

**BUY**

TP: Rs 1,451 | ▲ 26%

**AUROBINDO PHARMA**

Pharmaceuticals

28 May 2025

## Growth triggers intact

- Sales were 0.8% above our estimates; EBITDA/PAT -0.2%/5% below estimates. ETR reported at 31.6% vs estimated 28% for 4QFY25
- gRevlimid sales for FY26 to be lower than FY25, so expect FY26 to be muted. FY27 to be better than FY26E, led by new launches
- At CMP, ARBP trades at 16.3x FY26 and 14.3x FY27E. We continue to ascribe a PE of 18x on FY27E EPS to arrive at TP of Rs 1,451

**Foram Parekh**

research@bobcaps.in

**In-line earnings** – ARBP reported in-line set of earnings where sales grew by 10.6% YoY and EBITDA grew by 7%, but PAT declined by 12.4%. Sales were driven by 13.5% growth in the US, 7.2% growth in Europe, 29% growth in ARV and 4/9% growth in API. Healthy product mix and benign RM cost resulted in 59.1% gross margin. Subsequently, EBITDA margin came in 69 bps lower at 21.4% amidst loss of Rs 300mn from PLI facility. Interest cost rose by 28.6%, Other income decreased by 0.6% and Tax increased by 34%, as ETR for 4QFY25 was 31.6% vs 23.6% in 4QFY24; resulting in a reported PAT by 12% to Rs 9 bn. During 4QFY24, there was a one-time loss of Rs 1.2bn. Adjusting against one-time loss, PAT was marginally lower by 0.6%.

**US growth driven by all segments** – US segment grew 17% in 4QFY25, driven by gRevlimid, increase in volume growth, stabilisation of price erosion pressure in the base portfolio and new product launches. Sequentially, US sales have grown by 10%, largely due to uptick in injectable sales. Going forward, gRevlimid sales contribution to be lower in FY26 vs FY25, though FY27 to witness new product launches in Oncology therapy and respiratory launches through Dayton unit in the US. Hence, we expect US sales to grow by 7% CAGR from FY25-27E.

**Europe to continue witnessing growth momentum** - During 4QFY25, Europe region grew by 17.2%, driven by new product launches. We expect the growth momentum to sustain, driven by new product launches, including Biosimilars and increased supply in Oral Solids through China plant (2bn units to commercialise in FY26). Hence, we expect Europe to grow at 10% CAGR from FY25-27E.

**Valuations** – Although FY26 is expected to be muted, there are various growth triggers in FY27E, led by new launches through LOE opportunity and settlement in Oncology therapy. Overall, we expect Sales/ EBITDA/PAT CAGR to grow at 9%/11% and 16.4% from FY25-27E. Hence, we maintain BUY. At CMP, the stock is trading at 16.3x FY26 and 14.3x FY27E. Due to growth triggers intact, we continue to ascribe a PE of 18x on FY27E EPS to arrive at TP of Rs 1,451.

## Key changes

Target	Rating
◀ ▶	◀ ▶

Ticker/Price	ARBP IN/Rs 1,148
Market cap	US\$ 7.9bn
Free float	48%
3M ADV	US\$ 15.4mn
52wk high/low	Rs 1,592/Rs 1,010
Promoter/FPI/DII	52%/18%/23%

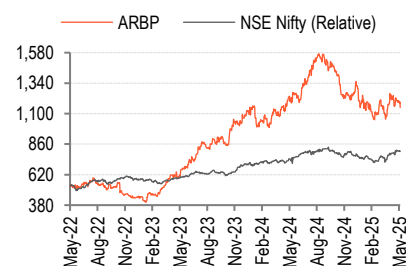
Source: NSE | Price as of 28 May 2025

## Key financials

Y/E 31 Mar	FY25A	FY26E	FY27E
Total revenue (Rs mn)	317,250	345,488	374,903
EBITDA (Rs mn)	66,067	72,482	81,011
Adj. net profit (Rs mn)	34,825	41,568	47,350
Adj. EPS (Rs)	59.4	70.9	80.8
Consensus EPS (Rs)	59.4	76.9	80.5
Adj. ROAE (%)	11.5	12.4	12.5
Adj. P/E (x)	19.3	16.2	14.2
EV/EBITDA (x)	10.1	9.3	8.2
Adj. EPS growth (%)	3.6	19.4	13.9

