

Aurobindo Pharma

Lannett integration to strengthen US business

Aurobindo Pharma (Aurobindo) received the necessary approval from US Federal Trade Commission (US-FTC) for the acquisition of the Lannett Inc. (Lannett) business in the US (**US-FTC Order**). In Jul-25, Aurobindo entered into a definitive agreement with Lannett to acquire 100% membership interest in Lannett Company LLC from Lannett Seller Holdco, Inc. The acquisition with consideration is valued at EV of USD 250mn (cash-free, debt-free basis, and normalized working capital of ~USD 100mn), which implies EV/sales of 0.82x, EV/gross profit of 2.7x, and EV/EBITDA at 5.45x (at USD 306 mn sales and 15% EBITDA margin on TTM Apr'24-Mar'25). US-FTC approval came with minor divestment of four products (Mycophenolate oral suspension; Nicotinic acid ER, Pilocarpine, and Rabeprazole sodium DR) which contributes ~USD 5-6mn. The transaction is expected to be completed by Jun-26-end. Aurobindo sees multiple synergy levers such as US base manufacturing to expand presence in US as well as diversified product portfolio and access to government business (local manufacturing), scale-up in production volume (facility running at ~40% utilization level) with optimization of procurement and manufacturing efficiencies to improve profitability, other overheads and administrative cost reduction to support margins. Lannett has multiple products in late-stage development, targeting complex and high-value therapeutic areas. Moreover, select pipeline assets with potential for NCE-1 exclusivity to help build up a specialty business in the US. We see Lannett acquisition as optically inexpensive which could support base business. We have assumed Lannett sales at USD 306mn in FY27 (factoring USD 5-6mn impact from divestment of four products) with EBITDA margin at ~15%. Further, we are factoring a gradual scale-up and cost synergies over the next two years as well as supply disruption at its Eugia unit-3 (classified observations under OAI status). This led to change in estimates: (1) revenue up by 7/9%, (2) EBITDA increase by 4/7%, (3) EBITDA margin dilution of 50/40 bps, and (4) EPS inch-up by 2%/4%, for FY27E (for 9M)/FY28E respectively. We have revised our target price to INR 1,630 (18x FY28E EPS). ADD stays, given visibility of the US base business improvements, Lannett integration, EU growth, ramp-up in Pen-G/ China/US plants, and biosimilar scale-up, all likely to drive steady mid-to-long-term growth. Additionally, Aurobindo has moved a step forward in its biologic CMO initiative and partnered with MSD to provide long-term growth visibility toward its aspiration to be a multi-modality and multi-customer CDMO in next 5-10 years.

- **Deal contours:** Aurobindo to acquire 100% membership interest in Lannett with a cash consideration of USD 250mn (EV/ sales of 0.82x on FY25 sales) on a cash-free, debt-free basis and including normalized levels of working capital. The transaction will be funded through internal accruals.
- **Key rationale for acquisition:** (1) Auro's strategic objective is to expand its US manufacturing (in Seymour, Indiana, US) footprint – with significant excess capacity (425k sq ft facility and ~3.6 bn doses), potential to expand further, and new launches through Lannett network, (2) complementary portfolio of profitable products primarily focused on non-opioid controlled substances, particularly in ADHD therapeutics for which Auro currently has a limited presence as well as growing oral solids and liquids; (3) growing CDMO business.

Financial Summary

| YE March (INR bn) | FY23 | FY24 | FY25 | FY26 | FY27E | FY28E | FY29E |
|-------------------|-------|-------|-------|-------|-------|-------|-------|
| US sales (USD mn) | 1,450 | 1,716 | 1,752 | 1,632 | 1,883 | 1,984 | 2,023 |
| Net Sales | 249 | 290 | 317 | 337 | 409 | 449 | 489 |
| EBITDA | 38 | 58 | 67 | 69 | 84 | 94 | 105 |
| APAT | 20 | 33 | 36 | 36 | 45 | 52 | 60 |
| Diluted EPS (INR) | 33.7 | 56.5 | 61.2 | 61.2 | 77.8 | 90.6 | 103.7 |
| P/E (x) | 45.4 | 27.1 | 25.0 | 25.0 | 19.7 | 16.9 | 14.7 |
| EV / EBITDA (x) | 23.4 | 15.3 | 13.2 | 12.6 | 10.6 | 9.1 | 7.9 |
| RoCE (%) | 9 | 14 | 14 | 13 | 14 | 15 | 15 |

