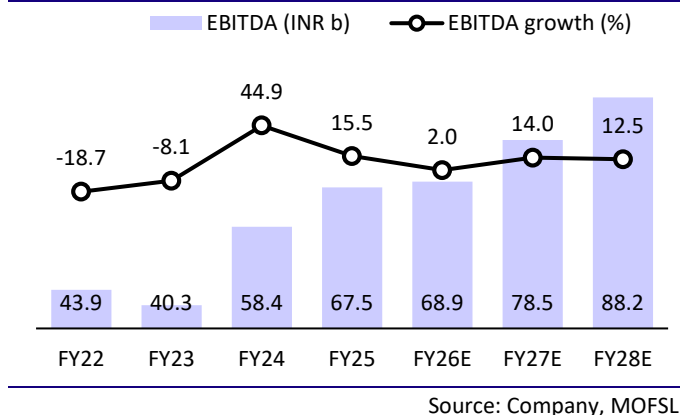


Exhibit 7: R&D expenses to increase over FY26-28

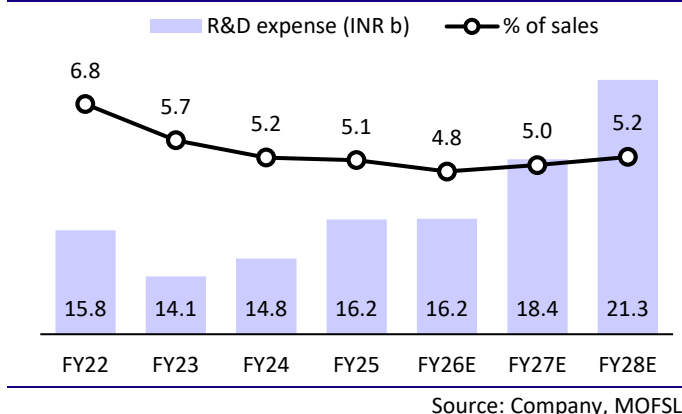
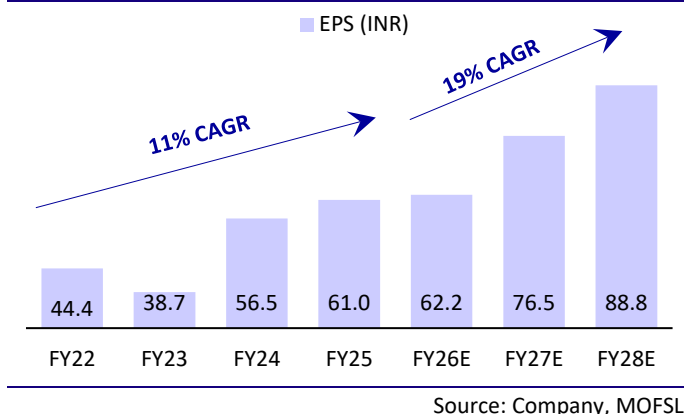


Exhibit 8: Expect an EPS CAGR of 19% over FY26-28



Financials and valuations

Consolidated - Income Statement

(INRm)

Y/E March	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Total Income	234,555	248,554	290,019	317,237	334,780	368,397	410,422
Change (%)	-5.3	6.0	16.7	9.4	5.5	10.0	11.4
EBITDA	43,868	40,336	58,430	67,505	68,860	78,468	88,241
Margin (%)	18.7	16.2	20.1	21.3	20.6	21.3	21.5
Depreciation	11,265	12,446	15,217	16,494	17,688	18,193	19,064
EBIT	32,603	27,891	43,213	51,011	51,172	60,275	69,176
Interest exp	486	1,405	2,897	4,572	3,764	3,052	2,414
Other Income	2,504	2,906	5,186	5,364	5,151	5,100	5,200
PBT bef. EO Exp.	34,620	29,392	45,502	51,804	52,559	62,323	71,963
EO Items	-580	-996	2,306	-823	1,034	0	0
PBT after EO Exp.	34,040	28,396	47,809	50,981	53,593	62,323	71,963
Current Tax	7,256	6,848	12,110	18,172	17,111	17,762	20,293
Tax Rate (%)	21.3	24.1	25.3	35.6	31.9	28.5	28.2
Less: Minority Int	313	-132	132	-294	58	120	120
Reported PAT	26,471	21,417	35,567	32,515	36,424	44,441	51,549
Adjusted PAT	25,800	22,484	32,838	35,430	36,146	44,441	51,549
Change (%)	-18.5	-12.9	46.1	7.9	2.0	22.9	16.0
Margin (%)	11.0	9.0	11.3	11.2	10.8	12.1	12.6

Consolidated - Balance Sheet

(INRm)

