Aurobindo Pharma | BUY

Lannett acquisition strengthens US platform

Amey Chalke
amey.chalke@jmfl.com | Tel: (91 22) 66303056
Abin Benny
abin.benny@jmfl.com | Tel: (91 22) 69703621

In Jul'25, Aurobindo announced the acquisition of Lannett for USD 250mn, marking a strategic move to expand its US-based manufacturing footprint and enhance its portfolio. The deal is expected to close in the coming month. Lannett brings to Aurobindo a portfolio of ~70 products, including ADHD treatments and controlled substances. The US manufacturing facility, with 40% capacity utilisation, offers significant scale-up potential, further complemented by its strong track record of FDA and DEA compliance. The transaction gives Aurobindo access to a late-stage pipeline, including respiratory generics such as generic Advair and Spiriva. It offers both revenue synergies (CDMO business and controlled substances) and cost synergies (higher capacity utilisation and operational efficiencies). Lannett's stable revenue base and strong pipeline position Aurobindo to capture significant growth. Overall, we expect the acquisition to add ~USD 90mn to FY28 PAT, leading to an upward revision in our estimates (Exhibit 5). We remain positive on the company with expected Revenue/EBITDA/PAT CAGR of 17/21/26% over FY26–28 and believe that the stock is undervalued at 13x FY28E EPS (versus peer average of 23x PE FY28). In our understanding, RoIC is set to expand by ~470bps over the next two years as the company moves to higher-RoIC segments (namely, Pen-G, biosimilars, biologics deal with Merck, Lannett acquisition, Adquey launch), paving the way for multiple expansion in the coming years. Thus, we maintain BUY with an updated TP of INR 1,610.

- **Transaction overview**: On 30th Jul'25, Aurobindo Pharma Limited, through its wholly owned subsidiary Aurobindo Pharma USA Inc, announced the acquisition of 100% stake in Lannett Company LLC from Lannett Seller Holdco, Inc. The deal was valued at USD 250mn (INR 21,850mn) on a cash-free, debt-free basis, including normalised working capital. It is expected to close in the coming month post-FTC approval. This acquisition aligns with Aurobindo Pharma's strategy to expand its onshore footprint with a US-based manufacturing unit with significant headroom for future scale-up and potential expansion. For Aurobindo, the transaction brings a complementary portfolio of profitable products and adds a growing CDMO business, providing it additional revenue streams. It provides the company access to a portfolio of non-opioid controlled substances, particularly ADHD, a segment where Aurobindo currently has limited presence, thus expanding its exposure to a specialised and technically complex category.
- **About Lannett**: It is a US-based generic manufacturer and supplier founded in 1942 and headquartered in Trevose, Pennsylvania. It focuses on developing and supplying complex generic medicines, including controlled substances regulated by DEA, and has built particular expertise in non-opioid therapies such as ADHD treatments, as well as generic liquid formulations.
- **Strong pipeline**: The company launched seven products in the 24 months preceding the announcement, while maintaining a development pipeline of 16 active programmes, with three additional launches planned over the subsequent 18 months. Lannett has a diversified pipeline targeting complex and high-value generic opportunities. The pipeline includes respiratory generics through collaboration with Respirent, such as gSpiriva Handihaler (~USD 1bn market) and gAdvair Diskus (~USD 600mn market; approved in Jan'26), addressing large and technically complex inhalation markets. These two products have limited competition and, we understand, can potentially generate USD 175mn in FY28. The company is also pursuing gUptravi (Selexipag) targeting a ~USD 500mn market opportunity. Lannett's last concall in Feb'23 highlighted a number of other key products – bInsulin Glargine (~USD 1bn+ market) and bInsulin Aspart (~USD 1.9bn market) in partnership with HEC Group, though an update on the same is missing and the projects are past their earlier stated launch timeline, and as such we haven't factored the same in our estimates. The pipeline provides medium-term launch visibility and access to sizeable addressable markets.