Source: Company, HSIE Research

ADD

| | |
|-------------------------|-----------|
| CMP (as on 24 Jun 2026) | INR 1,530 |
| Target Price | INR 1,630 |
| NIFTY | 24,022 |

| KEY CHANGES | OLD | NEW |
|--------------|----------|----------|
| Rating | ADD | ADD |
| Price Target | INR 1570 | INR 1630 |
| | FY27E | FY28E |
| EPS % | 1.6 | 4.4 |

KEY STOCK DATA

| | |
|------------------------------|-----------------|
| Bloomberg code | ARBP IN |
| No. of Shares (mn) | 581 |
| MCap (INR bn) / (\$ mn) | 889/9,396 |
| 6m avg traded value (INR mn) | 2,072 |
| 52 Week high / low | INR 1,551/1,016 |

STOCK PERFORMANCE (%)

| | 3M | 6M | 12M |
|--------------|------|------|------|
| Absolute (%) | 19.4 | 26.3 | 38.6 |
| Relative (%) | 15.5 | 36.2 | 44.8 |

SHAREHOLDING PATTERN (%)

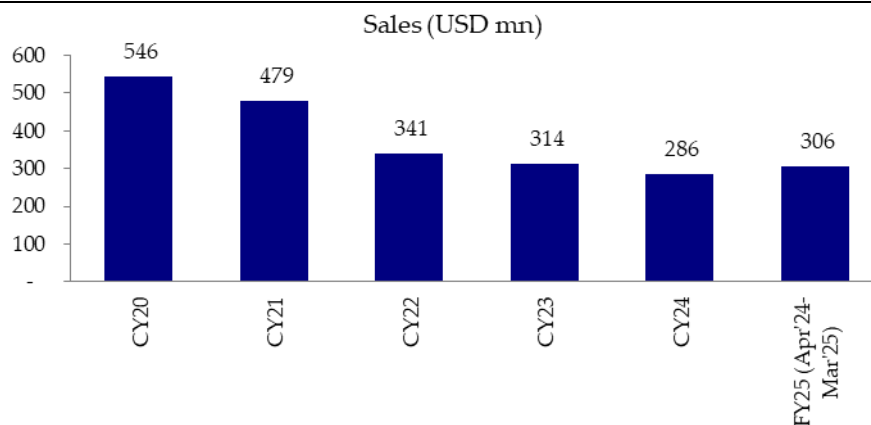
| | Dec-25 | Mar-26 |
|-----------------|--------|--------|
| Promoters | 51.82 | 51.82 |
| FIs & Local MFs | 27.66 | 25.82 |
| FPIs | 13.95 | 15.24 |
| Public & Others | 6.57 | 7.12 |
| Pledged Shares | 17.5 | 23.6 |

Source : BSE

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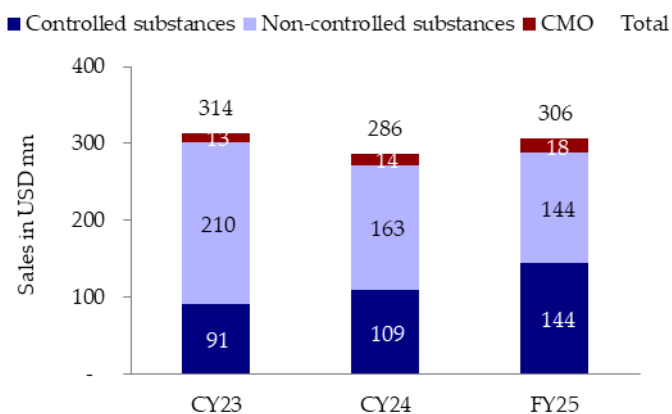
Aurobindo Pharma: Company Update

