

Aurobindo Pharma

Estimate change	↔
TP change	↑
Rating change	↑

CMP: INR1,464

TP: INR1,680 (+15%)

Buy

In-line quarter; record gross margin in nine years

US pipeline, EU penetration, and biologics underpin the next growth leg

- Aurobindo Pharma (ARBP) posted largely in-line revenue and EBITDA for the quarter. Adj. PAT was slightly below expectations because of higher depreciation, interest costs, and lower other income for 4QFY26. ARBP achieved the highest quarterly gross margin over the past 36 quarters.
- ARBP delivered the highest YoY growth in revenue from the EU segment, led by superior execution and partly supported by favorable currency movement. It has improved the profitability of this segment to at least the company-level EBITDA margin, with scope for further improvement.
- The US sales were muted for the quarter at USD387m, partly due to the high base of the past year and weak seasonality. ARBP aspires to achieve an annual sales run rate of USD2b in the US segment, led by new launches and the Lannett acquisition.
- ARBP is in the process of building a sizeable presence in the global biosimilar as well as biologics contract manufacturing space through building a product pipeline, investing in manufacturing facilities, and subsequent regulatory approval. In addition to 60kl capacity to be commissioned by end-CY26, ARBP would be investing USD150-175m in an additional unit to cater to increased requirements from its customers.
- We largely maintain our estimates for FY26/FY27. We value ARBP at 18x 12M forward earnings to arrive at our TP of INR1,680.
- We expect a 15%/16%/22% CAGR in revenue/EBITDA/PAT for ARBP over FY26-28, led by 1) an enhanced product pipeline in the US, 2) increased penetration and additional offerings in the EU market, 3) the increase in in-house manufacturing/external sales of PEN-g/6-APA, and 4) the addition of the Lannett acquisition. **Reiterate BUY.**

Europe drives performance; product mix benefits offset by higher opex

- Aurobindo's (ARBP) 4QFY26 sales grew 5.6% YoY to INR88.5b (our estimate: INR86.8b), driven by strong Europe performance.
- Gross margin (GM) expanded 190bp YoY to 61.3% due to an improved business mix.
- EBITDA margin contracted 190bp YoY to 20.3% (our estimate: 21.1%).
- EBITDA decreased 3.3% YoY to INR18b (our estimate: INR18.3b).
- Adj. for the same, PAT grew 1.3% to INR9.5b (our est.: INR10.1b).
- Revenue/EBITDA grew 6.1%/1.6% YoY, while PAT was stable YoY in FY26.

EU outperformance cushions a soft US quarter

- Overall formulation sales grew 4.6% YoY to INR76.5b.
- US formulations revenue decreased ~13% YoY to INR35.4b (CC: -17.7% YoY to USD387m; ~40% of sales). Europe formulation sales grew ~30% YoY to INR27.9b (11% YoY in CC terms; ~32% of sales). Growth market sales grew 24.7% YoY to INR9.8b (~11% of sales).
- ARV revenue grew ~6.5% YoY to INR3.3b (~4% of sales).
- API sales grew ~13% YoY to INR12.1b (~14% of sales).

Bloomberg	ARBP IN
Equity Shares (m)	581
M.Cap.(INRb)/(USDb)	850 / 8.9
52-Week Range (INR)	1550 / 1016
1, 6, 12 Rel. Per (%)	6/30/27
12M Avg Val (INR M)	1665

Financials & Valuations (INR b)

Y/E MARCH	2026	2027E	2028E
Sales	336.5	396.1	444.3
EBITDA	68.6	81.5	92.9
Adj. PAT	35.6	44.6	52.6
EBIT Margin (%)	15.1	15.5	16.1
Cons. Adj. EPS (INR)	61.3	76.8	90.6
EPS Gr. (%)	0.4	25.4	17.9
BV/Sh. (INR)	652.4	725.2	809.8

Ratios

Net D:E	-0.1	0.0	-0.1
RoE (%)	10.1	11.2	11.8
RoCE (%)	8.9	10.1	11.0
Payout (%)	6.6	5.2	6.6

Valuations

P/E (x)	23.9	19.1	16.2
EV/EBITDA (x)	12.2	10.3	8.6
Div. Yield (%)	0.3	0.3	0.4
FCF Yield (%)	3.4	-0.3	5.6
EV/Sales (x)	2.5	2.1	1.8

Shareholding Pattern (%)

As of	Mar-26	Dec-25	Mar-25
Promoter	51.8	51.8	51.8
DII	25.9	27.7	26.2
FII	15.2	13.9	15.3
Others	7.1	6.6	6.6