Recommendation and Price Target	
Current Reco.	BUY
Previous Reco.	BUY
Current Price Target (12M)	1,610
Upside/(Downside)	24.7%
Previous Price Target	1,396
Change	15.3%

Key Data – ARBP IN EQUITY	
Current Market Price	INR1,291
Market cap (bn)	INR750.0/US$8.0
Free Float (%)	45.3
Shares in issue (mn)	580.8
Diluted share (mn)	580.8
3-mon avg daily val (mn)	INR1,921.3/US$20.6
52-week range	INR1,320/994
Sensex/Nifty	74,533/23,115
INR/US$	93.7

Price Performance

%	1M	6M	12M
Absolute	11.4	15.4	10.0
Relative*	24.5	27.1	13.5

*To the NSE Nifty 50

Financial Summary (INR mn)

Y/E Mar	FY24A	FY25A	FY26E	FY27E	FY28E
Net Sales	287,045	313,781	327,252	407,414	447,024
Sales Growth (%)	16.6	9.3	4.3	24.5	9.7
EBITDA	58,430	66,054	67,866	87,540	99,435
EBITDA Margin (%)	20.1	20.8	20.5	21.3	22.0
Adjusted Net Profit	31,730	34,859	36,448	50,014	58,946
Diluted EPS (INR)	54.2	60.0	62.8	86.1	101.5
Diluted EPS Growth (%)	64.6	10.8	4.6	37.2	17.9
ROIC (%)	11.9	11.5	11.4	14.9	16.1
ROE (%)	11.2	11.2	10.6	13.0	13.5
P/E (x)	23.8	21.5	20.6	15.0	12.7
P/B (x)	2.5	2.3	2.1	1.8	1.6
EV/EBITDA (x)	12.8	11.3	10.6	8.1	6.7
Dividend Yield (x)	0.3	-	0.3	0.3	0.4

Source: Company data, JM Financial. Note: Valuations as of March 20, 2026

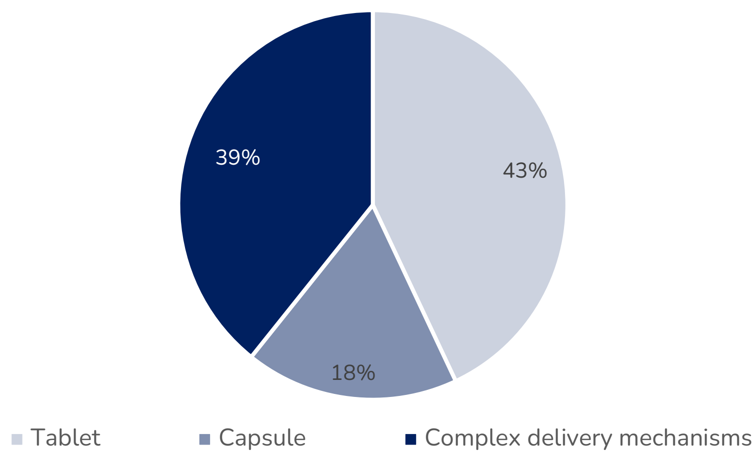
Exhibit 1: Key pipeline products

Product	Partner	Opportunity size	Players in market
gSpiriva Handihaler	Respirent Pharmaceuticals	~USD 1bn	Lupin
gADVAIR DISKUS	Respirent Pharmaceuticals	~USD 600mn	Mylan, Teva, Hikma, Prasco (authorized generic)
gUptravi (selexipag)	Self-led	~USD 500mn for TTM Sept 2021	Vgyaan, Zydus, MSN, Alembic, Cipla, Lupin
gFlovent Diskus	Respirent Pharmaceuticals	USD 94mn for innovator as of TTM June 2020	Prasco (authorised), A-S Medication Solutions, Preferred Pharmaceuticals Inc.
bInsulin Glargine (missing update; project past its earlier stated launch timeline)	HEC Group of companies	USD 1bn+	Eli Lilly (interchangeable), Sanofi, Mylan (interchangeable) Likely entrants in future - Sandoz/Gan & Lee (Ondibta already approved in EU), Meitheal (Phase 2)
bInsulin Aspart (missing update; project past its earlier stated launch timeline)	HEC Group of companies	USD 1.9bn as of 2024	Novo, Sanofi, Biocon (interchangeable) Likely entrants in future - Meitheal (submission done), Sandoz/Gan & Lee