Exhibit 1: Lannett sales trend



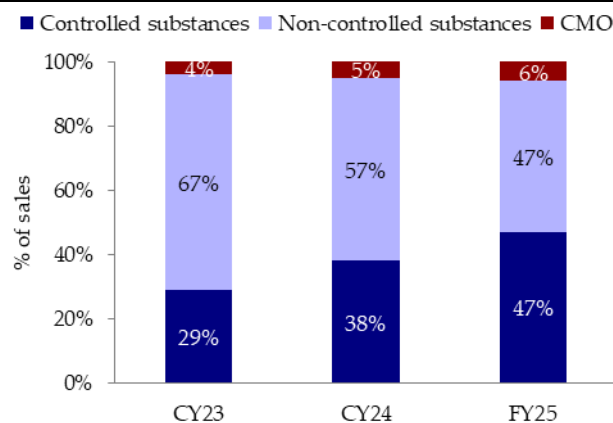
Source: Company, HSIE Research

Exhibit 2: Lannett revenue mix



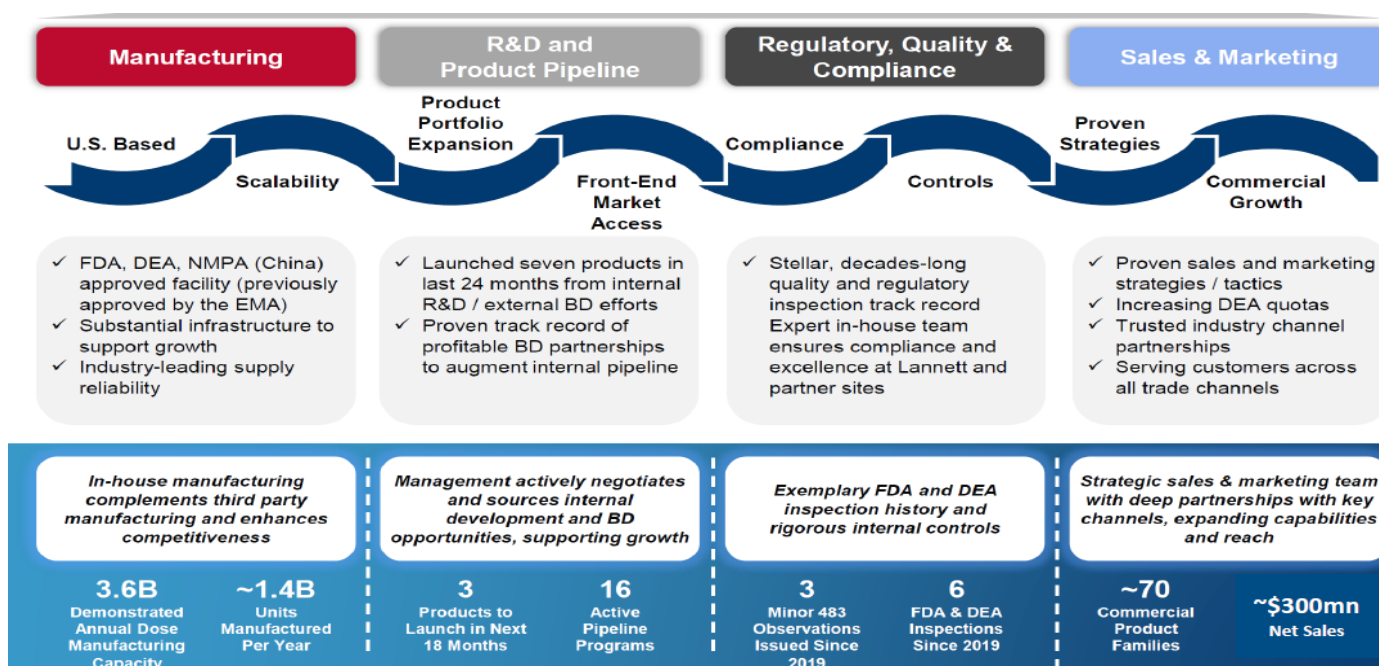
Source: Company, HSIE Research

Exhibit 3: Controlled substance share increasing



Source: Company, HSIE Research

Exhibit 4: Lannett – integrated platform



Source: Company, HSIE Research

Exhibit 5: Potential synergies

| US Manufacturing Facility | Revenue Drivers |
|--|--|
| Capacity: 4 bn annual doses with 40% utilization and strong USFDA and DEA compliance track record. | Strong product portfolio: Diversified range of valuable complex-controlled substance products (non-opioid) with technical and regulatory complexity. |
| Strategic value: Purpose-built facility with room for significant scale-up and meaningful incremental capacity for Aurobindo. | Government business opportunities: Strategic advantage via local manufacturing footprint. |
| Expansion ready: Infrastructure supports rapid capacity expansion to meet future demand. | Access to CDMO business |
| Competitive advantage: US-based site aligns with reshoring initiatives and government procurement preferences. | |
| Cost Synergies | New Product Pipeline |
| Operational leverage: Drive down unit costs by scaling up production volumes at underutilized US facility. Optimize procurement and manufacturing efficiencies across the portfolio. | Robust R&D pipeline: Multiple products in late-stage development, targeting complex and high-value therapeutic areas. |