FII includes depository receipts

Highlights from the management commentary

- ARBP is building a foundation for the next phase of calibrated profitable growth with 21%+ EBITDA margin guidance in FY27.
- ARBP is implementing efforts to make 65-70% GM in biosimilars even after considering 60% price erosion in the US and/or 75-80% price erosion in the EU. Management believes the yield is expected to be the key to driving profitable growth in the biosimilar business.
- ARBP has invested USD450m to date in the biosimilars segment.
- ARBP would be investing USD150-175m for the CMO project, reflecting a major scale-up of manufacturing capacity.
- ARBP has contracts with Merck with respect to three products. Tech transfer for one product is underway (already commercial). The second product is also a commercial product.
- CDMO unit 1 would be commissioned (60KL) by the end of FY27. The validation batch is scheduled in CY27. Filings would also happen in CY27. Expect stockpiling to happen in FY28.

Quarterly Performance

Y/E March	FY25				FY26				FY25	FY26	FY26E	
INRm	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			4QE	vs Est
Net Sales	75,670	77,961	79,785	83,821	78,681	82,857	86,459	88,533	317,237	336,531	86,782	2.0%
YoY Change (%)	10.5	8.0	8.5	10.6	4.0	6.3	8.4	5.6	9.4	6.1	3.5	
EBITDA	16,947	15,661	16,278	18,619	16,034	16,781	17,733	18,009	67,505	68,558	18,311	-1.6%
YoY Change (%)	47.2	11.6	1.7	10.4	-5.4	7.1	8.9	-3.3	15.5	1.6	-1.7	
Margins (%)	22.4	20.1	20.4	22.2	20.4	20.3	20.5	20.3	21.3	20.4	21.1	
Depreciation	4,042	3,823	4,185	4,444	4,057	4,292	4,647	4,786	16,494	17,782	4,691	
Interest	1,110	1,127	1,185	1,150	978	952	928	982	4,572	3,840	906	
Other Income	1,199	1,360	1,573	1,232	1,053	1,156	1,541	1,170	5,364	4,921	1,400	
PBT before EO expense	12,994	12,072	12,481	14,257	12,053	12,693	13,700	13,412	51,804	51,857	14,113	
Forex loss/(gain)	-10	0	498	-116	4	-50	-335	482	372	101	0	
Exceptional (expenses)/income	249	0	0	(700)	0	0	(653)	0	-451	-653	0	
PBT	13,254	12,072	11,983	13,673	12,049	12,743	13,382	12,931	50,981	51,103	14,113	
Rate (%)	30.6	32.3	29.6	31.6	31.8	33.6	32.0	28.6	31.0	31.5	33.4	
Minority Interest	4	-7	-18	315	-25	-20	-9	20	294	-33	111	
Reported PAT	9,193	8,174	8,458	9,035	8,248	8,485	9,103	9,213	34,860	35,048	9,282	
Adj PAT	9,013	8,174	8,809	9,434	8,250	8,451	9,319	9,557	35,430	35,577	10,125	-5.6%
YoY Change (%)	51.9	5.1	-2.4	-6.6	-8.5	3.4	5.8	1.3	7.9	0.4	7.3	
Margins (%)	11.9	10.5	11.0	11.3	10.5	10.2	10.8	10.8	11.2	10.6	11.7	
EPS	15.4	14.0	15.1	16.1	14.1	14.4	15.9	16.3	61.0	61.3	17.3	

KPIs (Consolidated)