Source: Lannett's 2QFY23 Concall, Drug@FDA, IQVIA, News articles, Company press release

- **Commercial portfolio**: Lannett has built a diversified commercial portfolio of ~70 products generating ~USD300mn in net sales, supported by steady internal R&D and external business development efforts. From a dosage perspective, compared to Aurobindo, the portfolio has sizeable contribution from more-relatively complex delivery mechanisms such as extended release, solutions, delayed-release pellets, syrups, suspensions, chewables, and sprays, cumulatively accounting for ~40% of the portfolio.

Exhibit 2: Commercial portfolio composition dosage wise



Source: Drugs@FDA

- **Manufacturing footprint**: Lannett operates a manufacturing and distribution facility in Seymour, Indiana, spanning ~425,000sqft, including a nearly 116,000sqft distribution centre. The facility was part of the Kremers' 2015 acquisition. The site can produce a wide range of dosage forms such as tablets, capsules, oral liquids and oral suspension. The facility is DEA registered to manufacture scheduled products (Schedules CII-CV) and has been inspected and approved by the FDA, DEA, and China's NMPA, maintaining a strong compliance record of 100% since acquisition. Though the facility has 3.6bn unit annual capacity, at the time of acquisition it was producing ~1.4bn dosage units annually at ~40% utilisation, offering ample spare capacity for future scale-up. The site also houses AR&D, analytical testing, packaging, and significant storage infrastructure (~13,000 pallet spaces), making it an integrated manufacturing and distribution hub.

Exhibit 3: US facility overview

Source: Company

- **Synergies**: The acquisition of Lannett provides multiple strategic and operational synergy levers. Lannett's US-based manufacturing facility (~40% utilisation) offers meaningful headroom for scale-up, enabling Aurobindo to leverage incremental capacity while benefiting from a strong FDA and DEA compliance track record and alignment with US reshoring initiatives. On the revenue side, the deal adds a portfolio of complex controlled substances (primarily non-opioid) and access to CDMO opportunities, while also bringing a late-stage pipeline including select NCE-1 opportunity. Cost synergies are expected through higher capacity utilisation, procurement optimisation, and SG&A rationalisation, supporting margin improvement. The pricing in the existing portfolio is largely stable, and Aurobindo may rationalise resources to further improve margins. Management also indicated that certain products previously discontinued due to sourcing issues could be relaunched. Post-acquisition, Aurobindo will focus on improving Lannett's gross and EBITDA margins.

- **Lannett's volatile past**: Historically, Lannett operated with a relatively modest balance sheet and had grown through smaller tuck-in acquisitions. In 2015, however, the company acquired Kremers Urban Pharmaceuticals Lannett for ~USD 1.2bn, with the transaction being primarily debt financed. While the deal initially expanded the product portfolio and scale, profitability later weakened due to intense price erosion and competitive pressures across the US generics market. With earnings declining while debt remained elevated, leverage became unsustainable, ultimately necessitating a balance sheet restructuring in 2023. The company entered into a pre-packaged restructuring, eliminating ~USD 600mn debt. Post the restructuring, the lenders took control of the company and it became a subsidiary of Lannett Seller Holdco.

- **Historical performance**: Lannett reported revenue of USD 306mn with 30% gross margin and 15% EBITDA margin in TTM Mar'25. The revenue mix has gradually shifted toward controlled substances (i.e., the government-led business), which increased from 29% in FY23 to 47% in TTM Mar'25, while the share of non-controlled products declined from 67% to 47%; the CMO segment remained small but stable at 4–6% of sales. With a transaction value of USD 250mn, the acquisition implied a valuation of 0.82x TTM sales and 2.7x gross margin, suggesting an attractive entry multiple relative to typical US generics transactions, particularly given the company's manufacturing assets and product portfolio.

