

BSE SENSEX	S&P CNX
82,566	25,419



Stock Info

Bloomberg	ARBP IN
Equity Shares (m)	581
M.Cap.(INRb)/(USDb)	668.3 / 7.3
52-Week Range (INR)	1279 / 994
1, 6, 12 Rel. Per (%)	-2/-3/-10
12M Avg Val (INR M)	1379
Free float (%)	48.2

Financials Snapshot (INR b)

Y/E MARCH	FY26E	FY27E	FY28E
Sales	326.5	366.2	408.0
EBITDA	69.6	80.2	90.6
Adj. PAT	36.0	45.1	52.6
EBIT Margin (%)	15.9	16.7	17.3
Cons. Adj. EPS (INR)	61.9	77.7	90.6
EPS Gr. (%)	1.5	25.4	16.6
BV/Sh. (INR)	620.2	693.8	778.4

Ratios

Net D:E	-0.1	-0.2	-0.2
RoE (%)	10.5	11.8	12.3
RoCE (%)	9.3	10.8	11.5
Payout (%)	6.5	5.2	6.6

Valuations

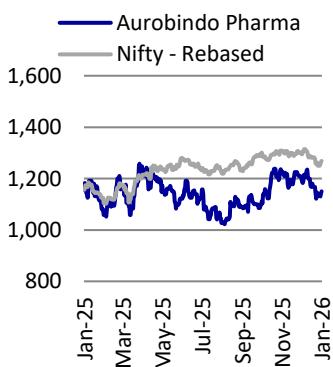
P/E (x)	18.6	14.8	12.7
EV/EBITDA (x)	9.3	7.6	6.4
Div. Yield (%)	0.3	0.3	0.5
FCF Yield (%)	3.6	5.4	4.6
EV/Sales (x)	2.0	1.7	1.4

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)



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Aurobindo Pharma

CMP: INR1,151 TP: INR1,430 (+24%)

Buy

Pen-G policy tailwind kicks in

INR5.5b–6.6b EBITDA upside over the next 12 months

- Minimum import duties on Pen-g, 6-APA, and amoxicillin sales are expected to boost Aurobindo Pharma's (ARBP) overall performance over the next one year.
- We build in an INR5.5b-INR6.6b EBITDA, including PLI income, from this project over the next 12M.
- ARBP is implementing multiple growth drivers by building a product pipeline for developed markets as well as capacities across the manufacturing value chain. It has the highest ANDA filings for the US market in the India-listed space. While the goal is to have compliance in place for successful product approvals across sites, the resolution of regulatory issues at Eugia – III remains the key for injectable launches.
- Overall, we expect a 21% earnings CAGR over FY26-28 on the back of: a) biosimilars/EU prospects, and b) benefits from PLI-led PENG-project and the integration of Lannett. We value ARBP at 16x 12M forward earnings to arrive at a TP of INR1,430. Reiterate BUY.

Minimum import price on PEN-G, 6-APA, and Amoxicillin salts

- Based on a recent notification from the Director General of Foreign Trade (DGFT), imports of Penicillin-g for domestic consumption are restricted at values less than INR2,216 (USD24) per kg for the next one year.
- Similarly, imports of 6-APA for domestic consumption are restricted at values less than INR3,405 (USD37) per kg. Amoxicillin sales are also restricted at values less than INR2,733 (USD29.7) per kg.
- This policy was long-awaited to protect domestic antibiotic makers from international companies supplying at much lower prices. Pen-G serves as the backbone for widely-used antibiotics, such as Amoxicillin and Ampicillin, which are critical to India's primary healthcare system. The dependence was entirely on imports for these fermentation-based inputs.

Advantage ARBP

- ARBP participated in the PLI scheme launched by the government of India in 2020. 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.
- ARBP commenced commercial Pen-G operations in Jul'25 after receiving regulatory approvals; the ramp-up is progressing as planned, with anticipation of meaningful profitability.
- Facility capacities stand at 15,000MT p.a. for Pen-G and 5,400MT for 6-APA. 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 12000-13000TPA. The entire demand of 6-APA of about 4000 TPA is met from imports, and ARBP can fulfill the entire domestic demand. The domestic demand for Amoxicillin salts is 4000TPA.

- The minimum import duty on these products and the availability of manufacturing capacity would not only enable domestic sales but also drive better economic viability on investment in this PLI project.

