



Base Business Sustaining Momentum

Est. Vs. Actual for Q2FY26: Revenue – **INLINE**; EBITDA – **INLINE**; PAT – **INLINE**

Changes in Estimates post Q2FY26

FY26E/FY27E: Revenue: 1.1%/1.6%; EBITDA: -2.6%/-1.6%; PAT: -3.4%/-2.0%

Recommendation Rationale:

Growth Driven by Base Business: Aurobindo reported revenue of Rs 8,286 Cr in Q2FY26, broadly in line with expectations. Revenue grew 6.3% YoY and 5.3% QoQ, supported by strong performance in its core base business. Consolidated growth was maintained despite limited contribution from Revlimid, which is expected to taper off entirely from Q3 onwards.

Gross Margins Improved: Gross margins expanded by 88 bps YoY and 126 bps QoQ, reflecting a structural improvement driven by a superior formulation mix, a leaner cost structure, and an improved product mix across the U.S. and Europe. EBITDA stood at Rs 1,678 Cr, translating to a margin of 20.2%. Management reiterated its guidance of maintaining EBITDA margins in the range of 20–21% for FY26.

Ramp-up in Pen-G: The Pen-G facility continues to progress well, currently operating at around 40–50% utilization, translating to an annualized output of approximately 6,000 MT. The company aims to gradually scale up production to 15,000 MT, contingent upon the implementation of the Minimum Import Price (MIP) policy.

New Launches: On the new launches front, Aurobindo remains focused on strengthening its U.S. and European portfolios through a mix of complex generics and differentiated oral and injectable products. The company continues to enhance its presence in chronic therapies and hospital channels, while the Lannett acquisition is expected to meaningfully expand its footprint in the U.S. and Europe, steadily adding injectables and higher-margin Rx products.

Sector Outlook: **Positive**

Company Outlook & Guidance: Aurobindo remains well-positioned to sustain its growth momentum over the coming quarters, supported by pricing stability in the U.S. base business, continued strong traction in Europe, and healthy uptake in growth markets and ARVs. The company reiterated confidence in achieving its FY26 EBITDA margin guidance of 20%–21%, driven by an improving product mix, stronger operating leverage, and manufacturing efficiency gains. Key strategic platforms—including Pen-G backward integration, scaling of the China sterile facility, and commercialization of biosimilar and peptide portfolios—are expected to serve as meaningful value drivers over the medium term, with incremental contributions anticipated from FY27 onward. Furthermore, the Lannett acquisition is set to enhance the company's presence in the U.S. injectable and institutional channels, supporting sustained revenue visibility. Notably, no new greenfield capex is planned for the next three years, underscoring the company's focus on optimizing existing assets and driving returns on invested capital.

Current Valuation: PE 17x for Dec'FY27E Earnings (Earlier Valuation: PE 18x/H1FY27E)

Current TP: Rs 1,345/share (Earlier TP: Rs 1,400/share)

Recommendation: **BUY**

Key Financials (Consolidated)

(Rs Cr)	Q2FY26	QoQ (%)	YoY (%)	Axis Est.	Variance
Net Sales	8,286	5.3	6.3	8,103	2.3
EBITDA	1,678	6.3	7.1	1,642	2.2
EBITDA Margin	20.2%	47	16	20.3%	
Net Profit	848	0.3	3.8	862	-1.7
EPS (Rs)	14.6	0.3	3.8	14.7	-1.0

Source: Company, Axis Securities Research

(CMP as of 06th November, 2025)

CMP (Rs)	1,141
Upside/Downside (%)	18%
High/Low (Rs)	1,417/1,010
Market cap (Cr)	66,060
Avg. daily vol. (6m)Shrs.	12,90,000
No. of shares (Cr)	58.08

Shareholding (%)

	Mar-25	Jun-25	Sep-25
Promoter	51.8	51.8	51.8
MFs	15.3	14.4	14.2
IFs / UTI	18.2	19.0	19.3
Others	14.6	14.8	14.7