Exhibit 4: Financial overview

Particulars		Revenue mix		
Duration	**Revenue**	**Controlled**	**Non-controlled**	**CMO**
FY 2023	USD 314mn (INR 27,443mn)	29%	67%	4%
FY 2024	USD 286mn (INR 24,996mn)	38%	57%	5%
TTM 2025 (April-March 2025)	USD 306mn (INR 26,744mn)	47%	47%	6%

Source: Company

- **Financial implication and valuation**: In our understanding, the company has two major launches expected over the next 12 months – generic Spiriva Handihaler (~USD 1bn market) and generic Advair Diskus (~USD 600mn market; approved in Jan'26). These products have limited competition and can potentially add ~USD 175mn cumulatively at +40% EBITDA margin to Aurobindo's FY28 top line. This can potentially aid in 152bps EBITDA margin expansion over FY26–28 for Aurobindo. Accordingly, we have adjusted our estimates upwards. We remain positive on the company with expected Revenue/EBITDA/PAT CAGR of 17/21/26% over FY26–28 and believe that the stock is undervalued at 13x FY28 EPS (versus peer average of 23x PE FY28). We believe RoIC is set to expand by ~470bps over the next two years as the company moves to higher-RoIC segments (namely, Pen-G, biosimilars, biologics deal with Merck, and Lannett acquisition, Adquey launch), paving the way for multiple expansion in the coming years. Thus, we maintain BUY with an updated TP of INR 1,610.

Exhibit 5: Change in estimates

Figures in INR mn	FY26E			FY27E			FY28E			
	Old	New	change %	Old	New	change %	Old	New	growth	change %
Total operating revenue	**3,31,054**	**3,31,054**	**0%**	**3,72,715**	**4,11,595**	**10%**	**3,96,334**	**4,51,624**	**10%**	**14%**
EBITDA	**67,866**	**67,866**	**0%**	**79,761**	**87,540**	**10%**	**85,806**	**99,435**	**14%**	**16%**
- margin	20.5%	20.5%		21.4%	21.3%		21.7%	22.0%		
PAT	**36,448**	**36,448**	**0.0%**	**45,817**	**50,014**	**9%**	**50,667**	**58,946**	**18%**	**16%**

Source: JMFe

Exhibit 6: Valuation

Particulars	INR
FY28 EPS (INR)	101
Multiple	15
Eq. Value per share	1,522
MSD Value	87
Mar'27 TP	**1,610**
CMP	1,291
Upside	24.7%
Prev TP	1,396
% Change	15.3%

Source: JMFe

Financial Tables (Consolidated)

Income Statement					(INR mn)
Y/E Mar	FY24A	FY25A	FY26E	FY27E	FY28E
Net Sales	287,045	313,781	327,252	407,414	447,024
Sales Growth (%)	16.6	9.3	4.3	24.5	9.7
Other Operating Income	2,974	3,456	3,802	4,182	4,600
Total Revenue	**290,019**	**317,237**	**331,054**	**411,595**	**451,624**
Cost of Goods Sold/Op. Exp	157,061	163,255	168,837	216,088	236,199
Personnel Cost	39,229	44,756	49,658	55,565	59,389
Other Expenses	35,298	43,172	44,692	52,403	56,601
EBITDA	**58,430**	**66,054**	**67,866**	**87,540**	**99,435**
EBITDA Margin (%)	20.1	20.8	20.5	21.3	22.0
EBITDA Growth (%)	55.5	13.0	2.7	29.0	13.6
Depn. & Amort.	15,217	16,494	17,578	20,611	22,011
EBIT	43,213	49,560	50,288	66,929	77,424
Other Income	5,186	6,219	6,418	6,271	7,531
Finance Cost	2,897	4,572	3,772	4,346	3,911
PBT before Excep. & Forex	45,502	51,206	52,934	68,855	81,045
Excep. & Forex Inc./Loss(-)	-1,531	-227	-653	-	-
PBT	43,972	50,980	52,281	68,855	81,045
Taxes	12,110	15,827	15,684	18,591	21,898
Extraordinary Inc./Loss(-)	-	-	-	-	-
Assoc. Profit/Min. Int.(-)	132	294	149	250	200
Reported Net Profit	31,730	34,859	36,448	50,014	58,946
Adjusted Net Profit	**31,730**	**34,859**	**36,448**	**50,014**	**58,946**
Net Margin (%)	10.9	11.0	11.0	12.2	13.1
Diluted Share Cap. (mn)	586	581	581	581	581
Diluted EPS (INR)	**54.2**	**60.0**	**62.8**	**86.1**	**101.5**
Diluted EPS Growth (%)	64.6	10.8	4.6	37.2	17.9
Total Dividend + Tax	2,051	-	2,614	2,614	3,194
Dividend Per Share (INR)	3.5	-	4.5	4.5	5.5