Valuation and view

- The implementation of the minimum import price provides an overall benefit of INR5.5b-INR6.6b, comprising economies of scale and production-linked income from the government of India. In addition, the import of 6-APA is expected to shift to domestic production to a great extent, paving the way for 'Atma-nirbhar Bharat'.
- Based on new approvals and market share gains in the US market, superior execution in EU markets, and the implementation of the PEN-G project under the PLI scheme, we expect a 9%/14%/21% CAGR in revenue/EBITDA/PAT over FY26-28. We value ARBP at 16x 12M forward earnings to arrive at a TP of INR1,430. Reiterate BUY.

Exhibit 1: Valuation snapshot

Company	Reco	MCap (USD b)	EPS (INR)			EPS Growth 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	3.7	83.0	99.7	111.7	11.1	20.0	12.1	32.5	27.0	24.1	23.6	19.7	18.7	24.9	24.8	23.2
Alembic Pharma	Neutral	1.6	36.2	44.9	53.7	24.1	24.1	19.7	21.1	17.0	14.2	13.2	11.0	9.1	12.8	14.2	14.9
Alkem Lab	Neutral	7.4	197.0	185.8	207.3	8.8	-5.7	11.6	29.0	30.7	27.5	25.5	21.9	20.1	18.4	15.5	15.6
Aurobindo Pharma	Buy	7.3	61.9	77.7	90.6	1.5	25.4	16.6	18.6	14.8	12.7	9.3	7.6	6.4	10.5	11.8	12.3
Biocon	Buy	5.4	3.0	7.1	9.4	97.4	139.4	32.4	123.4	51.5	38.9	18.7	15.0	12.7	2.2	5.1	6.4
Cipla	Neutral	11.7	54.0	53.6	61.6	-14.0	-0.7	14.9	24.5	24.6	21.4	16.9	16.4	13.7	12.4	11.1	11.5
Divi's Lab.	Neutral	17.9	91.1	114.9	137.0	12.2	26.1	19.3	66.3	52.6	44.1	47.9	38.6	32.0	15.3	17.2	18.1
Dr Reddy's Labs	Neutral	11.1	66.2	66.1	68.5	-1.7	-0.1	3.7	18.3	18.3	17.6	11.8	10.1	9.1	15.2	13.4	12.3
ERIS Lifescience	Neutral	2.0	36.0	50.8	61.1	40.4	41.3	20.2	37.3	26.4	22.0	17.3	14.3	12.2	16.1	19.5	19.6
Gland Pharma	Buy	3.0	57.5	71.4	83.3	35.7	24.1	16.6	31.3	25.2	21.6	16.7	13.6	11.4	9.9	11.0	11.5
Glenmark Pharma.	Buy	6.1	19.1	77.5	87.4	-60.0	305	12.8	104.0	25.7	22.7	38.7	16.1	13.9	5.9	21.2	19.7
Glaxosmiti Pharma	Neutral	4.5	61.3	70.6	79.8	13.7	15.1	13.1	38.5	33.5	29.6	29.4	25.3	21.7	41.2	36.8	32.7
Granules India	Buy	1.5	23.9	32.0	39.0	23.8	34.2	21.7	24.0	17.9	14.7	12.8	10.3	8.6	14.8	17.1	17.6
Ipca Labs.	Buy	4.0	42.8	52.0	61.6	19.1	21.4	18.5	34.6	28.5	24.1	19.8	16.3	13.5	14.7	15.7	16.2
Laurus Labs	Buy	5.9	15.9	17.8	21.3	174.1	11.9	19.8	61.1	54.6	45.5	31.8	28.1	24.2	17.3	16.8	17.4
Lupin	Neutral	10.5	102.9	100.1	102.6	43.0	-2.7	2.5	20.7	21.3	20.8	12.8	12.7	11.8	23.4	18.3	15.9
Mankind Pharma	Buy	9.5	45.6	59.3	72.1	-8.8	30.0	21.5	46.1	35.4	29.2	25.9	21.1	17.8	12.5	14.6	15.8
Piramal Pharma	Buy	2.2	-1.5	1.0	2.8	PL	LP	169.6	NM	147.5	54.7	26.3	19.7	16.1	-2.5	1.7	4.5
Rubicon Research	Buy	1.2	13.6	18.3	24.6	66.8	35	33.9	49.8	37.0	27.6	29.4	23.3	18.1	25.6	22.5	24.4
Sun Pharma	Buy	42.0	49.2	57.5	64.7	4.4	16.8	12.6	32.3	27.7	24.5	22.0	18.6	15.9	15.4	16.0	15.8
Torrent Pharma.	Neutral	14.6	69.4	83.8	103.2	20.2	20.7	23.2	56.5	46.8	38.0	31.9	27.1	22.5	28.2	28.4	29.1
Zydus Lifesciences	Neutral	9.8	44.6	44.7	48.9	-3.0	0.0	9.4	19.9	19.9	18.2	12.8	12.4	11.2	17.1	14.8	14.2