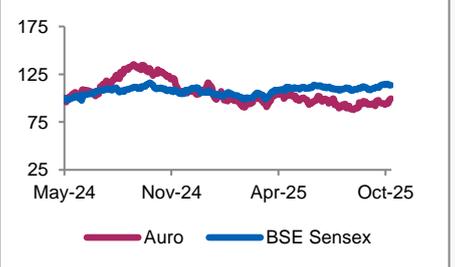
Financial & Valuations

Y/E Mar (Rs Cr)	FY25	FY26E	FY27E
Net Sales	31,724	34,703	38,868
EBITDA	6,583	7,357	8,473
Net Profit	3,484	4,173	4,787
EPS (Rs)	60.0	71.8	82.4
PER (x)	18.8	15.7	13.7
EV/EBITDA (x)	10.0	8.5	7.1
P/BV (x)	2.0	1.8	1.6
ROE (%)	10.7	11.4	11.7

Change in Estimates (%)

Y/E Mar	FY26E	FY27E
Sales	1.1%	1.6%
EBITDA	-2.6%	-1.6%
PAT	-3.4%	-2.0%

Relative Performance



Source: Ace Equity

Result Gallery

[Q1FY26](#)

[Q4FY25](#)

[Q3FY25](#)

[Q2FY25](#)

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Financial Performance

- **Aurobindo Pharma's Q2FY26 performance was steady**, reflecting continued recovery across core businesses. The company reported revenue of Rs 8,286 Cr, up 6.3% YoY and 5.3% QoQ, led by sustained momentum in the U.S. base business, strong traction in Europe, and a sharp rebound in the ARV segment. In the U.S., revenue stood at \$417 Mn, with the oral solids (ex-gRevlimid) portfolio growing 6% QoQ and injectables also rising 6% QoQ, supported by new launches and supply normalization. Europe maintained its growth trajectory, rising 18% YoY to €243 Mn, keeping the company on track to comfortably cross \$1 Bn annual revenue in the region by FY26-end. API revenues stood at Rs 961 Cr, reflecting continued pricing pressure. The ARV formulations business delivered a strong 69% YoY growth to Rs 325 Cr, supported by higher tender allocations and volume uptick. Growth markets grew 8.6% YoY to Rs 882 Cr, aided by steady demand across key geographies
- **EBITDA** for the quarter came in at Rs 1,678 Cr, up 7% YoY, with margins at 20.3%, supported by improved product mix and operating leverage. R&D spend was Rs 414 Cr, or ~5% of revenues, as the company continues to invest in complex generics, peptides, injectables, and biosimilars. Capex was \$106 Mn during the quarter, in line with ongoing biosimilar development, capacity ramp-up, and manufacturing optimization programs. The company generated net cash inflow of \$57 Mn, improving its net cash position to \$170 Mn as of September 2025. PAT stood at Rs 848 Cr, reflecting stable profitability despite normalization in gRevlimid contribution.
- **Upcoming Pipelines and Growth Drivers:** Aurobindo's Pen-G backward integration project is progressing well, with the plant currently in the stabilization phase and expected to become fully operational over the next couple of quarters. Management indicated that once Pen-G reaches scale, it will be a material margin accretor, with the potential to lift consolidated gross margins toward 60%. In the biosimilars segment, capacity expansion at CuraTeQ is now being commissioned, and the new vial filling line is expected to be fully qualified by Q1FY27, enabling commercial readiness. Meanwhile, Theranym's large-scale bioreactor facility is on track for inauguration by mid-FY27, supported by an expanded product collaboration scope with MSD. On the sterile injectables front, the China facility has begun commercial supplies, while the US-based Dayton site is awaiting regulatory approval and remains a key medium-term growth driver. Revenue contribution from Pen-G and biosimilars is expected to scale meaningfully from FY27 onward, with steady ramp-up thereafter.

Outlook:

Aurobindo Pharma is well-positioned to sustain its growth momentum in FY26, supported by stable performance in the U.S. base business, continued strong traction in Europe, and a healthy rebound in ARV and growth markets. Management reiterated its expectation of high single-digit consolidated revenue growth (ex-one-offs) for FY26, driven by new launches, improved supply chain normalization, and scale benefits across key geographies. The company aims to maintain EBITDA margins around the 20–21% range, supported by better product mix, operating leverage from Europe, and increasing contribution from injectables and specialty formulations. Capacity expansion and manufacturing optimization remain central to execution: the China sterile facility has commenced commercial supplies, while the Dayton (US) site is progressing toward regulatory approval and is expected to be an important contributor in the medium term.