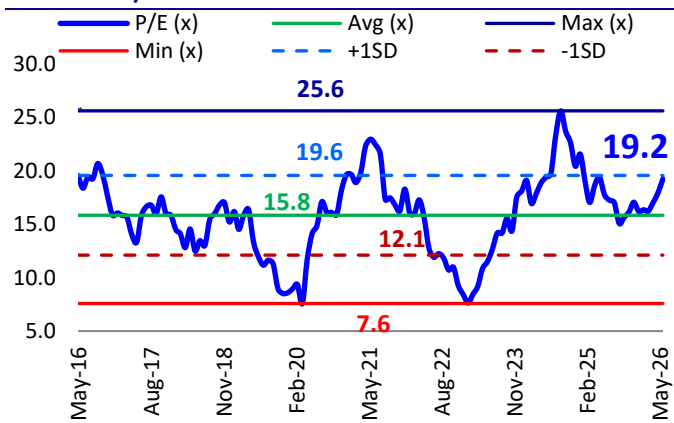
Y/E March	FY25				FY26				FY25	FY26	FY26E
INRm	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			4QE
Formulations	64,750	66,400	69,720	73,130	69,530	73,250	76,830	76,460	274,000	296,070	74,694
YoY Change (%)	11.3	11.3	10.8	12.3	7.4	10.3	10.2	4.6	12.2	8.1	2.1
ARV form.	2,290	1,930	3,070	3,080	3,550	3,250	3,760	3,280	10,370	13,840	3,340
YoY Change (%)	20.2	-22.8	71.5	29.4	55.0	68.4	22.5	6.5	19.5	33.5	8.5
US generic form.	35,550	35,300	36,710	40,720	34,880	36,380	37,390	35,430	148,280	144,080	37,897
YoY Change (%)	7.6	4.3	-2.3	13.5	-1.9	3.1	1.9	-13.0	6.9	-2.8	-6.9
EU and ROW form.	26,910	29,170	29,940	29,330	31,100	33,620	35,680	37,750	115,350	138,150	33,457
YoY Change (%)	15.8	25.0	27.1	9.3	15.6	15.3	19.2	28.7	19.1	19.8	14.1
APIs	10,920	11,560	10,060	10,690	9,160	9,610	9,630	12,080	43,230	40,480	11,225
YoY Change (%)	5.7	-0.9	-1.6	4.9	-16.1	-16.9	-4.3	13.0	1.9	-6.4	5.0
Cost Break-up											
RM Cost (% of Sales)	40.6	41.2	41.6	40.7	41.2	40.3	40.3	38.7	41.0	40.1	40.1
Staff Cost (% of Sales)	14.2	14.2	14.2	13.9	15.6	15.4	15.2	15.5	14.1	15.4	15.3
R&D Expenses(% of Sales)	4.5	5.3	5.6	5.0	4.7	5.0	4.7	4.5	5.1	4.7	5.0
Other Cost (% of Sales)	18.4	19.2	18.2	18.2	18.2	19.0	19.3	20.9	18.5	19.4	18.5
Gross Margins(%)	59.4	58.8	58.4	59.3	58.8	59.7	59.7	61.3	59.0	59.9	59.9
EBITDA Margins(%)	22.4	20.1	20.4	22.2	20.4	20.3	20.5	20.3	21.3	20.4	21.1
EBIT Margins(%)	17.1	15.2	15.2	16.9	15.2	15.1	15.1	14.9	16.1	15.1	15.7



Key highlights from the management commentary

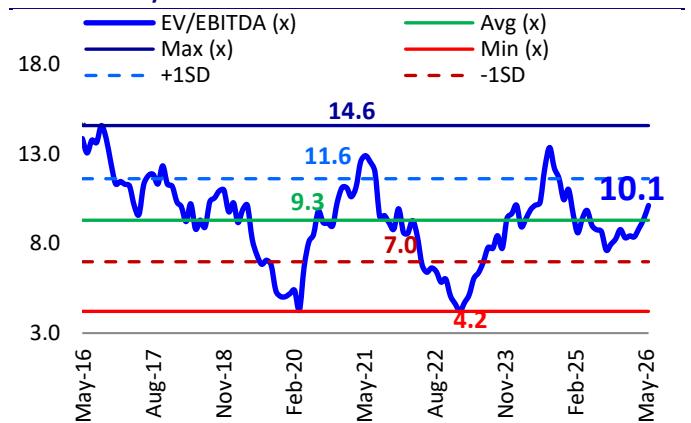
- External supply with respect to PENG/6APA has already started (worth INR1b). Offtake would improve considerably in the coming quarters.
- ARBP expects double-digit YoY growth in EU business in CC terms for FY27. EU business margin is 20+% and expects to further improve going forward.
- The Lannett acquisition is expected to be in two quarters of FY27, subject to regulatory approval.
- Both PENG and China plants have achieved break-even and are expected to contribute to profitability from FY27 onwards.
- ARBP received final approval for 9 ANDAs and launched 12 products during 4QFY26.
- As of Mar'26, ARBP has filed 888 ANDAs with the USFDA and received 728 final approvals and 35 tentative approvals.
- DF sales stood at INR760m in 4QFY26.
- The company generated free cash flow of USD35m during the quarter, after the payment of the Khandelwal non-oncology business. (USD32m).