Source: MOFSL, Company

Story in charts

Exhibit 2: Expect sales CAGR of 9% over FY25-28

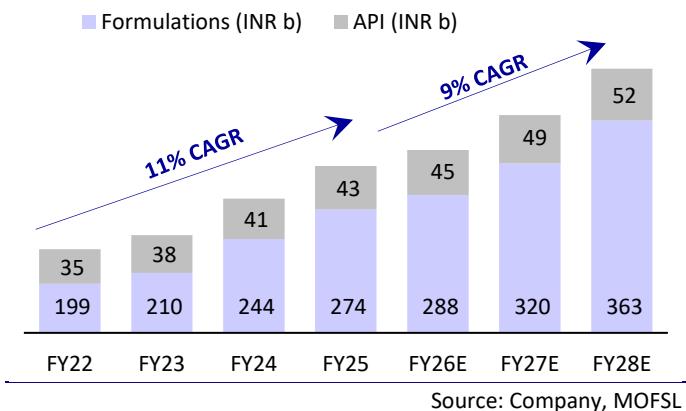


Exhibit 3: US sales to clock 5% CAGR over FY25-28

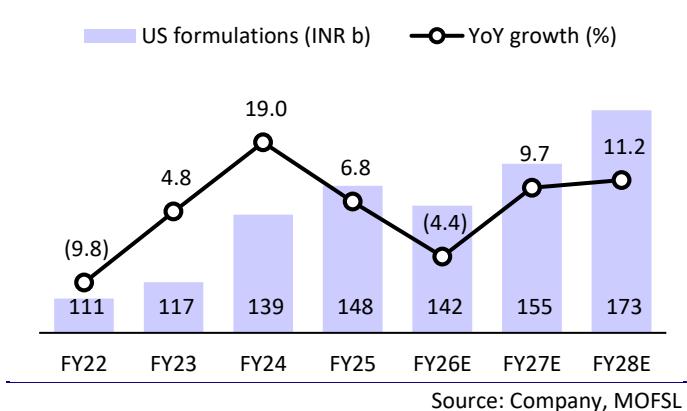


Exhibit 4: EBITDA margin to be in the range of 20-22%

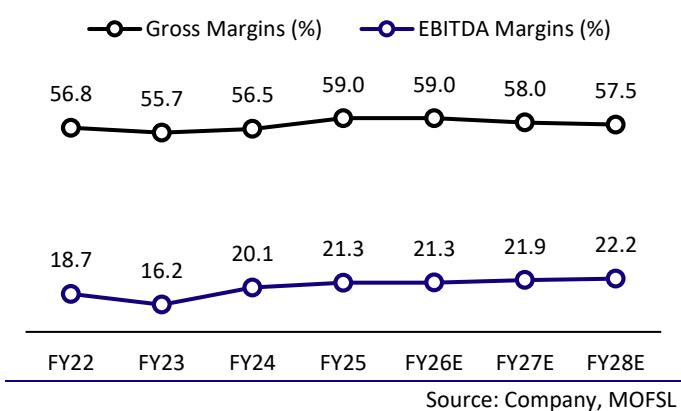


Exhibit 5: EBITDA to clock 10% CAGR over FY25-28

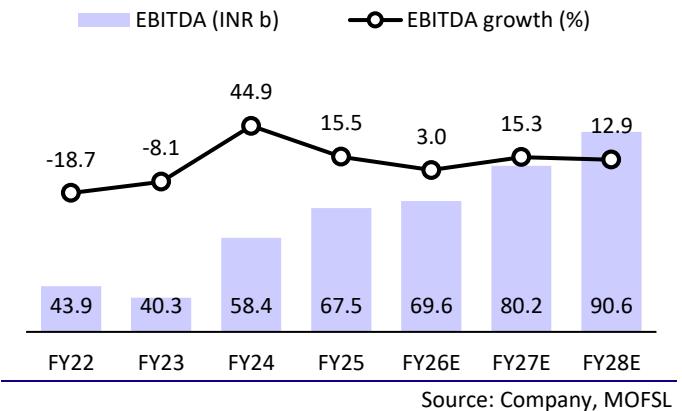


Exhibit 6: R&D expense to increase over FY25-28

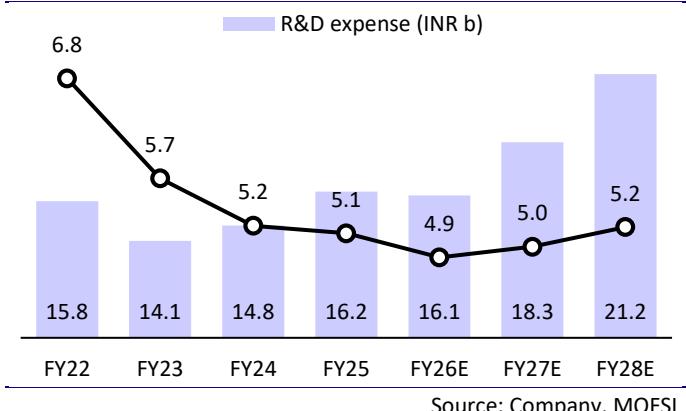
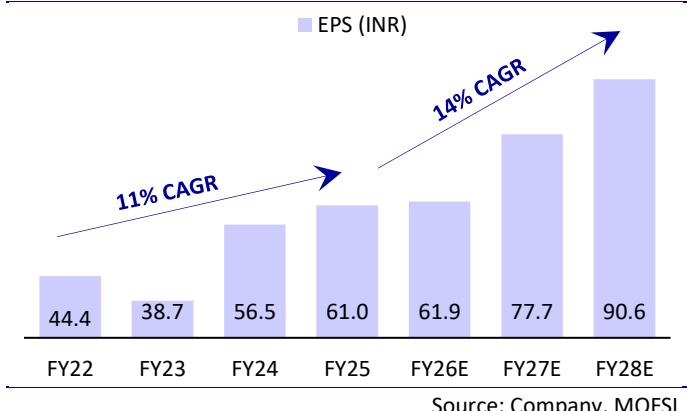


Exhibit 7: Expect EPS CAGR of 14% over FY25-28



Financials and valuations

Consolidated - Income Statement							(INRm)
Y/E March	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Total Income	2,34,555	2,48,554	2,90,019	3,17,237	3,26,475	3,66,234	4,07,953
Change (%)	-5.3	6.0	16.7	9.4	2.9	12.2	11.4