On the innovation and complex portfolio front, Aurobindo continues to deepen capabilities across injectables, peptides, and respiratory therapies, aided by partnerships and internal R&D. In biosimilars, commissioning of expanded bioreactor and filling capacities at CuraTeQ is underway, while the Theranym large-scale facility is on track for readiness by mid-FY27, with the recent portfolio scope expansion with MSD reinforcing long-term visibility. The Pen-G backward integration project is currently in the stabilization phase, with management highlighting its potential to materially improve gross margins once fully scaled. Overall, Aurobindo remains confident of delivering sustained, profitable growth, supported by a stronger specialty pipeline, disciplined capex, and improving return ratios over the next 12–24 months.

Valuations & Recommendation

Aurobindo Pharma's future outlook remains strong, supported by upcoming product launches and strategic initiatives in areas such as entry into Biosimilars, peptides, and CDMO services. **We maintain our BUY recommendation on the stock with a TP of Rs 1,345/share.**

Key Risks to Our Estimates and TP

- The USFDA inspection and issuing of WL/OAI or 483 observations may impact the revenue growth.
- Entry of new players may increase pricing pressures in the injectable portfolio.
- Delay in the launch of Biosimilars in the market.

Change in Estimates

(Rs Cr)	New		Old		% Change	
	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E
Sales	34,703	38,868	34,335	38,266	1.1%	1.6%
EBITDA	7,357	8,473	7,554	8,610	-2.6%	-1.6%
PAT	4,173	4,787	4,321	4,885	-3.4%	-2.0%

Source: Company, Axis Securities Research

Results Review

Particulars (Rs Cr)	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26	YoY (%)	QoQ (%)
Sales	7,796	7,979	8,382	7,868	8,286	6.3	5.3
Other Operating Income	0	0	0	0	0		
Net Sales	7,796	7,979	8,382	7,868	8,286	6.3	5.3
Growth (%)	8.0%	8.5%	10.6%	4.0%	6.3%		
Total Expenditure	6,230	6,401	6,590	6,265	6,608	6.1	5.5
Raw Material Consumed	3,210	3,315	3,428	3,239	3,339	4.0	0.7
% of sales	41.2%	41.6%	40.9%	41.2%	40.3%		
Gross margins %	58.8%	58.4%	59.1%	58.8%	59.7%	88	126
Employee Expenses	1,109	1,132	1,163	1,229	1,277	15.1	12.9
% of sales	14.2%	14.2%	13.9%	15.6%	15.4%		
Forex	0	50	0	0	0		
Other Expenses	1,910	1,904	2,000	1,797	1,991	-0.3	-0.3
% of sales	24.5%	23.9%	23.9%	22.8%	24.0%		
EBITDA	1,566	1,578	1,792	1,603	1,678	7.1	6.3
EBITDAM (%)	20.1%	19.8%	21.4%	20.4%	20.2%	16	47
Interest	113	118	115	98	95		
Depreciation	382	419	444	406	429		
Share of JV	0	2	-32	2	2		
Exceptional Items	0	0	0	0	0		
Other Income	136	157	135	105	121		
PBT	1,207	1,200	1,335	1,207	1,276	5.7	6.3
Tax	391	354	432	383	428		
Tax (%)	32.3%	29.5%	32.4%	31.7%	33.5%		
Reported PAT	817	846	903	824	848	3.8	0.3

Source: Company, Axis Securities Research

Geographical Breakup

Particulars (Rs Cr)	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26	YoY (%)	QoQ (%)
USA	3,530	3,671	4,072	3,488	3,638	3.1	4.3
EU	2,105	2,121	2,147	2,338	2,480	17.8	6.1
Growth markets	812	873	786	772	882	8.6	14.2
ARV	193	307	306	355	325	68.4	-8.5
Betalactum	837	722	789	633	668	-20.2	5.5
Non Betalactum	319	284	280	283	292	-8.5	3.2

Source: Company, Axis Securities Research

Financials (consolidated)

Profit & Loss

(Rs Cr)