Exhibit 1: P/E chart



Source: MOFSL, Company, Bloomberg

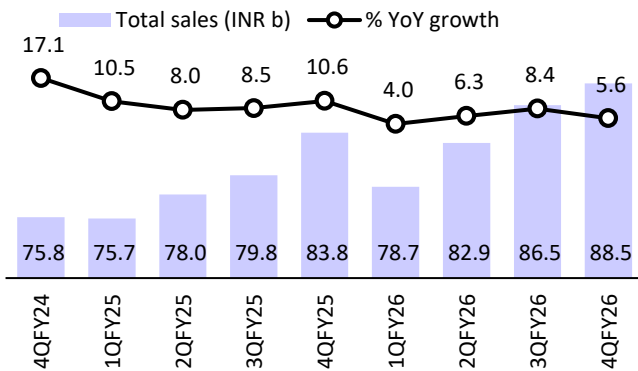
Exhibit 2: EV/EBITDA chart



Source: MOFSL, Company, Bloomberg

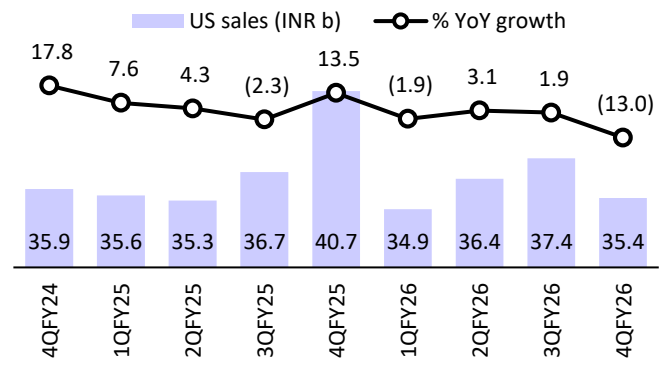
Key Exhibits

Exhibit 3: Revenue grew 5.4% YoY in 4QFY26



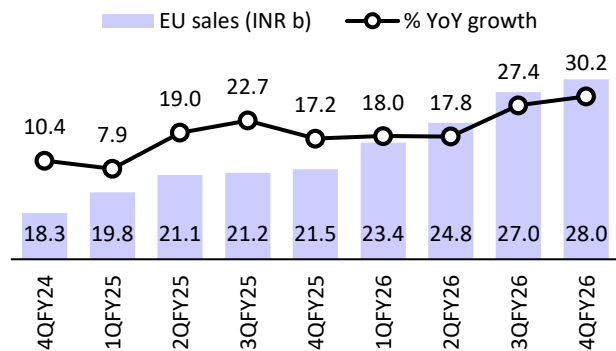
Source: MOFSL, Company

Exhibit 4: US sales dipped ~13% YoY in 4QFY26 in INR terms



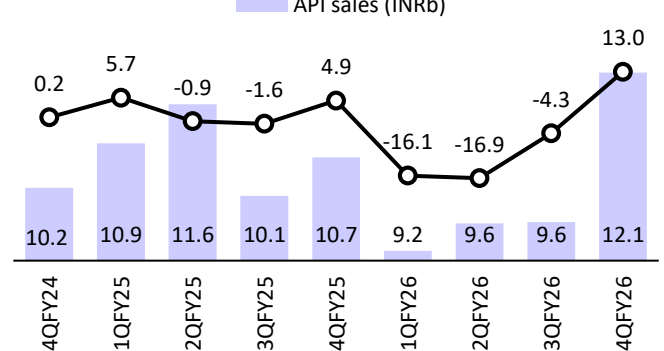
Source: MOFSL, Company

Exhibit 5: EU sales increased 30.2% YoY in 4QFY26



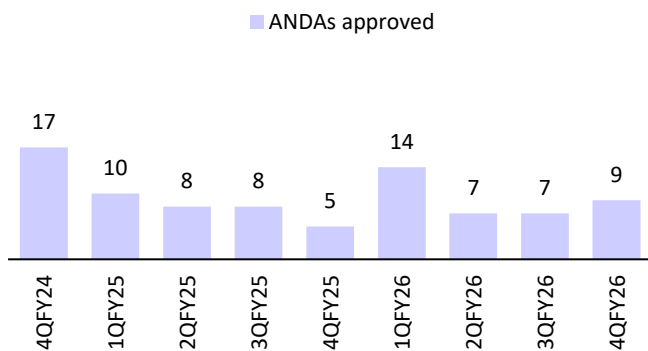
Source: MOFSL, Company

Exhibit 6: API sales grew ~13% YoY in 4QFY26



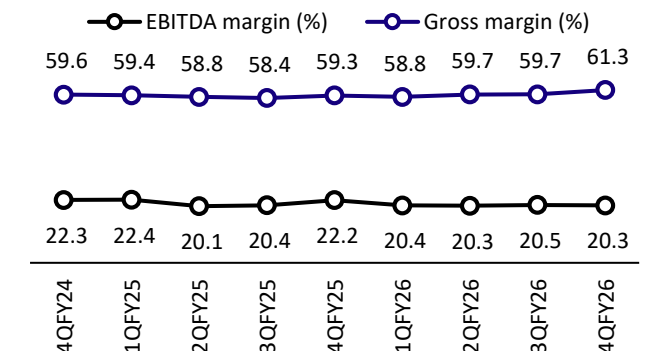
Source: MOFSL, Company

Exhibit 7: ARBP received nine ANDA approvals in 4QFY26



Source: MOFSL, Company

Exhibit 8: EBITDA margin contracted 190bp YoY in 4QFY26



Source: MOFSL, Company

Geographical resilience and biologics platform to fuel growth

US: Base business stabilization; specialty pipeline to drive the next growth phase

- The US sales declined 7% YoY in constant currency terms to USD1.6b (down 3% YoY in INR terms) for FY26, partly impacted by a lower g-revlimid contribution.
- On a revenue size of USD1.6b, there is scope for further growth to USD2b through acquisitions, in-licensing opportunities, and pipeline expansion.
- Notably, the key growth drivers include oral/transdermal/respiratory portfolio expansion and ramp-up of the Dayton and Raleigh facilities.
- The pending Lannett acquisition (~USD300m revenue base) is expected to close by early 2QFY27, subject to regulatory approvals.
- Dermatology-focused NCE launch for eczema treatment is targeted in 2QFY27, with dedicated commercial infrastructure being established for the franchise.
- Ryzneuta commercialization has commenced, with ARBP focused on building long-term scientific positioning rather than pursuing aggressive price-led market share gains.
- The US segment strategy is shifting toward differentiated products, specialty offerings, and business development-led growth rather than reliance on single-product opportunities.
- Over FY26-FY28, the US generics business is projected to deliver ~10.3% CAGR, reaching approximately USD1.9b, driven by injectables and specialty portfolio expansion.