EBITDA	43,868	40,336	58,430	67,505	69,559	80,205	90,566
Margin (%)	18.7	16.2	20.1	21.3	21.3	21.9	22.2
Depreciation	11,265	12,446	15,217	16,494	17,492	19,008	19,918
EBIT	32,603	27,891	43,213	51,011	52,067	61,197	70,648
Interest exp	486	1,405	2,897	4,572	3,778	3,052	2,414
Other Income	2,504	2,906	5,186	5,364	4,989	5,100	5,200
PBT bef. EO Exp.	34,620	29,392	45,502	51,804	53,278	63,245	73,434
EO Items	-580	-996	2,306	-823	46	0	0
PBT after EO Exp.	34,040	28,396	47,809	50,981	53,324	63,245	73,434
Current Tax	7,256	6,848	12,110	18,172	17,163	18,025	20,708
Tax Rate (%)	21.3	24.1	25.3	35.6	32.2	28.5	28.2
Less: Minority Int	313	-132	132	-294	172	120	120
Reported PAT	26,471	21,417	35,567	32,515	35,989	45,100	52,606
Adjusted PAT	25,800	22,484	32,838	35,430	35,956	45,100	52,606
Change (%)	-18.5	-12.9	46.1	7.9	1.5	25.4	16.6
Margin (%)	11.0	9.0	11.3	11.2	11.0	12.3	12.9