Source: Company, JM Financial

Balance Sheet					(INR mn)
Y/E Mar	FY24A	FY25A	FY26E	FY27E	FY28E
Shareholders Fund	298,508	326,469	360,302	407,701	463,452
Share Capital	586	581	581	581	581
Reserves & Surplus	297,842	325,952	359,787	407,187	462,939
Preference Share Capital	-	-	-	-	-
Minority Interest	80	-64	-65	-66	-68
Total Loans	63,152	79,417	71,475	64,328	57,895
Def. Tax Liab. / Assets (-)	-8,561	-9,897	-10,095	-10,297	-10,503
Other non-current liabilities / Lease Liabilities	-	-	-	-	-
Total - Equity & Liab.	**361,660**	**405,886**	**431,778**	**472,029**	**521,347**
Net Fixed Assets	183,615	196,942	199,364	198,753	196,743
Gross Fixed Assets	138,976	141,762	144,184	143,573	141,563
Intangible Assets	5,952	6,180	6,180	6,180	6,180
Less: Depn. & Amort.	-	-	-	-	-
Capital WIP	38,687	49,000	49,000	49,000	49,000
Investments	3,217	2,517	2,517	2,517	2,517
Current Assets	251,757	285,462	306,940	362,501	421,189
Inventories	98,082	105,437	101,017	131,795	144,612
Sundry Debtors	48,167	57,459	58,955	73,298	80,426
Cash & Bank Balances	63,289	82,355	101,030	108,015	143,026
Loans & Advances	187	223	2,752	2,752	2,753
Other Current Assets	42,032	39,987	43,186	46,641	50,372
Current Liab. & Prov.	85,489	88,931	87,138	102,039	109,605
Current Liabilities	44,542	41,889	46,257	59,202	64,712
Provisions & Others	40,948	47,042	40,881	42,837	44,893
Net Current Assets	166,268	196,531	219,802	260,462	311,584
Other Non Current Assets/ROU Assets	-	-	-	-	-
Total - Assets	**361,660**	**405,886**	**431,778**	**472,029**	**521,347**

Source: Company, JM Financial

Cash Flow Statement					(INR mn)
Y/E Mar	FY24A	FY25A	FY26E	FY27E	FY28E
Profit before Tax	45,502	51,206	52,934	68,855	81,045
Depn. & Amort.	15,217	16,494	17,578	20,611	22,011
Net Interest Exp. / Inc. (-)	2,681	4,404	3,772	4,346	3,911
Inc (-) / Dec in WCap.	-16,751	-12,445	-4,596	-33,675	-16,112
Others	-2,915	-2,556	-6,467	-6,223	-7,537
Taxes Paid	-17,666	-17,314	-15,888	-18,799	-22,112
Operating Cash Flow	**26,068**	**39,790**	**47,332**	**35,114**	**61,205**
Capex	-35,615	-25,196	-20,000	-20,000	-20,001
Free Cash Flow	-9,547	14,594	27,332	15,114	41,204
Inc (-) / Dec in Investments	-	-	-	-	-
Others	-6,945	6,438	-	-	-
Investing Cash Flow	**-42,560**	**-18,758**	**-20,000**	**-20,000**	**-20,001**
Inc / Dec (-) in Capital	-	-9,302	-	-	-
Dividend + Tax thereon	-2,636	-10	-2,614	-2,614	-3,194
Inc / Dec (-) in Loans	14,613	16,037	-7,942	-7,148	-6,433
Others	-3,618	-5,527	2,530	1,814	3,615
Financing Cash Flow	**8,359**	**1,198**	**-8,025**	**-7,947**	**-6,012**
Inc / Dec (-) in Cash	**-8,133**	**22,229**	**19,307**	**7,167**	**35,192**
Opening Cash Balance	62,352	63,289	82,355	101,030	108,015
Closing Cash Balance	63,289	82,355	101,030	108,015	143,026