Source: Company, Bloomberg, BOBCAPS Research

## Stock performance



Source: NSE



## Financial Highlights

**Fig 1 – Financial Summary**

(Rs mn)	Q4FY25	Q4FY24	YoY (%)	Q3FY25	QoQ (%)	FY24	FY25	FY26E	FY27E
Net Sales	83,821	75,802	10.6	79,785	5.1	290,000	317,250	345,488	374,903
Total Expenses	65,902	59,073		63,507		231,589	251,183	273,006	293,892
(%) of net sales	79	78		80		80	79	79	78
Raw material consumed	34,279	30,609	12.0	33,154	3.4	126,029	130,262	148,560	161,208
(%) of net sales	41	40		42		43	41	43	43
Staff cost	11,626	10,263	13.3	11,316	2.7	39,229	44,756	47,442	50,288
(%) of net sales	14	14		14		14	14	14	13
R&D cost	4,230	3,920	7.9	4,500	(6.0)	14,776	16,220	17,274	18,745
(%) of net sales	5.0	5.2		5.6		5.1	5.1	5.0	5.0
SG&A	15,767	14,281	10.4	14,538	8.5	51,554	59,944	59,731	63,651
(%) of net sales	18.8	18.8		18.2		18	19	17	17
EBITDA	17,919	16,728	7.1	16,278	10.1	58,411	66,067	72,482	81,011
Depreciation	4,444	3,543		4,185		15,217	16,494	17,138	18,425
EBIT	13,475	13,185	2.2	12,093	11.4	43,195	49,573	55,344	62,586
Interest	1,150	894	28.6	1,185		2,897	4,572	3,887	3,304
Other Income	1,348	1,356	(0.6)	1,573		5,574	6,219	6,261	6,356
PBT	13,673	13,647	0.2	12,481	9.5	45,871	51,219	57,719	65,639
Less: Taxation	4,323	3,226	34.0	3,543		12,110	15,827	15,584	17,723
Less: Minority Interest	315	113		480		132	567	567	567
Recurring PAT	9,035	10,309	(12.4)	8,458	6.8	33,630	34,825	41,568	47,350
Exceptional items	0	(1,221)		0		(1,919)	0	0	0
Reported PAT	9,035	9,088	(0.6)	8,458	6.8	31,711	34,825	41,568	47,350
<b>Key Ratios (%)</b>			<b>(bps)</b>		<b>(bps)</b>				
Gross Margin	59.1	59.6	(51.5)	58.4	66	56.5	58.9	57.0	57.0
EBITDA Margin	21.4	22.1	(69.0)	20.4	98	20.1	20.5	21.0	21.6
Tax / PBT	31.6	23.6	797.9	28.4	323	26.4	30.9	27.0	27.0
NPM	10.8	13.6	(282.1)	10.6	18	11.6	11.0	12.0	12.6
EPS (Rs)	15.4	17.6		14.4		57.4	59.4	70.9	80.8

Source: Company, BOBCAPS Research

**Fig 2 – Segmental Revenue**

(Rs mn)	Q4FY25	Q4FY24	YoY (%)	Q3FY25	QoQ (%)	FY24	FY25	FY26E	FY27E
Formulations	73,130	65,100	12.3	69,720	4.9	244,180	273,890	298,290	323,365
US	40,720	35,880	13.5	36,710	10.9	138,670	148,160	159,344	170,499
Europe	21,470	18,320	17.2	21,210	1.2	71,660	83,560	91,916	101,108
Emerging Markets	7,860	8,520	(7.7)	8,730	(10.0)	25,170	31,800	35,934	39,887
ARV	3,080	2,380	29.4	3,070	0.3	8,680	10,370	11,096	11,873
Puerto Rico		510				3,420	130	-	-
APIs	10,690	10,190	4.9	10,060	6.3	42,400	43,230	47,198	51,538
Net Sales	83,820	75,800	10.6	79,780	5.1	290,000	317,250	345,488	374,903

Source: Company, BOBCAPS Research

## Earnings Call

### Guidance

FY26 will be a muted year while FY27 is expected to be good, driven by new product launches and settlement-based launches.

ETR expected at 28-30% for FY26.

**PLI** - Minimum import prices are being considered on certain critical raw materials, and accordingly, we have made representation to industry associations.

**China plant** – ARBP has commercialised China OSD plant with 2bn manufacturing capacity during the year. The capacities will be expanded further over the medium to long term. This plant is expected to contribute revenues in FY26 and become EBITDA breakeven in FY27, though it incurred a loss of Rs 350 mn in FY25.

### US plant update

**Dayton** – The plant has started manufacturing and will start commercialising from 2QFY26.

**Raleigh** - Currently manufactures tropical and is expected to become fully operational in the near future to include transdermal and respiratory products.