Y/E March	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Equity Share Capital	586	586	586	581	581	581	581
Total Reserves	245,174	267,813	297,842	325,952	360,053	402,171	450,235
Net Worth	245,760	268,398	298,428	326,533	360,634	402,752	450,816
Minority Interest	-19	120	80	-64	-65	-66	-68
Deferred Liabilities	1,224	-2,879	-8,561	-9,897	-10,095	-10,297	-10,503
Total Loans	23,728	48,615	63,152	79,417	62,753	49,616	39,254
Capital Employed	270,692	314,255	353,099	395,989	413,226	442,005	479,500
Gross Block	158,447	175,442	227,716	252,042	265,042	278,042	291,042
Less: Accum. Deprn.	49,784	62,230	77,447	93,941	111,628	129,822	148,886
Net Fixed Assets	108,663	113,212	150,270	158,101	153,414	148,220	142,156
Goodwill on Consolidation	4,754	5,961	5,952	6,180	6,180	6,180	6,180
Capital WIP	29,376	44,964	27,394	32,660	32,660	32,660	32,660
Total Investments	9,972	5,427	3,722	2,517	2,517	2,517	2,517
Curr. Assets, Loans&Adv.	183,567	222,561	251,251	285,462	287,686	328,744	375,929
Inventory	75,539	85,112	98,082	105,437	112,023	116,575	144,322
Account Receivables	40,123	44,664	48,167	58,543	63,287	75,698	77,587
Cash and Bank Balance	41,900	60,842	62,783	82,355	85,560	109,655	127,205
Loans and Advances	26,006	31,943	42,219	39,127	26,815	26,815	26,815
Curr. Liability & Prov.	65,639	77,870	85,489	88,931	69,230	76,316	79,943
Account Payables	27,031	38,713	44,542	41,889	38,605	45,691	49,318
Other Current Liabilities	35,185	35,425	36,123	41,458	30,000	30,000	30,000
Provisions	3,424	3,733	4,825	5,585	625	625	625
Net Current Assets	117,928	144,691	165,762	196,531	218,455	252,427	295,986
Appl. of Funds	270,692	314,255	353,099	395,989	413,226	442,005	479,500

E: MOFSL Estimates

Financials and valuations

Ratios

Y/E March	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
EPS	44.4	38.7	56.5	61.0	62.2	76.5	88.8
Cash EPS	63.3	59.7	82.0	89.4	92.7	107.8	121.6
BV/Share	419.5	458.4	509.3	562.2	620.9	693.4	776.2
DPS	3.5	4.0	4.0	4.0	4.0	4.0	6.0
Payout (%)	7.7	10.9	6.6	7.1	6.4	5.2	6.8
Valuation (x)							
P/E	28.8	33.0	22.6	21.0	20.6	16.7	14.4
Cash P/E	20.2	21.4	15.6	14.3	13.8	11.9	10.5
P/BV	3.0	2.8	2.5	2.3	2.1	1.8	1.6
EV/Sales	3.1	3.0	2.6	2.4	2.2	1.9	1.6
EV/EBITDA	16.7	18.3	12.8	11.1	10.6	8.8	7.5
Dividend Yield (%)	0.3	0.3	0.3	0.3	0.3	0.3	0.5
FCF per share	35.7	-13.5	-8.9	13.3	36.3	65.1	49.8
Return Ratios (%)							
RoE	11.1	8.7	11.6	11.3	10.5	11.6	12.1
RoCE	10.3	8.0	10.7	9.5	9.2	10.7	11.3
RoIC	13.7	10.8	14.0	12.2	12.2	14.6	16.2
Working Capital Ratios							
Fixed Asset Turnover (x)	1.5	1.4	1.3	1.3	1.3	1.3	1.4
Inventory (Days)	298	266	265	286	293	270	273
Debtor (Days)	58	62	58	61	66	69	68
Creditor (Days)	99	109	121	121	109	99	99
Working Cap. (Days)	258	219	203	226	251	239	242
Leverage Ratio (x)							
Current Ratio	2.8	2.9	2.9	3.2	4.2	4.3	4.7
Interest Cover Ratio	67	20	15	11	14	20	29
Net Debt/Equity	-0.1	0.0	0.0	0.0	-0.1	-0.1	-0.2

Consolidated - Cash Flow Statement

Y/E March	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
OP/(Loss) before Tax	34,620	29,392	45,502	51,804	52,559	62,323	71,963
Depreciation	11,265	12,446	15,217	16,494	17,688	18,193	19,064
Interest / Dividend recieved	-2,018	-1,501	-2,289	-792	-1,387	-2,048	-2,786
Direct Taxes Paid	-7,256	-6,848	-12,110	-18,172	-17,111	-17,762	-20,293
(Inc)/Dec in WC	9,188	-7,821	-19,130	-11,197	-18,720	-9,876	-26,009
CF from Operations	45,800	25,668	27,190	38,136	33,029	50,830	41,938
Others	4,364	-996	2,306	-823	1,034	0	0
CF from Operating incl EO	50,164	24,672	29,496	37,313	34,063	50,830	41,938
(inc)/dec in FA	-29,242	-32,583	-34,704	-29,592	-13,000	-13,000	-13,000
Free Cash Flow	20,922	-7,912	-5,208	7,721	21,063	37,830	28,938
(Pur)/Sale of Investments	4,061	-4,544	-1,705	-1,205	0	0	0
Others	-6,936	-2,650					
CF from Investments	-32,116	-39,777	-36,409	-30,797	-13,000	-13,000	-13,000
Change in network							
Inc/(Dec) in Debt	-25,994	25,027	14,497	16,121	-16,665	-13,137	-10,364
Interest Paid	-486	-1,405	-2,897	-4,572	-3,764	-3,052	-2,414
Dividend Paid	-2,051	-2,342	-2,344	-2,323	-2,323	-2,323	-3,485
Others	-1,162	12,767	-402	3,831	4,896	4,779	4,875
CF from Fin. Activity	-29,693	34,047	8,854	13,057	-17,857	-13,733	-11,387
Inc/Dec of Cash	-11,645	18,941	1,941	19,573	3,206	24,096	17,551
Opening Balance	54,743	41,900	60,842	62,783	82,355	85,560	109,655
Closing Balance	41,900	60,842	62,783	82,355	85,560	109,655	127,205

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NOTES

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Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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