| SG&A rationalization: Streamline overhead and administrative functions post-closing. Eliminate redundancies and align corporate structures to improve EBITDA margins. | NCE-1 opportunities: Select pipeline assets with potential for NCE-1 exclusivity; Competitive advantage through early market entry. |
| Enhanced margin profile: Synergies expected to materially improve cost base and support long-term competitiveness. | |

Source: Company, HSIE Research

Exhibit 6: Proforma financials

| Particulars | Company | FY27E | FY28E |
|-----------------|------------------|---------|---------|
| Sales (INR mn) | ARBP | 388,000 | 420,890 |
| | Lannett (USD mn) | 225 | 305 |
| | Lannett (INR mn) | 20,904 | 28,377 |
| | ARBP + Lannett | 408,904 | 449,267 |
| | % impact | 5% | 7% |
| EBITDA (INR mn) | ARBP | 80,690 | 89,664 |
| | Lannett (USD mn) | 34 | 50 |
| | Lannett (INR mn) | 3,136 | 4,682 |
| | ARBP + Lannett | 83,825 | 94,346 |
| | % impact | 4% | 5% |
| EBITDA margin % | ARBP | 20.8% | 21.3% |
| | Lannett (USD mn) | 15.0% | 16.5% |
| | Lannett (INR mn) | 15.0% | 16.5% |
| | ARBP + Lannett | 20.5% | 21.0% |
| | % impact | -30 bps | -30 bps |
| PAT (INR mn) | ARBP | 43,061 | 49,464 |
| | Lannett (USD mn) | 29 | 33 |
| | Lannett (INR mn) | 1,698 | 2,640 |
| | ARBP + Lannett | 44,759 | 52,104 |
| | % impact | 4% | 5% |