Source: Company, JM Financial

Dupont Analysis					
Y/E Mar	FY24A	FY25A	FY26E	FY27E	FY28E
Net Margin (%)	10.9	11.0	11.0	12.2	13.1
Asset Turnover (x)	0.9	0.8	0.8	0.9	0.9
Leverage Factor (x)	1.2	1.2	1.2	1.2	1.1
RoE (%)	11.2	11.2	10.6	13.0	13.5

Source: Company, JM Financial

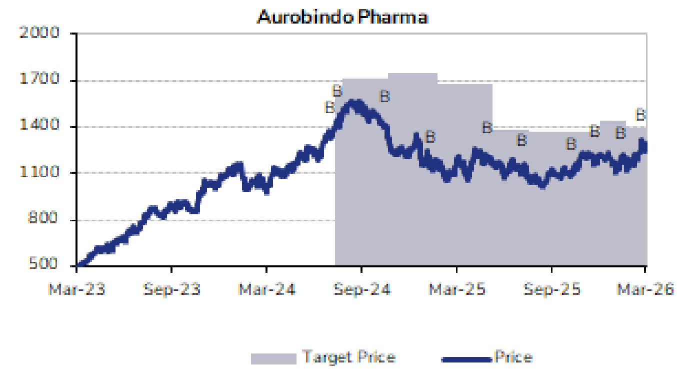
Key Ratios					
Y/E Mar	FY24A	FY25A	FY26E	FY27E	FY28E
BV/Share (INR)	509.3	562.2	620.5	702.1	798.1
ROIC (%)	11.9	11.5	11.4	14.9	16.1
ROE (%)	11.2	11.2	10.6	13.0	13.5
Net Debt/Equity (x)	0.0	0.0	-0.1	-0.1	-0.2
P/E (x)	23.8	21.5	20.6	15.0	12.7
P/B (x)	2.5	2.3	2.1	1.8	1.6
EV/EBITDA (x)	12.8	11.3	10.6	8.1	6.7
EV/Sales (x)	2.6	2.4	2.2	1.7	1.5
Debtor days	61	66	65	65	65
Inventory days	123	121	111	117	117
Creditor days	70	61	64	67	67

Source: Company, JM Financial

Recommendation History Table

Date	Recommendation	Target Price	% Chg.
19-Mar-26	Buy		
10-Feb-26	Buy	1,396	-3.1
24-Dec-25	Buy	1,441	4.9
6-Nov-25	Buy	1,374	-0.1
5-Aug-25	Buy	1,375	-0.9
27-May-25	Buy	1,387	-17.4
10-Feb-25	Buy	1,680	-4.3
11-Nov-24	Buy	1,755	2.6
13-Aug-24	Buy	1,710	4.3
30-Jul-24	Buy	1,640	

Recommendation History Chart



APPENDIX I

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Rating	**Meaning**
BUY	Expected return >= 15% over the next twelve months.
ADD	Expected return >= 5% and < 15% over the next twelve months.
REDUCE	Expected return >= -10% and < 5% over the next twelve months.
SELL	Expected return < -10% over the next twelve months.

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SEBI Registration Nos.: Stock Broker - INZ000163434, Research Analyst - INH000000610
Registered Office: 7th Floor, Cnergy, Appasaheb Marathe Marg, Prabhadevi, Mumbai 400 025, India.
Board: +91 22 6630 3030 | Fax: +91 22 6630 3488 | Email: jmfinancial.research@jmfl.com | www.jmfl.com
Compliance Officer: Ms. Ashley Johnson | Tel: +91 22 6224 1862 | Email: ashley.johnson@jmfl.com
Grievance Officer: Ms. Ashley Johnson | Tel: +91 22 6224 1862 | Email: instcompliance@jmfl.com