EU: Portfolio breadth and supply strength to build momentum

- Europe has emerged as the strongest performing geography, delivering 23% YoY growth to INR103b (EUR1b) in FY26, translating into 9% YoY growth in CC terms. Growth was driven by robust demand trends/stable supplies and continued traction across major markets.
- The Europe formulation segment delivered its guidance by crossing the EUR1 b annual revenue milestone in FY26, driven by strong execution across key geographies, portfolio expansion, and improved market penetration.
- The company continues to benefit from increasing product supplies from its China facility, with more than 10 products already commercialized either via new launches or technology transfers into Europe.
- Growth in the region is expected to be supported by annualization of FY26 launches, new product launches in FY27, broader portfolio expansion, and strengthening customer relationships.
- Overall, the Europe segment is projected to deliver ~15% sales CAGR over FY26-FY28, reaching INR136b, driven by volume expansion and deeper portfolio penetration.

Biosimilars: Expanding global footprint with long-term platform scale-up

- The Biosimilar segment is moving from the early commercialization phase towards broader geographic expansion and regulatory filings, with a focus on Europe/growth/US markets.

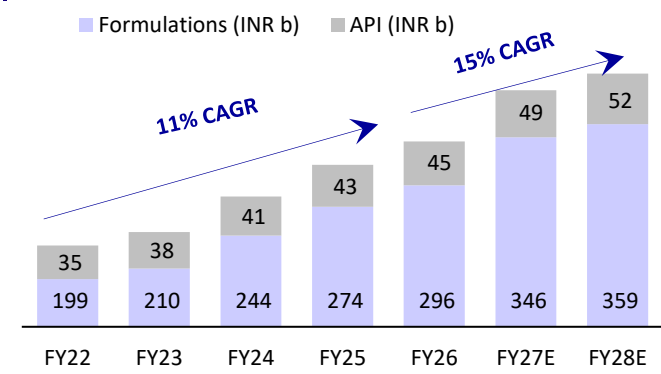
- Considering robust profitability framework despite extreme pricing environment gives us enough confidence to witness a healthy return on investment in biologics over the next 3-5 years.
- On the biologics CDMO front, ARBP highlighted progress on its large-scale manufacturing platform being developed around an anchor partnership with Merck & Co. (MSD) covering three product schedules.
- ARBP expects initial revenue contribution from Unit 1 starting CY28, followed by commercialization of Unit 2 from CY31.
- Over the longer term, the platform is being scaled to achieve a mammalian cell culture capacity of 120KL, aiming to transition from an anchor-client-led setup to a broader multi-customer biologics CDMO model by CY32.