**Vizag unit 5** – Presently, ARBP has four installed lines and is adding four more lines related to BFS, PFS, cartridge, and one more aseptic line. So, it will be almost eight significant lines with capabilities of aseptic, terminally sterilised cartridge products, and BFS products, and bagged products. Expect Vizag to be a future plant, not only as a de-risking for Eugia-3, but also contributing significantly, starting FY27. The company has plans of filing roughly around 10 products over a period of 4-6 quarters.

**Respiratory therapy update** - Working on multiple respiratory products. In FY25, ARBP partnered with a global pharma major for the development of respiratory products. This is a testament of the aspiration of developing and launching more and more complex respiratory products.

**Europe** – Europe has been showing momentum and management believes they can sustain this momentum. China plant has started supplies for the European market. The growth will also be driven by new product launches in FY26 and LOE opportunities.

**Growth Market** - Focus is on new and existing markets like Indonesia, China, Canada, South Africa, etc.

**Biosimilar**- Invested USD 400 mn + in Biosimilars. Received European Commission (EC) approvals for Dyrupeg, Zefylti. CHMP positive opinion for Dazublys and EC approval expected in July. MHRA approval for Zefylti. Second biosimilar approval after Bevqolva. Expect First supplies of four biosimilars to EU markets by Q3/Q4 FY26. Successful Phase 1 study outcome for denosumab and Phase 3 study competition.

## Valuation Methodology

Aurobindo reported in-line set of earnings and reported EBITDA margin of 20.5% in FY25, driven by a healthy product mix. During FY25, all geographies reported healthy growth largely driven by volume growth in the base portfolio and new product launches. During the quarter, there was an expense of Rs 300 mn, towards fuel and power purchase coal adjustments, relating to the Andhra Pradesh government, electricity board, inventory-related provisions, corporate development costs which resulted in accumulated expense of Rs 1.05bn from the Pen G plant.

Benefits of backward integration of Pen G plant is pushed to 2Q-3Q of FY26, due to the recent fire incident, which would cost ARBP Rs 400 mn. However, the government is trying to implement minimum import price on PLI products. There are also other triggers like the Biosimilar launches, where ARBP has received approval for 4 products to be launched in Europe, India and ROW markets and expects to launch in the US market post FY27. ARBP has invested USD 400 mn towards biosimilars and expects this segment to clock USD 250- 400 mn post the launch in US. The CMO segment sales is expected to contribute post FY27e.

FY26 will be a muted year, given that there would be no meaningful contribution from gRevlimid. However, considering new product launches through LOE opportunity and settlement in Oncology therapy for FY27E, we expect FY27 to be better than FY26. However, due to flat US sales and higher ETR, we reduce our EPS estimates marginally by 1.3% to Rs 70.9 for FY26E and 3.1% to Rs 80.8 for FY27E. Overall, we expect Sales/ EBITDA/PAT CAGR to grow at 9%/11% and 16.4% from FY25-27E; hence, we maintain BUY. At CMP, the stock is trading at 16.3x FY26 and 14.3x FY27E. Due to various growth triggers, we continue to ascribe a PE of 18x on FY27E EPS to arrive at TP of Rs 1,451.

**Fig 3 – Change in Estimates**

(Rs mn)	New		Old		Change (%)	
	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E
Sales	345,488	374,903	344,540	373,669	0.3	0.3
EBITDA	72,482	81,011	75,216	83,726	(3.6)	(3.2)
EBITDA margin (%)	21.0	21.6	21.8	22.4	(85bps)	(80bps)
EPS (Rs)	70.9	80.8	71.9	83.4	(1.3)	(3.1)

Source: Company, BOBCAPS Research

## Key Risks

- Key downside risks to our estimates:
- any USFDA regulatory escalation for Unit 3
- implementation of US tariff
- delays in filing biosimilar products
- heightened price erosion in the US
- delays in execution or commercialisation of biologics products

## Financials

### Income Statement

Y/E 31 Mar (Rs mn)	FY23A	FY24A	FY25A	FY26E	FY27E
<b>Total revenue</b>	<b>248,554</b>	<b>290,000</b>	<b>317,250</b>	<b>345,488</b>	<b>374,903</b>
EBITDA	37,582	58,411	66,067	72,482	81,011
Depreciation	12,446	15,217	16,494	17,138	18,425
EBIT	25,136	43,195	49,573	55,344	62,586
Net interest inc./(exp.)	(1,405)	(2,897)	(4,572)	(3,887)	(3,304)
Other inc./(exp.)	3,254	5,574	6,219	6,261	6,356
Exceptional items	0	0	0	0	0
EBT	26,985	45,871	51,219	57,719	65,639
Income taxes	6,849	12,110	15,827	15,584	17,723
Extraordinary items	(744)	(1,919)	0	0	0
Min. int./Inc. from assoc.	118	132	567	567	567
<b>Reported net profit</b>	<b>19,275</b>	<b>31,711</b>	<b>34,825</b>	<b>41,568</b>	<b>47,350</b>
Adjustments	744	1,919	0	0	0
<b>Adjusted net profit</b>	<b>20,018</b>	<b>33,630</b>	<b>34,825</b>	<b>41,568</b>	<b>47,350</b>