Y/E Mar, Rs Cr	FY25	FY26E	FY27E	FY28E
Net Sales	31,724	34,703	38,868	43,392
Growth (%)	9.4%	9.4%	12.0%	11.6%
Total Expenditure	25,141	27,346	30,394	33,846
Raw Material Consumed	13,026	14,575	16,324	18,225
% of sales	41.1%	42.0%	42.0%	42.0%
Gross margins (%)	58.9%	58.0%	58.0%	58.0%
Employee Expenses	4,476	4,858	5,247	5,901
% of sales	14.1%	14.0%	13.5%	13.6%
Other Expenses	7,639	7,912	8,823	9,720
% of sales	24.1%	22.8%	22.7%	22.4%
EBIDTA	6,583	7,357	8,473	9,546
EBITDAM (%)	20.8%	21.2%	21.8%	22.0%
Depreciation	1,649	1,779	1,923	2,019
EBIT	4,933	5,578	6,550	7,527
EBITM (%)	15.6%	16.1%	16.9%	17.3%
Interest	457	454	412	370
Other Income	622	460	500	500
Exceptional Items	0	0	0	0
Share of P/L of Associates	-32	-20	10	10
PBT	5,066	5,564	6,648	7,667
Tax Rate (%)	31.2%	25.0%	28.0%	28.0%
Tax	1,583	1,391	1,861	2,147
Reported PAT	3,484	4,173	4,787	5,520

Source: Company, Axis Securities Research

Balance Sheet

(Rs Cr)

Y/E Mar, Rs Cr	FY25	FY26E	FY27E	FY28E
Share Capital	58	58	58	58
Reserves & Surplus	32,589	36,498	41,021	46,278
Shareholders Fund	32,647	36,556	41,079	46,336
Total Debt	8,263	7,563	6,863	6,163
- Deferred Tax (Net)	2,456	2,265	2,107	1,952
- Trade Payables	4,189	4,754	5,324	5,944
Provisions	14,682	15,270	15,854	16,531
Others	49,785	54,091	59,040	64,820
Total Liabilities	1.6	1.6	1.6	1.7
Gross Block	2,284	1,800	1,800	1,200
Depreciation	20,440	22,240	24,040	25,240
% of GB	8,545	10,324	12,248	14,267
Net Block	41.8%	46.4%	50.9%	56.5%
CWIP	11,895	11,916	11,793	10,973
- Fixed Assets	3,266	3,266	3,266	3,266
Investment	22,623	22,884	23,135	22,723
- Deferred Tax (Net)	0	0	0	0
Loans & Advances	10,544	11,409	12,778	14,266
Others	5,746	6,085	6,815	7,608
- Inventories	8,235	10,370	12,569	16,046
- Trade Receivables	2,622	3,328	3,727	4,161
- Cash	27,162	31,208	35,905	42,096
Total Assets	49,785	54,091	59,040	64,820

Source: Company, Axis Securities Research

Cash Flow

(Rs Cr)

Y/E Mar, Rs Cr	FY25	FY26E	FY27E	FY28E
PBT	5,066	5,564	6,648	7,667
Add: Depreciation	1,649	1,779	1,923	2,019
Add: Interest	457	454	412	370
Cash flow from operations	7,173	7,797	8,983	10,056
Change in working capital	1,524	1,054	1,748	1,899
Taxes	1,583	1,391	1,861	2,147
Miscellaneous expenses	0	0	0	0
Net cash from operations	4,066	5,352	5,374	6,010
Capital expenditure	-2,934	-1,800	-1,800	-1,200
Change in Investments	50	0	0	0
Net cash from investing	-2,883	-1,800	-1,800	-1,200
Increase/Decrease in debt	1,615	-700	-700	-700
Dividends	-264	-264	-264	-264
Interest	-457	-454	-412	-370
Others	-120	0	-0	0
Net cash from financing	774	-1,417	-1,375	-1,333
Net Inc./ (Dec.) in Cash	1,957	2,135	2,198	3,477
Opening cash balance	6,278	8,235	10,370	12,569
Closing cash balance	8,235	10,370	12,569	16,046