Reiterate BUY

- We largely maintain our estimates for FY26/FY27. We value ARBP at 18x 12M forward earnings to arrive at our TP of INR1,680.
- We expect a 15%/16%/22% CAGR in revenue/EBITDA/PAT for ARBP over FY26-28, led by 1) an enhanced product pipeline in the US, 2) increased penetration and additional offerings in the EU market, 3) the increase in in-house manufacturing/external sales of PEN-g/6-APA, and 4) the addition of the Lannett acquisition. **Reiterate BUY.**

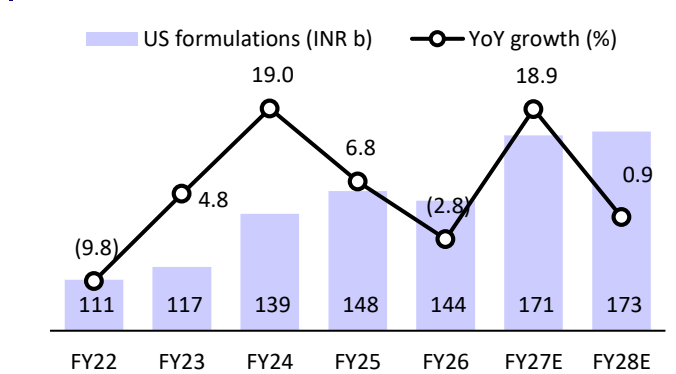
Story in charts

Exhibit 9: Expect sales CAGR of 15% over FY26-28



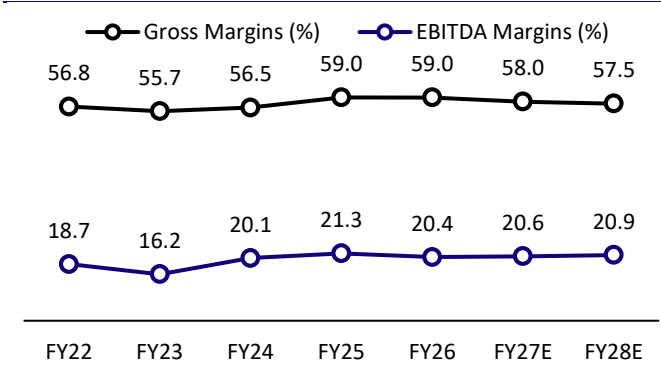
Source: Company, MOFSL

Exhibit 10: US sales to clock 15% CAGR over FY26-28



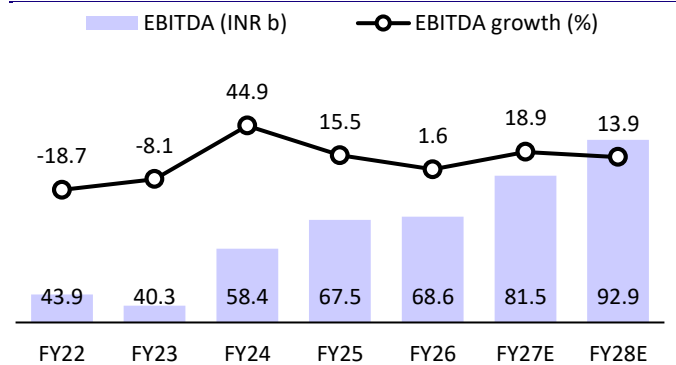
Source: Company, MOFSL

Exhibit 11: EBITDA margin to expand 50bp over FY26-28



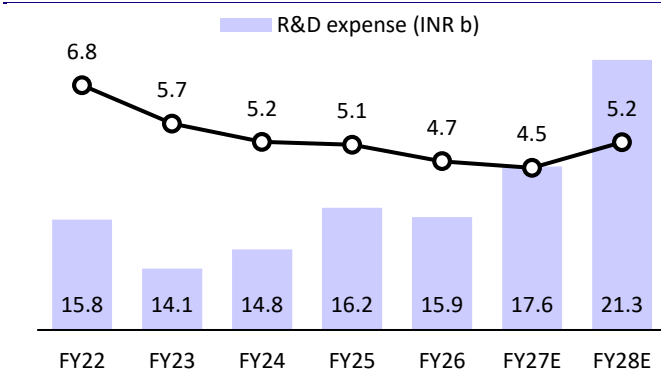
Source: Company, MOFSL

Exhibit 12: EBITDA to clock 16% CAGR over FY26-28



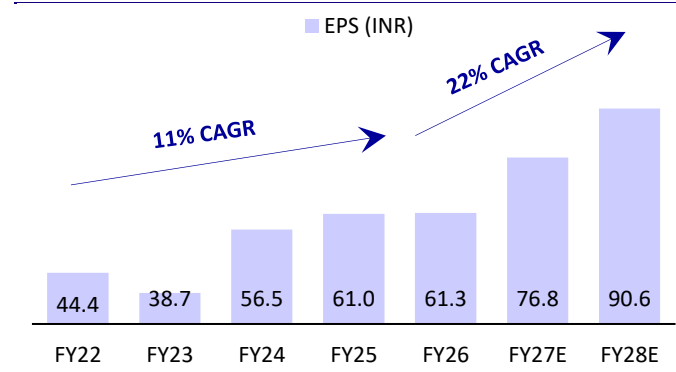
Source: Company, MOFSL

Exhibit 13: R&D expenses to be around 5-6% over FY26-28



Source: Company, MOFSL

Exhibit 14: Expect an EPS CAGR of 22% over FY26-28



Source: Company, MOFSL

Financials and valuations

Consolidated - Income Statement

(InRm)

Y/E March	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E
Total Income	234,555	248,554	290,019	317,237	336,531	396,140	444,261
Change (%)	-5.3	6.0	16.7	9.4	6.1	17.7	12.1
EBITDA	43,868	40,336	58,430	67,505	68,558	81,542	92,856
Margin (%)	18.7	16.2	20.1	21.3	20.4	20.6	20.9
Depreciation	11,265	12,446	15,217	16,494	17,782	20,213	21,395
EBIT	32,603	27,891	43,213	51,011	50,776	61,328	71,461
Interest exp	486	1,405	2,897	4,572	3,840	3,798	3,369
Other Income	2,504	2,906	5,186	5,364	4,921	5,025	5,349
PBT bef. EO Exp.	34,620	29,392	45,502	51,804	51,857	62,555	73,441
EO Items	-580	-996	2,306	-823	-754	0	0
PBT after EO Exp.	34,040	28,396	47,809	50,981	51,103	62,555	73,441
Current Tax	7,256	6,848	12,110	18,172	16,089	17,828	20,710
Deferred Tax	0	0	0	0	0	0	0