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	2,45,174	2,67,813	2,97,842	3,25,952	3,59,619	4,02,396	4,51,517
Net Worth	2,45,760	2,68,398	2,98,428	3,26,533	3,60,199	4,02,977	4,52,097
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	2,70,692	3,14,255	3,53,099	3,95,989	4,12,792	4,42,230	4,80,781
Gross Block	1,58,447	1,75,442	2,27,716	2,52,042	2,65,042	2,78,042	2,91,042
Less: Accum. Deprn.	49,784	62,230	77,447	93,941	1,11,433	1,30,441	1,50,359
Net Fixed Assets	1,08,663	1,13,212	1,50,270	1,58,101	1,53,609	1,47,601	1,40,683
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.	1,83,567	2,22,561	2,51,251	2,85,462	2,85,986	3,29,319	3,78,387
Inventory	75,539	85,112	98,082	1,05,437	1,08,851	1,15,890	1,43,454
Account Receivables	40,123	44,664	48,167	58,543	61,717	75,253	77,120
Cash and Bank Balance	41,900	60,842	62,783	82,355	88,603	1,11,360	1,30,997
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	68,161	76,048	79,646
Account Payables	27,031	38,713	44,542	41,889	37,536	45,423	49,021
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	1,17,928	1,44,691	1,65,762	1,96,531	2,17,826	2,53,271	2,98,740
Appl. of Funds	2,70,692	3,14,255	3,53,099	3,95,989	4,12,792	4,42,230	4,80,781

Financials and valuations

Ratios

Y/E March	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
EPS	44.4	38.7	56.5	61.0	61.9	77.7	90.6
Cash EPS	63.3	59.7	82.0	89.4	92.0	110.4	124.9
BV/Share	419.5	458.4	509.3	562.2	620.2	693.8	778.4
DPS	3.5	4.0	4.0	4.0	4.0	4.0	6.0
Payout (%)	7.7	10.9	6.6	7.1	6.5	5.2	6.6
Valuation (x)							
P/E	25.9	29.7	20.3	18.9	18.6	14.8	12.7
Cash P/E	18.2	19.3	14.0	12.9	12.5	10.4	9.2
P/BV	2.7	2.5	2.3	2.0	1.9	1.7	1.5
EV/Sales	2.8	2.7	2.3	2.1	2.0	1.7	1.4
EV/EBITDA	15.0	16.4	11.6	10.0	9.3	7.6	6.4
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	42.0	62.8	53.4
Return Ratios (%)							
RoE	11.1	8.7	11.6	11.3	10.5	11.8	12.3
RoCE	10.3	8.0	10.7	9.5	9.3	10.8	11.5
RoIC	13.7	10.8	14.0	12.2	12.4	15.0	16.6
Working Capital Ratios							
Fixed Asset Turnover (x)	1.5	1.4	1.3	1.3	1.2	1.3	1.4
Inventory (Days)	298	266	265	286	297	267	273
Debtor (Days)	58	62	58	61	67	68	68
Creditor (Days)	99	109	121	121	110	98	99
Working Cap. (Days)	258	219	203	226	254	236	242
Leverage Ratio (x)							
Current Ratio	2.8	2.9	2.9	3.2	4.2	4.3	4.8
Interest Cover Ratio	67	20	15	11	14	20	29
Net Debt/Equity	-0.1	0.0	0.0	0.0	-0.1	-0.2	-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	53,278	63,245	73,434
Depreciation	11,265	12,446	15,217	16,494	17,492	19,008	19,918
Interest / Dividend received	-2,018	-1,501	-2,289	-792	-1,211	-2,048	-2,786
Direct Taxes Paid	-7,256	-6,848	-12,110	-18,172	-17,163	-18,025	-20,708
(Inc)/Dec in WC	9,188	-7,821	-19,130	-11,197	-15,047	-12,689	-25,832
CF from Operations	45,800	25,668	27,190	38,136	37,349	49,492	44,025
Others	4,364	-996	2,306	-823	46	0	0
CF from Operating incl EO	50,164	24,672	29,496	37,313	37,395	49,492	44,025
(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	24,395	36,492	31,025
(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 networth							
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	-3,778	-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	4,621	4,779	4,875
CF from Fin. Activity	-29,693	34,047	8,854	13,057	-18,146	-13,733	-11,387
Inc/Dec of Cash	-11,645	18,941	1,941	19,573	6,249	22,758	19,638
Opening Balance	54,743	41,900	60,842	62,783	82,355	88,603	1,11,360
Others incl. impact of fx	-1,198						
Closing Balance	41,900	60,842	62,783	82,355	88,603	1,11,360	1,30,997

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NOTES

Explanation of Investment Rating	
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

*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall be within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

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