Source: Company, HSIE Research

Exhibit 7: Revenues, EBITDA, and PAT estimates

| (INR mn) | % of FY26 sales | FY22 | FY23 | FY24 | FY25 | FY26 | FY27E | FY28E | FY29E |
|---------------------------|-----------------|---------|---------|---------|---------|---------|---------|---------|---------|
| US (USDmn) | | 1,492 | 1,450 | 1,716 | 1,752 | 1,632 | 1,883 | 1,984 | 2,023 |
| % growth | | (10) | (3) | 18 | 2 | (7) | 15 | 5 | 2 |
| US | 43 | 111,221 | 116,544 | 142,090 | 148,160 | 144,080 | 175,132 | 184,550 | 188,100 |
| % growth | | (10) | 5 | 22 | 4 | (3) | 22 | 5 | 2 |
| Europe | 31 | 64,803 | 64,256 | 71,660 | 83,560 | 103,150 | 125,520 | 148,631 | 176,250 |
| % growth | | 7 | (1) | 12 | 17 | 23 | 22 | 18 | 19 |
| RoW | 10 | 15,039 | 17,462 | 22,906 | 29,220 | 31,980 | 34,697 | 37,435 | 40,389 |
| % growth | | 5 | 16 | 31 | 28 | 9 | 8 | 8 | 8 |
| India | 1 | - | 2,268 | 2,264 | 2,580 | 3,010 | 4,816 | 5,442 | 6,150 |
| % growth | | | | (0) | 14 | 17 | 60 | 13 | 13 |
| ARV | 4 | 8,330 | 9,544 | 8,680 | 10,370 | 13,840 | 14,947 | 15,246 | 15,551 |
| % growth | | (55) | 15 | (9) | 19 | 33 | 8 | 2 | 2 |
| Total Formulations | 88 | 199,393 | 210,074 | 247,600 | 273,890 | 296,060 | 355,112 | 391,305 | 426,440 |
| % growth | | (8) | 5 | 18 | 11 | 8 | 20 | 10 | 9 |
| API business | 12 | 35,156 | 38,478 | 42,410 | 43,230 | 40,470 | 53,791 | 57,962 | 62,110 |
| % growth | | 14 | 9 | 10 | 2 | (6) | 33 | 8 | 7 |
| Others | 0 | 6 | 2 | 9 | 117 | 1 | 1 | 1 | 1 |
| Total revenues | 100 | 234,555 | 248,554 | 290,019 | 317,237 | 336,531 | 408,904 | 449,267 | 488,551 |
| % growth | | (5) | 6 | 17 | 9 | 6 | 22 | 10 | 9 |
| Gross profit | | 133,152 | 135,621 | 163,990 | 187,500 | 201,647 | 245,751 | 272,256 | 298,016 |
| Gross margin % | | 56.8 | 54.6 | 56.5 | 59.1 | 59.9 | 60.1 | 60.6 | 61.0 |
| EBITDA | | 43,868 | 37,582 | 58,430 | 67,104 | 68,558 | 83,825 | 94,346 | 105,038 |
| EBITDA margin % | | 18.7 | 15.1 | 20.1 | 21.2 | 20.4 | 20.5 | 21.0 | 21.5 |
| Adj PAT | | 26,937 | 19,567 | 32,837 | 35,558 | 35,564 | 44,759 | 52,104 | 59,686 |
| % growth | | (16) | (27) | 68 | 8 | 0 | 26 | 16 | 15 |

Source: Company, HSIE Research

Financials (Consolidated)

Profit & loss (INR mn)

