

Aurobindo Pharma | BUY

Moderate 4Q; FY27 next leg of growth

Aurobindo reported a moderate performance in Q4 FY25, with revenue up 11% YoY at INR 83.8 bn. This was driven by a 13% YoY increase in the US business (INR 40.7 bn) and a 17% YoY rise in the EU segment (INR 21.5 bn). EBITDA grew 6.2%, while adjusted PAT declined by 14.5%YoY. EBITDA margins at 21.4%, were impacted by one-offs of over INR 1 bn and losses at the China plant. The company commercialized its China OSD plant and plans to operationalize its US facilities in FY26. Management has guided for single-digit revenue growth in FY26, led by the EU and growth markets, though the US business is expected to remain largely flat. We have revised our estimates downwards for FY26 as per company's guidance of muted near-term growth due to lower than earlier anticipated gRevlimid sales and delayed commercialization of PenG plant. Due to the soft near-term outlook, we're reducing the 2Y forward EPS target multiple to 16x from hitherto 20x. However, we remain positive on the company, and are of the opinion that the stock is undervalued at 15x FY27 EPS. We believe the company is well-positioned to deliver a ~14% EPS growth over FY25–28, supported by growth levers across time horizons: near-term (new launches in oral solids and injectables, PenG ramp up), medium-term (biosimilars, transdermals, respiratory and CDMO). Thus, we maintain BUY on the stock with an updated TP of INR 1,387.

- **US Business:** The Company's US business grew 13% YoY in 4QFY25 to INR 40.7bn (+9% in constant currency to USD 470mn), driven by volume gains and a broad product portfolio maintaining price stability. The OTC segment performed strongly in FY25, with optimism for continued growth through new launches. Injectable supply disruptions from FY25 are expected to resolve by Q1FY26, restoring past run rates. Oncology oral solids (Pomalidomide, Sugammadex) and other settlements will contribute from FY26-end to FY27. The US pipeline focuses on oral solids and injectables in the near term, with transdermals and respiratory products targeted for the medium term. FY26 growth is expected to be muted, dependent on gRevlimid performance, with no spillover from FY25–26, while FY27 is projected to be stronger with the ramp up of launches.
- **EU Business:** The Company's EU business achieved a 17% YoY revenue increase to INR 21.5bn in 4QFY25 (USD 236mn vs. USD 203mn in constant currency), driven by strong performance across key geographies. The segment maintains a USD 225mn quarterly run rate, supported by supply chain efficiencies, shortages management, market intelligence, and initial supplies from China. The approved injectable unit will begin supply too. The biosimilars business, with USD 400mn invested and four approvals secured, anticipates additional approvals (including Deno/Beva/Omal) in FY26, with double-digit sales in FY27 and USD 250–400mn by FY30–31. Despite a flat generic market, the Company achieved high single-digit growth, with six loss-of-exclusivity (LOE) products contributing.
- **Penicillin G-Factory Issue:** The Company incurred a INR 40mn impact from a fire incident at Penicillin G-related facility, resulting in a temporary halt in plant operations. Prior to the halt, the plant achieved encouraging yields in March. A renewal application for consent to operate has been submitted, with production expected to resume promptly upon approval to avoid risks. The Company's FY26 guidance assumes six months of production, reflecting cautious planning.

Financial Summary					(INR mn)
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Sales	2,87,045	3,13,781	3,33,638	3,66,767	4,04,885
Sales Growth (%)	16.6	9.3	6.3	9.9	10.4
EBITDA	58,430	66,054	70,187	77,899	87,220
EBITDA Margin (%)	20.1	20.8	20.8	21.0	21.3
Adjusted Net Profit	32,835	35,015	39,788	45,559	52,115
Diluted EPS (INR)	56.0	60.3	68.5	78.4	89.7
Diluted EPS Growth (%)	67.8	7.6	13.6	14.5	14.4
ROIC (%)	11.5	11.1	11.7	12.5	13.6
ROE (%)	11.6	11.2	11.5	11.8	12.1
P/E (x)	21.1	19.6	17.2	15.1	13.2
P/B (x)	2.3	2.1	1.9	1.7	1.5
EV/EBITDA (x)	11.8	10.4	9.5	8.2	6.9
Dividend Yield (%)	0.3	0.0	0.4	0.4	0.5

Source: Company data, JM Financial. Note: Valuations as of 26/May/2025



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Recommendation and Price Target

Current Reco.	BUY
Previous Reco.	BUY
Current Price Target (12M)	1,387
Upside/(Downside)	17.5%
Previous Price Target	1,680
Change	-17.4%

Key Data – ARBP IN

Current Market Price	INR1,181
Market cap (bn)	INR685.9/US\$8.1
Free Float	46%
Shares in issue (mn)	585.9
Diluted share (mn)	580.8
3-mon avg daily val (mn)	INR1,444.2/US\$17.0
52-week range	1,593/994
Sensex/Nifty	82,176/25,001
INR/US\$	85.1

Price Performance

%	1M	6M	12M
Absolute	-3.2	-3.8	-4.4
Relative*	-6.7	-6.1	-12.3

* To the BSE Sensex

JM Financial Research is also available on:
Bloomberg - JMFR <GO>,
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S&P Capital IQ, FactSet and Visible Alpha

Please see Appendix I at the end of this report for Important Disclosures and Disclaimers and Research Analyst Certification.