### Balance Sheet

Y/E 31 Mar (Rs mn)	FY23A	FY24A	FY25A	FY26E	FY27E
Accounts payables	38,713	44,542	41,889	51,113	54,438
Other current liabilities	31,178	32,799	38,246	44,913	41,239
Provisions	3,733	4,825	5,585	6,082	6,600
Debt funds	52,862	66,476	82,671	70,271	59,730
Other liabilities	0	0	0	0	0
Equity capital	586	586	586	586	586
Reserves & surplus	265,054	289,361	315,992	354,694	399,115
Shareholders' fund	265,640	289,947	316,578	355,280	399,701
<b>Total liab. and equities</b>	<b>392,125</b>	<b>438,589</b>	<b>484,968</b>	<b>527,659</b>	<b>561,708</b>
Cash and cash eq.	60,842	62,783	83,486	84,753	79,669
Accounts receivables	44,664	48,167	57,459	66,258	82,171
Inventories	85,112	98,082	105,437	122,104	138,663
Other current assets	31,943	42,219	39,127	55,624	64,108
Investments	5,428	3,723	2,517	2,517	2,517
Net fixed assets	79,954	115,455	121,894	121,357	119,532
CWIP	53,900	38,687	49,000	49,000	49,000
Intangible assets	30,283	29,473	26,048	26,048	26,048
Deferred tax assets, net	0	0	0	0	0
Other assets	0	0	0	0	0
<b>Total assets</b>	<b>392,125</b>	<b>438,589</b>	<b>484,968</b>	<b>527,659</b>	<b>561,708</b>

### Cash Flows

Y/E 31 Mar (Rs mn)	FY23A	FY24A	FY25A	FY26E	FY27E
<b>Cash flow from operations</b>	<b>25,842</b>	<b>31,617</b>	<b>45,891</b>	<b>37,020</b>	<b>28,290</b>
Capital expenditures	(27,123)	(16,600)	(16,600)	(16,600)	(16,600)
Change in investments	4,544	1,705	1,205	0	0
Other investing cash flows	0	0	0	0	0
<b>Cash flow from investing</b>	<b>(22,579)</b>	<b>(14,895)</b>	<b>(15,395)</b>	<b>(16,600)</b>	<b>(16,600)</b>
Equities issued/Others	0	0	0	0	0
Debt raised/repaid	24,349	13,614	16,195	(12,401)	(10,541)
Interest expenses	(1,405)	(2,897)	(4,572)	(3,887)	(3,304)
Dividends paid	(2,930)	(2,930)	(2,930)	(2,930)	(2,930)
Other financing cash flows	(4,337)	(22,569)	(18,486)	64	0
<b>Cash flow from financing</b>	<b>15,678</b>	<b>(14,781)</b>	<b>(9,793)</b>	<b>(19,153)</b>	<b>(16,774)</b>
<b>Chg in cash &amp; cash eq.</b>	<b>18,942</b>	<b>1,941</b>	<b>20,703</b>	<b>1,267</b>	<b>(5,083)</b>
<b>Closing cash &amp; cash eq.</b>	<b>60,842</b>	<b>62,783</b>	<b>83,486</b>	<b>84,753</b>	<b>79,669</b>

### Per Share

Y/E 31 Mar (Rs)	FY23A	FY24A	FY25A	FY26E	FY27E
Reported EPS	32.9	54.1	59.4	70.9	80.8
Adjusted EPS	34.2	57.4	59.4	70.9	80.8
Dividend per share	2.5	2.5	2.5	2.5	2.5
Book value per share	453.7	495.3	541.1	607.1	683.0

### Valuations Ratios

Y/E 31 Mar (x)	FY23A	FY24A	FY25A	FY26E	FY27E
EV/Sales	2.7	2.3	2.1	2.0	1.8
EV/EBITDA	17.7	11.3	10.1	9.3	8.2
Adjusted P/E	33.6	20.0	19.3	16.2	14.2
P/BV	2.5	2.3	2.1	1.9	1.7