| March | FY22 | FY23 | FY24 | FY25 | FY26 | FY27E | FY28E | FY29E |
|-------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Net sales | 233,666 | 246,171 | 287,045 | 313,781 | 333,847 | 408,904 | 449,267 | 488,551 |
| Other operating income | 889 | 2,383 | 2,974 | 3,456 | 2,683 | 0 | 0 | 0 |
| Total operating income | 234,555 | 248,554 | 290,019 | 317,237 | 336,531 | 408,904 | 449,267 | 488,551 |
| Cost of goods sold | (101,403) | (112,933) | (126,029) | (129,737) | (134,884) | (163,153) | (177,011) | (190,535) |
| Gross profit | 133,152 | 135,621 | 163,990 | 187,500 | 201,647 | 245,751 | 272,256 | 298,016 |
| Gross margin (%) | 57 | 55 | 57 | 59 | 60 | 60 | 61 | 61 |
| Total operating expenses | (89,284) | (98,039) | (105,560) | (120,169) | (132,989) | (161,926) | (177,910) | (192,978) |
| EBITDA | 43,868 | 37,582 | 58,430 | 67,331 | 68,659 | 83,825 | 94,346 | 105,038 |
| EBITDA margin (%) | 18.7 | 15.1 | 20.1 | 21.2 | 20.4 | 20.5 | 21.0 | 21.5 |
| Depreciation | (11,265) | (12,446) | (15,217) | (16,494) | (17,782) | (19,438) | (20,904) | (22,371) |
| EBIT | 32,603 | 25,136 | 43,213 | 50,837 | 50,877 | 64,388 | 73,442 | 82,668 |
| Net interest | (486) | (1,405) | (2,897) | (4,572) | (3,840) | (3,735) | (3,571) | (3,407) |
| Other income | 2,504 | 2,906 | 5,186 | 5,959 | 4,921 | 3,706 | 3,993 | 4,173 |
| Profit before tax | 34,040 | 26,242 | 43,972 | 51,206 | 51,204 | 64,359 | 73,864 | 83,435 |
| Total taxation | (7,256) | (6,849) | (12,110) | (15,827) | (16,089) | (19,635) | (21,795) | (23,784) |
| Tax rate (%) | 21 | 26 | 28 | 31 | 31 | 31 | 30 | 29 |
| Profit after tax | 26,784 | 19,393 | 31,861 | 35,379 | 35,115 | 44,725 | 52,069 | 59,651 |
| Minorities | (10) | 2 | (40) | (23) | (18) | (18) | (18) | (18) |
| Profit/ Loss associate co(s) | (313) | (117) | (172) | (317) | 15 | 17 | 17 | 17 |
| Adjusted net profit | 26,937 | 19,567 | 32,837 | 35,558 | 35,564 | 44,759 | 52,104 | 59,686 |
| Adj. PAT margin (%) | 12 | 8 | 11 | 11 | 11 | 11 | 12 | 12 |
| Net non-recurring items | (455) | (292) | (1,108) | (699) | (517) | 0 | 0 | 0 |
| Reported net profit | 26,482 | 19,275 | 31,730 | 34,859 | 35,047 | 44,759 | 52,104 | 59,686 |

Balance sheet (INR mn)

| March | FY22 | FY23 | FY24 | FY25 | FY26 | FY27E | FY28E | FY29E |
|-------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Paid-up capital | 586 | 586 | 586 | 581 | 581 | 575 | 575 | 575 |
| Reserves & surplus | 245,174 | 267,813 | 297,842 | 325,952 | 378,329 | 412,058 | 460,618 | 516,228 |
| Net worth | 245,741 | 268,519 | 298,508 | 326,469 | 378,828 | 412,534 | 461,076 | 516,669 |
| Borrowing | 28,513 | 52,862 | 66,476 | 82,629 | 80,728 | 77,808 | 74,389 | 70,971 |
| Other non-current liabilities | 5,101 | 6,428 | 6,575 | 6,568 | 12,948 | 14,223 | 14,989 | 15,741 |
| Total liabilities | 339,217 | 398,900 | 450,715 | 497,850 | 585,022 | 630,567 | 684,978 | 746,944 |
| Gross fixed assets | 150,491 | 175,472 | 224,000 | 233,729 | 275,813 | 308,663 | 332,163 | 355,663 |
| Less: Depreciation | (49,925) | (71,195) | (85,023) | (91,967) | (109,749) | (129,187) | (150,091) | (172,462) |
| Net fixed assets | 100,567 | 104,276 | 138,976 | 141,762 | 166,064 | 179,477 | 182,072 | 183,201 |
| Add: Capital WIP | 37,472 | 53,900 | 38,687 | 49,000 | 52,136 | 52,136 | 52,136 | 52,136 |
| Total fixed assets | 138,039 | 158,176 | 177,664 | 190,761 | 218,200 | 231,612 | 234,208 | 235,337 |
| Total Investment | 9,972 | 5,427 | 3,722 | 2,517 | 10,511 | 10,522 | 10,533 | 10,544 |
| Inventory | 75,539 | 85,112 | 98,082 | 105,437 | 120,529 | 148,796 | 163,483 | 177,778 |
| Debtors | 40,123 | 44,664 | 48,167 | 58,543 | 70,944 | 90,868 | 99,837 | 108,567 |
| Cash & bank | 41,900 | 60,842 | 62,783 | 82,355 | 98,703 | 63,770 | 84,743 | 115,026 |
| Loans & advances | 190 | 180 | 187 | 223 | 254 | 297 | 322 | 347 |
| Current liabilities | 59,863 | 71,092 | 79,156 | 82,183 | 112,517 | 126,002 | 134,524 | 143,563 |
| Total current assets | 174,802 | 213,246 | 241,552 | 272,747 | 319,474 | 339,020 | 387,159 | 443,881 |
| Net current assets | 114,939 | 142,154 | 162,396 | 190,564 | 206,957 | 213,018 | 252,635 | 300,318 |
| Other non-current assets | 11,651 | 16,089 | 21,826 | 25,644 | 28,835 | 32,111 | 35,777 | 39,880 |
| Total assets | 339,217 | 398,900 | 450,715 | 497,850 | 585,022 | 630,567 | 684,978 | 746,944 |