■ **Growth Traction in FY25 and Future Growth Plan:** The Company made significant strides in FY25 by commercializing its China OSD plant with a 2 billion manufacturing capacity, set to contribute revenues in FY26 and planned for further medium-term expansion. In the US, the Dayton plant is targeted for commercialization in FY26, while the Relay plant, currently producing tropical products, will expand to include transdermals and respiratory products for long-term growth. Future traction from major investments earlier: INR 27bn in Penicillin G, expected to add at least INR 10bn to EBITDA at favorable prices; USD 400mn in biosimilars, poised to drive significant EBITDA from FY27; and INR 10bn in a CDMO Theranin facility, to be commissioned by Q2FY27 with revenue generation in FY28. The Company aims for optimal utilization within 3–5 years, positioning these investments as key drivers of its long-term growth strategy.

■ **Financial Highlights:**

- Revenue for the quarter grew 10.6% YoY to INR 83.8bn (1% miss)
 - The US grew 13.5% YoY INR 40.7bn (1.7% miss); Europe was up 17.2% YoY to INR 21.5bn (2% beat); ROW declined 7.7% YoY to INR 7.9bn (12% miss); ARV business surged 29% YoY to INR 3bn.
 - Specialty and injectable sales grew 25% YoY to USD 178 mn
 - API grew 5% YoY to INR 10.7bn (in line)
- The Company provided high single-digit revenue growth guidance for FY26, primarily driven by EU and growth markets, with the US business expected to remain flat.
- EBITDA was at INR 17.9 bn with 6% YoY growth (4% miss); EBITDA margin was at 21.4% , down 88bps YoY (66bps miss)
- PAT came in at INR 9bn, down 21.5% YoY (14.5% miss) due to lower tax rate as well exceptional gains in 4QFY24; Adj PAT at INR 9bn, down 14.5% YoY
- A potential buyback is likely post-August 2025, supported by strengthening cash flows
- Tax rate is guided at 25–30%, with further clarity expected next quarter.
- Other operating income is projected at INR 2bn for FY26.
- The China plant reported a INR 350mn+ loss, expected to breakeven or be slightly positive in FY26, impacting margins. Fixed costs remained stable, with other expenses reflecting translation impacts.

Exhibit 1. Valuation



Source: Bloomberg

Exhibit 2. 4QFY25 Review

Particulars (Rs mn)	Q4FY24	Q4FY25	YoY (%)	Q4FY25E	% Change	Q4FY25E (cons.)	% Change	Q3FY25	QoQ (%)
Net Sales	75,802	83,821	10.6	84,643	(1.0)	81,967.0	2.3	79,785	5.1
Material Expenses	30,609	34,279	12.0	32,830	4.4			33,154	3.4
Employee Expenses	10,263	11,626	13.3	11,717	(0.8)			11,316	2.7
Other Expenses	18,059	19,997	10.7	21,439	(6.7)			19,038	5.0
Operating Profits	16,871	17,919	6.2	18,657	(4.0)			16,278	3.6
EBITDA	16,871	17,919	6.2	18,657	(4.0)	18,265.0	(1.9)	16,278	10.1
Depreciation	3,543	4,444	25.4	4,479	(0.8)			4,185	
EBIT	13,328	13,475	1.1	14,179	(5.0)			12,093	11.4
Other Income	1,356	1,348	(0.6)	1,607	(16.1)			1,573	
Interest Cost	894	1,150	28.6	1,077	6.8			1,185	
FX Gains / (Loss)	(143)	-	(100.0)	193				(498)	
Exceptional Items	1,221	-	(100.0)	-				-	
PBT	14,868	13,673	(8.0)	14,900	(8.2)			11,983	14.1
Tax	3,226	4,323	34.0	4,158	4.0			3,543	
Minority Interest/Share of loss in JV	(127)	(315)	149.1	(172)				18	
RPAT	11,516	9,035	(21.5)	10,571	(14.5)	10,133.0	(10.8)	8,458	6.8
EO Items incl forex (Adj For Tax)	(956)	-	(100.0)	-		-			
APAT	10,560	9,035	(14.4)	10,571	(14.5)	10,133.0	(10.8)	8,458	24.8
EPS	18.0	15.4	16.9	18.0	(6.4)			14.4	24.8
Margin Analysis	Q4FY24	Q4FY25	YoY (bps)	Q4FY25E	Change (bps)	Q4FY25E (cons.)	Change (bps)	Q3FY25	QoQ (bps)
Material Expenses % Net Sales	40.4	40.9	52	38.8	211			41.6	(66)
Employee Expenses % Net Sales	13.5	13.9	33	13.8	3			14.2	(31)
Other Expenses % Net Sales	23.8	23.9	3	25.3	(147)			23.9	(0)
EBITDA Margin (%)	22.3	21.4	(88)	22.0	(66)	22.3	(91)	20.4	98
Tax Rate (%)	21.7	31.6	992	27.9	371			29.6	205
APAT Margin (%)	13.9	10.8	(315)	12.5	(171)			10.6	18
(Rs mn)	Q4FY24	Q4FY25	YoY (%)	Q4FY25E	% Change			Q3FY25	QoQ (%)
US	35,880	40,720	13.5	41,433	(1.7)			36,710	(2.3)
Europe	18,320	21,470	17.2	21,046	2.0			21,210	(13.6)
ROW	8,520	7,860	(7.7)	8,974	(12.4)			8,730	(2.4)
ARVs	2,380	3,080	29.4	2,258	36.4			3,070	(22.5)
Formulation (sub-total)	65,100	73,130	12.3	73,711	(0.8)			69,720	(6.6)
APIs	10,190	10,690	4.9	10,708	(0.2)			10,060	1.3
Total	75,290	83,823	11.3	84,422	(0.7)			79,782	(5.6)