Tax Rate (%)	21.3	24.1	25.3	35.6	31.5	28.5	28.2
Less: Minority Int	313	-132	132	-294	-33	120	120
Reported PAT	26,471	21,417	35,567	32,515	35,048	44,607	52,611
Adjusted PAT	25,800	22,484	32,838	35,430	35,577	44,607	52,611
Change (%)	-18.5	-12.9	46.1	7.9	0.4	25.4	17.9
Margin (%)	11.0	9.0	11.3	11.2	10.6	11.3	11.8

Consolidated - Balance Sheet

(InRm)

Y/E March	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E
Equity Share Capital	586	586	586	581	581	581	581
Total Reserves	245,174	267,813	297,842	325,952	378,329	420,613	469,739
Net Worth	245,760	268,398	298,428	326,533	378,910	421,194	470,320
Minority Interest	-19	120	80	-64	-82	-83	-85
Deferred Liabilities	1,224	-2,879	-8,561	-9,897	-11,775	-12,011	-12,251
Total Loans	23,728	48,615	63,152	79,417	76,762	61,008	48,506
Capital Employed	270,692	314,255	353,099	395,989	443,815	470,108	506,490
Gross Block	158,447	175,442	227,716	252,042	299,834	312,834	325,834
Less: Accum. Deprn.	49,784	62,230	77,447	93,941	111,723	131,936	153,332
Net Fixed Assets	108,663	113,212	150,270	158,101	188,112	180,898	172,503
Goodwill on Consolidation	4,754	5,961	5,952	6,180	8,002	8,002	8,002
Capital WIP	29,376	44,964	27,394	32,660	30,088	30,088	30,088
Total Investments	9,972	5,427	3,722	2,517	10,511	10,511	10,511
Curr. Assets, Loans&Adv.	183,567	222,561	251,251	285,462	333,473	317,180	365,311
Inventory	75,539	85,112	98,082	105,437	120,529	130,334	142,350
Account Receivables	40,123	44,664	48,167	58,543	70,944	81,399	83,984
Cash and Bank Balance	41,900	60,842	62,783	82,355	98,703	78,632	112,162
Loans and Advances	26,006	31,943	42,219	39,127	43,297	26,815	26,815
Curr. Liability & Prov.	65,639	77,870	85,489	88,931	126,371	76,571	79,925
Account Payables	27,031	38,713	44,542	41,889	55,673	45,946	49,300
Other Current Liabilities	35,185	35,425	36,123	41,458	63,164	30,000	30,000
Provisions	3,424	3,733	4,825	5,585	7,535	625	625
Net Current Assets	117,928	144,691	165,762	196,531	207,101	240,609	285,386
Appl. of Funds	270,692	314,255	353,099	395,989	443,815	470,108	506,490