### DuPont Analysis

Y/E 31 Mar (%)	FY23A	FY24A	FY25A	FY26E	FY27E
Tax burden (Net profit/PBT)	74.2	73.3	68.0	72.0	72.1
Interest burden (PBT/EBIT)	107.4	106.2	103.3	104.3	104.9
EBIT margin (EBIT/Revenue)	10.1	14.9	15.6	16.0	16.7
Asset turnover (Rev./Avg TA)	20.9	21.5	21.0	20.9	21.2
Leverage (Avg TA/Avg Equity)	1.2	1.2	1.2	1.2	1.2
<b>Adjusted ROAE</b>	<b>7.8</b>	<b>12.1</b>	<b>11.5</b>	<b>12.4</b>	<b>12.5</b>

### Ratio Analysis

Y/E 31 Mar	FY23A	FY24A	FY25A	FY26E	FY27E
<b>YoY growth (%)</b>					
Revenue	6.0	16.7	9.4	8.9	8.5
EBITDA	(14.3)	55.4	13.1	9.7	11.8
Adjusted EPS	(26.0)	68.0	3.6	19.4	13.9

### Profitability & Return ratios (%)

EBITDA margin	15.1	20.1	20.8	21.0	21.6
EBIT margin	10.1	14.9	15.6	16.0	16.7
Adjusted profit margin	8.1	11.6	11.0	12.0	12.6
Adjusted ROAE	7.8	12.1	11.5	12.4	12.5
ROCE	9.6	14.5	14.8	14.9	15.6

### Working capital days (days)

Receivables	66	61	66	70	80
Inventory	125	123	121	129	135
Payables	57	56	48	54	53

### Ratios (x)

Gross asset turnover	1.4	1.5	1.5	1.5	1.5
Current ratio	3.0	3.1	3.3	3.2	3.6
Net interest coverage ratio	17.9	14.9	10.8	14.2	18.9
<b>Adjusted debt/equity</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

Source: Company, BOBCAPS Research | Note: TA = Total Assets

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Registered office Address: **1704, B Wing, Parinee Crescenzo, G Block, BKC, Bandra East, Mumbai 400051**

SEBI Research Analyst Registration No: **INH0000000040 valid till 03 February 2025**

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**BUY** – Expected return >+15%

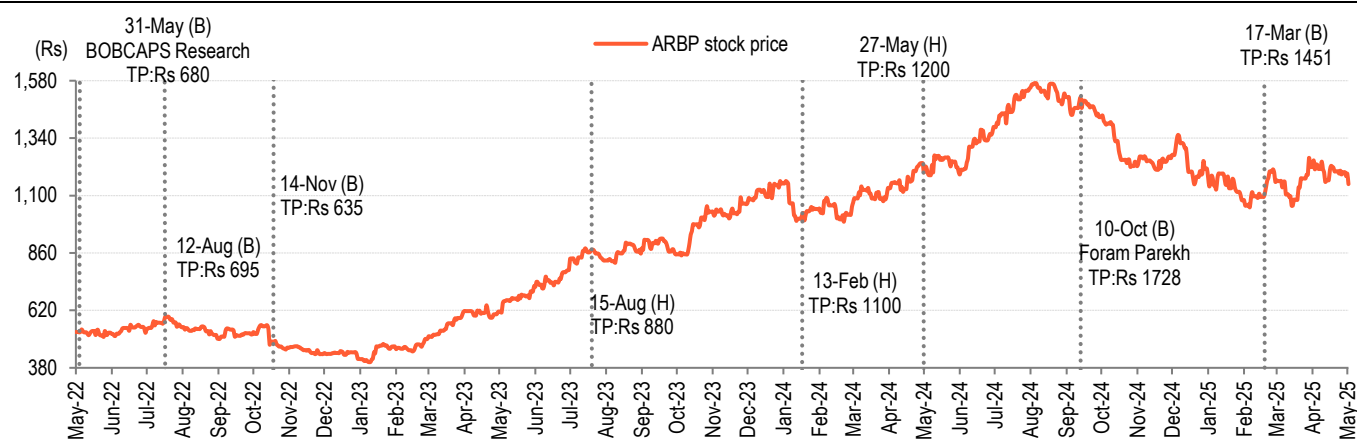
**HOLD** – Expected return from -6% to +15%

**SELL** – Expected return <-6%

**Note:** Recommendation structure changed with effect from 21 June 2021

Our recommendation scale does not factor in short-term stock price volatility related to market fluctuations. Thus, our recommendations may not always be strictly in line with the recommendation scale as shown above.

### Ratings and Target Price (3-year history): AUROBINDO PHARMA (ARBP IN)



B – Buy, H – Hold, S – Sell, A – Add, R – Reduce

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