Source: JM Financial, Company

Exhibit 3. Revised Estimates

Figures in INR mn	FY26E			FY27E		
	Old	New	change %	Old	New	change %
Total operating revenue	3,53,995	3,37,439	-5%	3,76,068	3,70,949	-1%
EBITDA	74,339	70,187	-6%	80,667	77,899	-3%
- margin	21.0%	20.8%		21.5%	21.0%	
PAT	42,854	39,788	-7%	47,950	45,559	-5 %

Source: JM Financial

Financial Tables (Consolidated)

Income Statement (INR mn)					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Sales	2,87,045	3,13,781	3,33,638	3,66,767	4,04,885
Sales Growth	16.6%	9.3%	6.3%	9.9%	10.4%
Other Operating Income	2,974	3,456	3,802	4,182	4,600
Total Revenue	2,90,019	3,17,237	3,37,439	3,70,949	4,09,484
Cost of Goods Sold/Op. Exp	1,26,029	1,30,262	1,41,725	1,59,879	1,76,078
Personnel Cost	39,229	44,756	46,567	48,965	55,280
Other Expenses	66,330	76,164	78,961	84,205	90,906
EBITDA	58,430	66,054	70,187	77,899	87,220
EBITDA Margin	20.1%	20.8%	20.8%	21.0%	21.3%
EBITDA Growth	55.5%	13.0%	6.3%	11.0%	12.0%
Depn. & Amort.	15,217	16,494	17,947	19,407	20,921
EBIT	43,213	49,560	52,241	58,493	66,299
Other Income	5,186	6,219	7,295	8,777	9,276
Finance Cost	2,897	4,572	4,829	4,346	3,911
PBT before Excep. & Forex	45,502	51,206	54,708	62,924	71,664
Excep. & Forex Inc./Loss(-)	-1,531	-227	0	0	0
PBT	43,972	50,980	54,708	62,924	71,664
Taxes	12,110	15,827	14,771	17,115	19,349
Extraordinary Inc./Loss(-)	0	0	0	0	0
Assoc. Profit/Min. Int.(-)	132	294	149	250	200
Reported Net Profit	31,730	34,859	39,788	45,559	52,115
Adjusted Net Profit	32,835	35,015	39,788	45,559	52,115
Net Margin	11.3%	11.0%	11.8%	12.3%	12.7%
Diluted Share Cap. (mn)	585.9	580.8	580.8	580.8	580.8
Diluted EPS (INR)	56.0	60.3	68.5	78.4	89.7
Diluted EPS Growth	67.8%	7.6%	13.6%	14.5%	14.4%
Total Dividend + Tax	2,051	0	2,614	2,614	3,194
Dividend Per Share (INR)	3.5	0.0	4.5	4.5	5.5