Source: Company, Axis Securities Research

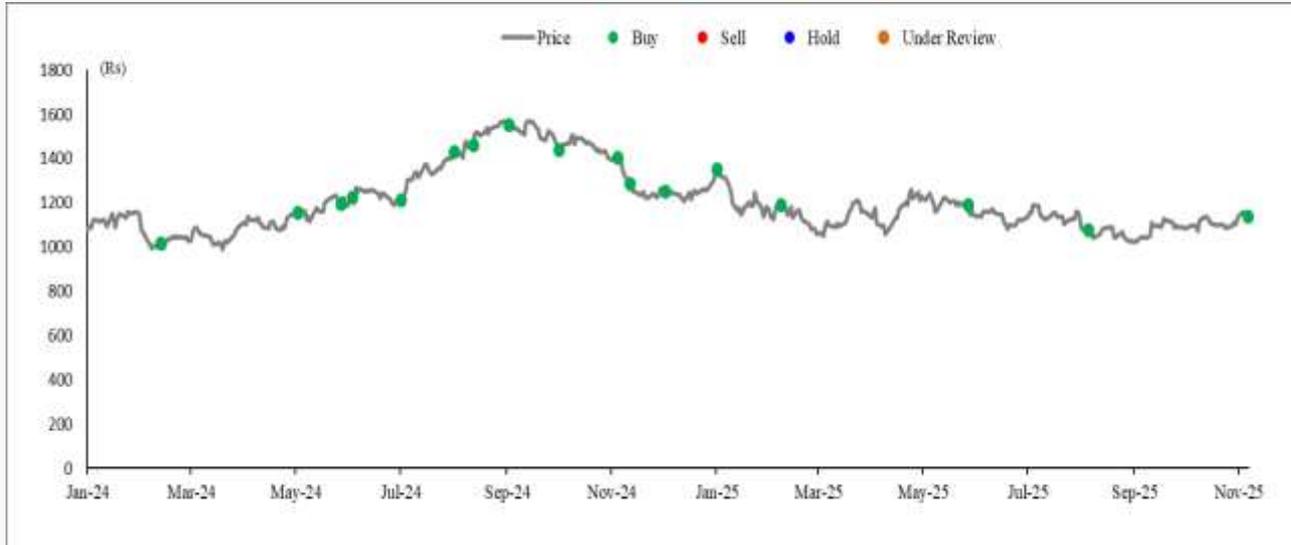
Ratio Analysis

(%)

Y/E Mar, Rs Cr	FY25	FY26E	FY27E	FY28E
Sales growth	9.4	9.4	12.0	11.6
OPM	20.8	21.2	21.8	22.0
Oper. profit growth	12.7	11.8	15.2	12.7
COGS / Net sales	41.1	42.0	42.0	42.0
Overheads/Net sales	38.2	36.8	36.2	36.0
Depreciation / G. block	8.1	8.0	8.0	8.0
Effective interest rate	31.2	25.0	28.0	28.0
Net wkg.cap / Net sales	41.7	41.2	41.3	41.3
Net sales / Gr block (x)	1.6	1.6	1.6	1.7
RoCE	15.5	17.2	19.3	21.7
Debt/equity (x)	0.3	0.2	0.2	0.1
Effective tax rate	31.2	25.0	28.0	28.0
RoE	10.7	11.4	11.7	11.9
Payout ratio (Div/NP)	4.5	4.5	4.5	4.5
EPS (Rs)	60.0	71.8	82.4	95.0
EPS Growth	9.9	19.8	14.7	15.3
CEPS (Rs)	88.4	102.5	115.5	129.8
DPS (Rs)	4.5	4.5	4.5	4.5

Source: Company, Axis Securities Research

Aurobindo Pharma Price Chart and Recommendation History



Date	Reco	TP	Research
12-Feb-24	BUY	1,170	Result Update
02-May-24	BUY	1,265	Top Picks
27-May-24	BUY	1,320	Result Update
03-Jun-24	BUY	1,320	Top Picks
01-Jul-24	BUY	1,330	Top Picks
01-Aug-24	BUY	1,650	Top Picks
12-Aug-24	BUY	1,612	Result Update
02-Sep-24	BUY	1,650	Top Picks
01-Oct-24	BUY	1,730	Top Picks
04-Nov-24	BUY	1,730	Top Picks
11-Nov-24	BUY	1,460	Result Update
02-Dec-24	BUY	1,730	Top Picks
01-Jan-25	BUY	1,500	Top Picks
10-Feb-25	BUY	1,500	Result Update
28-May-25	BUY	1,500	Result Update
06-Aug-25	BUY	1,400	Result Update
07-Nov-25	BUY	1,345	Result Update

Source: Axis Securities Research

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HOLD	Between 10% and -10%
SELL	Less than -10%
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