Source: Company, HSIE Research

Cash flow (INR mn)

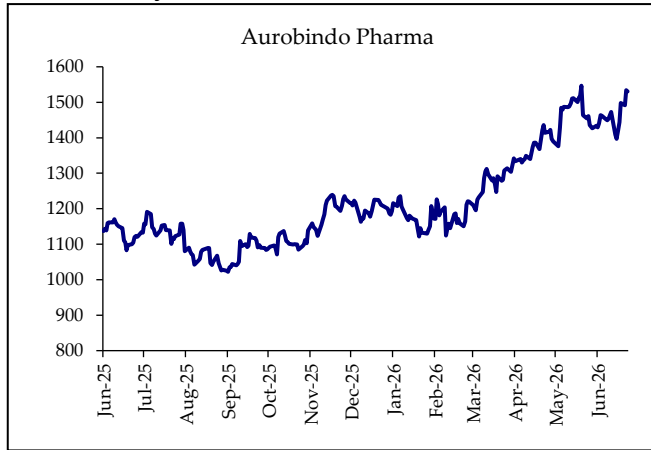
| March | FY22 | FY23 | FY24 | FY25 | FY26 | FY27E | FY28E | FY29E |
|-----------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Profit before tax | 34,040 | 26,242 | 43,972 | 51,206 | 51,204 | 64,359 | 73,864 | 83,435 |
| Depreciation & Amortization | (11,265) | (12,446) | (15,217) | (16,494) | (17,782) | (19,438) | (20,904) | (22,371) |
| Chg in working capital | 15,578 | (10,950) | (16,751) | (12,445) | 1,639 | (42,995) | (21,543) | (20,753) |
| CF from operations | 50,165 | 23,868 | 24,345 | 39,246 | 55,264 | 21,213 | 51,025 | 60,519 |
| Capital expenditure | (32,860) | (28,893) | (35,615) | (25,196) | (34,047) | (32,850) | (23,500) | (23,500) |
| CF from investing | (32,116) | (39,778) | (42,560) | (18,758) | (34,586) | (38,454) | (19,518) | (19,338) |
| Equity raised/ (repaid) | 0 | 0 | 0 | (9,302) | 0 | (6,000) | 0 | 0 |
| Debt raised/ (repaid) | (25,539) | 24,576 | 14,613 | 16,037 | (5,841) | (2,921) | (3,419) | (3,417) |
| Dividend paid | (2,637) | (4,395) | (2,637) | (10) | (2,324) | (3,133) | (3,647) | (4,178) |
| CF from financing | (29,693) | 18,144 | 8,004 | 1,198 | (12,692) | (15,789) | (10,637) | (11,002) |
| Net chg in cash | (11,644) | 2,234 | (10,210) | 21,686 | 7,986 | (33,030) | 20,870 | 30,179 |