Source: Company, JM Financial

Cash Flow Statement (INR mn)					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Profit before Tax	43,780	50,663	54,708	62,924	71,664
Depn. & Amort.	15,217	16,494	17,947	19,407	20,921
Net Interest Exp. / Inc. (-)	2,681	4,404	4,829	4,346	3,911
Inc (-) / Dec in WCap.	-16,751	-12,445	-9,309	-15,622	-15,474
Others	-2,915	-2,556	-7,344	-8,729	-9,282
Taxes Paid	-17,666	-17,314	-14,975	-17,323	-19,563
Operating Cash Flow	24,345	39,246	45,854	45,002	52,177
Capex	-35,615	-25,196	-20,000	-20,000	-21,500
Free Cash Flow	-11,270	14,051	25,854	25,002	30,677
Inc (-) / Dec in Investments	0	0	0	0	0
Others	-6,945	6,438	0	0	0
Investing Cash Flow	-42,560	-18,758	-20,000	-20,000	-21,500
Inc / Dec (-) in Capital	0	-9,302	0	0	0
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	-3,973	-5,527	2,351	4,320	5,260
Financing Cash Flow	8,004	1,198	-8,205	-5,442	-4,367
Inc / Dec (-) in Cash	-10,210	21,686	17,650	19,561	26,310
Opening Cash Balance	62,352	63,289	82,355	1,00,026	1,19,404
Closing Cash Balance	63,289	84,975	1,00,005	1,19,586	1,45,714

Source: Company, JM Financial

Balance Sheet (INR mn)					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Shareholders' Fund	2,98,428	3,26,533	3,63,707	4,06,652	4,55,573
Share Capital	586	581	581	581	581
Reserves & Surplus	2,97,842	3,25,952	3,63,126	4,06,072	4,54,992
Preference Share Capital	0	0	0	0	0
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
Total - Equity & Liab.	3,53,099	3,95,989	4,25,022	4,60,617	5,02,897
Net Fixed Assets	1,83,615	1,96,942	1,98,995	1,99,588	2,00,167
Gross Fixed Assets	2,16,564	2,35,843	2,55,843	2,75,843	2,97,343
Intangible Assets	5,952	6,180	6,180	6,180	6,180
Less: Depn. & Amort.	77,587	94,081	1,12,028	1,31,434	1,52,356
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	2,51,757	2,85,462	3,12,835	3,55,314	4,04,341
Inventories	98,082	1,05,437	1,06,779	1,20,457	1,32,662
Sundry Debtors	48,167	57,459	60,092	66,059	72,922
Cash & Bank Balances	63,289	82,355	1,00,026	1,19,404	1,45,632
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	89,324	96,802	1,04,128
Current Liabilities	44,542	41,889	48,443	53,965	59,235
Provisions & Others	40,948	47,042	40,881	42,837	44,893
Net Current Assets	1,66,268	1,96,531	2,23,511	2,58,511	3,00,213
Total - Assets	3,53,099	3,95,989	4,25,023	4,60,616	5,02,897

Source: Company, JM Financial

Dupont Analysis					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Margin	11.3%	11.0%	11.8%	12.3%	12.7%
Asset Turnover (x)	0.9	0.8	0.8	0.8	0.8
Leverage Factor (x)	1.2	1.2	1.2	1.1	1.1
RoE	11.6%	11.2%	11.5%	11.8%	12.1%

Key Ratios					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
BV/Share (INR)	509.3	562.2	626.2	700.2	784.4
ROIC	11.5%	11.1%	11.7%	12.5%	13.6%
ROE	11.6%	11.2%	11.5%	11.8%	12.1%
Net Debt/Equity (x)	0.0	0.0	-0.1	-0.1	-0.2
P/E (x)	21.1	19.6	17.2	15.1	13.2
P/B (x)	2.3	2.1	1.9	1.7	1.5
EV/EBITDA (x)	11.8	10.4	9.5	8.2	6.9
EV/Sales (x)	2.4	2.2	2.0	1.7	1.5
Debtor days	61	66	65	65	65
Inventory days	123	121	116	119	118
Creditor days	70	61	66	67	67

Source: Company, JM Financial

History of Recommendation and Target Price

Date	Recommendation	Target Price	% Chg.
30-Jul-24	Buy	1,640	
13-Aug-24	Buy	1,710	4.3
4-Sep-24	Buy	1,710	0.0
11-Nov-24	Buy	1,755	2.6
10-Feb-25	Buy	1,680	-4.3

Recommendation History



APPENDIX I

JM Financial Institutional Securities Limited

Corporate Identity Number: U67100MH2017PLC296081

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Rating	Meaning
Buy	Total expected returns of more than 10% for stocks with market capitalisation in excess of INR 200 billion and REITs* and more than 15% for all other stocks, over the next twelve months. Total expected return includes dividend yields.
Hold	Price expected to move in the range of 10% downside to 10% upside from the current market price for stocks with market capitalisation in excess of INR 200 billion and REITs* and in the range of 10% downside to 15% upside from the current market price for all other stocks, over the next twelve months.
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* REITs refers to Real Estate Investment Trusts.

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