Financials and valuations

Ratios

Y/E March	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E
EPS	44.4	38.7	56.5	61.0	61.3	76.8	90.6
Cash EPS	63.3	59.7	82.0	89.4	91.9	111.6	127.4
BV/Share	419.5	458.4	509.3	562.2	652.4	725.2	809.8
DPS	3.5	4.0	4.0	4.0	4.0	4.0	6.0
Payout (%)	7.7	10.9	6.6	7.1	6.6	5.2	6.6
Valuation (x)							
P/E	33.0	37.8	25.9	24.0	23.9	19.1	16.2
Cash P/E	23.2	24.6	17.9	16.4	15.9	13.1	11.5
P/BV	3.5	3.2	2.9	2.6	2.2	2.0	1.8
EV/Sales	3.6	3.4	3.0	2.7	2.5	2.1	1.8
EV/EBITDA	19.2	21.0	14.7	12.7	12.2	10.3	8.6
Dividend Yield (%)	0.2	0.3	0.3	0.3	0.3	0.3	0.4
Return Ratios (%)							
RoE	11.1	8.7	11.6	11.3	10.1	11.2	11.8
RoCE	10.3	8.0	10.7	9.5	8.9	10.1	11.0
RoIC	13.7	10.8	14.0	12.2	11.9	13.4	14.6
Working Capital Ratios							
Fixed Asset Turnover (x)	1.5	1.4	1.3	1.3	1.1	1.3	1.4
Inventory (Days)	298	266	265	286	306	298	290
Debtor (Days)	58	62	58	61	70	70	68
Creditor (Days)	99	109	121	121	132	121	101
Working Cap. (Days)	258	219	203	226	244	248	257
Leverage Ratio (x)							
Current Ratio	2.8	2.9	2.9	3.2	2.6	4.1	4.6
Interest Cover Ratio	67	20	15	11	13	16	21
Net Debt/Equity	-0.1	0.0	0.0	0.0	-0.1	0.0	-0.1

Consolidated - Cash Flow Statement

Y/E March	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E
OP/(Loss) before Tax	34,620	29,392	45,502	51,804	51,119	62,555	73,441
Depreciation	11,265	12,446	15,217	16,494	17,782	20,213	21,395
Interest / Dividend received	-2,018	-1,501	-2,289	-792	3,500	-1,227	-1,980
Direct Taxes Paid	-7,256	-6,848	-12,110	-18,172	-18,320	-17,828	-20,710
(Inc)/Dec in WC	9,188	-7,821	-19,130	-11,197	1,639	-53,579	-11,246
CF from Operations	45,800	25,668	27,190	38,136	55,720	10,135	60,899
Others	4,364	-996	2,306	-823	-457	0	0
CF from Operating incl EO	50,164	24,672	29,496	37,313	55,263	10,135	60,899
(inc)/dec in FA	-29,242	-32,583	-34,704	-29,592	-26,395	-13,000	-13,000
Free Cash Flow	20,922	-7,912	-5,208	7,721	28,868	-2,865	47,899
(Pur)/Sale of Investments	4,061	-4,544	-1,705	-1,205	-592	0	0
CF from Investments	-32,116	-39,777	-36,409	-30,797	-34,586	-13,000	-13,000
Inc/(Dec) in Debt	-25,994	25,027	14,497	16,121	-5,841	-15,755	-12,504
Interest Paid	-486	-1,405	-2,897	-4,572	-3,441	-3,798	-3,369
Dividend Paid	-2,051	-2,342	-2,344	-2,323	-2,324	-2,323	-3,485
Others	-1,162	12,767	-402	3,831	-1,085	4,670	4,990
CF from Fin. Activity	-29,693	34,047	8,854	13,057	-12,691	-17,206	-14,368
Inc/Dec of Cash	-11,645	18,941	1,941	19,573	7,986	-20,071	33,532
Opening Balance	54,743	41,900	60,842	62,783	82,355	98,703	78,632
Closing Balance	41,900	60,842	62,783	82,355	98,703	78,631	112,162

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BUY	>=15%
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