Key ratios

| March | FY22 | FY23 | FY24 | FY25 | FY26 | FY27E | FY28E | FY29E |
|----------------------------|--------|--------|-------|------|-------|-------|-------|-------|
| OPERATIONAL | | | | | | | | |
| FDEPS (INR) | 46.4 | 33.7 | 56.5 | 61.2 | 61.2 | 77.8 | 90.6 | 103.7 |
| CEPS (INR) | 65.0 | 54.6 | 80.8 | 88.4 | 91.0 | 111.6 | 126.9 | 142.6 |
| DPS (INR) | 4.5 | 7.6 | 4.5 | 0.0 | 4.0 | 5.4 | 6.3 | 7.3 |
| Dividend payout ratio (%) | 10.0 | 22.8 | 8.3 | 0.0 | 6.6 | 7.0 | 7.0 | 7.0 |
| GROWTH | | | | | | | | |
| Net sales (%) | (4.9) | 5.4 | 16.6 | 9.3 | 6.4 | 22.5 | 9.9 | 8.7 |
| EBITDA (%) | (17.7) | (14.3) | 55.5 | 15.2 | 2.0 | 22.1 | 12.6 | 11.3 |
| Adj net profit (%) | (16.2) | (27.4) | 67.8 | 8.3 | 0.0 | 25.9 | 16.4 | 14.6 |
| FDEPS (%) | (16.2) | (27.4) | 67.8 | 8.3 | 0.0 | 27.0 | 16.4 | 14.6 |
| PERFORMANCE | | | | | | | | |
| RoE (%) | 11.6 | 7.6 | 11.6 | 11.4 | 10.1 | 11.3 | 11.9 | 12.2 |
| RoCE (%) | 12.5 | 9.2 | 13.8 | 14.4 | 12.6 | 13.9 | 14.7 | 15.1 |
| EFFICIENCY | | | | | | | | |
| Asset turnover (x) | 1.7 | 1.5 | 1.4 | 1.4 | 1.3 | 1.4 | 1.4 | 1.4 |
| Sales/ total assets (x) | 0.7 | 0.7 | 0.7 | 0.7 | 0.6 | 0.7 | 0.7 | 0.7 |
| Working capital/ sales (x) | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 | 0.4 | 0.4 |
| Receivable days | 63 | 66 | 61 | 68 | 78 | 81 | 81 | 81 |
| Inventory days | 145 | 147 | 155 | 154 | 164 | 167 | 168 | 169 |
| Payable days | 52 | 67 | 70 | 61 | 76 | 77 | 77 | 77 |
| FINANCIAL STABILITY | | | | | | | | |
| Total debt/ equity (x) | 0.1 | 0.2 | 0.2 | 0.3 | 0.2 | 0.2 | 0.2 | 0.1 |
| Net debt/ equity (x) | (0.1) | (0.0) | 0.0 | 0.0 | (0.1) | 0.0 | (0.0) | (0.1) |
| Current ratio (x) | 2.9 | 3.0 | 3.1 | 3.3 | 2.8 | 2.7 | 2.9 | 3.1 |
| Interest cover (x) | 67.0 | 17.9 | 14.9 | 11.1 | 13.3 | 17.2 | 20.6 | 24.3 |
| VALUATION | | | | | | | | |
| PE (x) | 33.0 | 45.4 | 27.1 | 25.0 | 25.0 | 19.7 | 16.9 | 14.7 |
| EV/ EBITDA (x) | 19.9 | 23.4 | 15.3 | 13.2 | 12.6 | 10.6 | 9.1 | 7.9 |
| EV/ Net sales (x) | 3.7 | 3.6 | 3.1 | 2.8 | 2.6 | 2.2 | 1.9 | 1.7 |
| PB (x) | 3.6 | 3.3 | 3.0 | 2.7 | 2.3 | 2.1 | 1.9 | 1.7 |
| Dividend yield (%) | 0.3 | 0.5 | 0.3 | 0.0 | 0.3 | 0.4 | 0.4 | 0.5 |
| Free cash flow yield (%) | 1.9 | (0.6) | (1.3) | 1.6 | 2.4 | (1.3) | 3.1 | 4.2 |

Source: Company, HSIE Research

Price History



Rating Criteria

- BUY: >+15% return potential
- ADD: +5% to +15% return potential
- REDUCE: -10% to +5% return potential
- SELL: > 10% Downside return potential

Disclosure:

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