

Ajanta Pharma

Estimate change	↔
TP change	↓
Rating change	↔

CMP: INR2,674 TP: INR3,220 (+20%) Buy

India/Asia drive earnings

Adding growth levers through newer therapies in the Branded Generics market

Bloomberg	AJP IN
Equity Shares (m)	125
M.Cap.(INRb)/(USD\$b)	334.1 / 3.9
52-Week Range (INR)	3486 / 1998
1, 6, 12 Rel. Per (%)	-8/12/19
12M Avg Val (INR M)	430

Financials & Valuations (INR b)

Y/E MARCH	FY25E	FY26E	FY27E
Sales	45.6	51.5	58.1
EBITDA	12.9	14.8	17.1
Adj. PAT	9.0	10.2	12.1
EBIT Margin (%)	25.3	26.0	26.8
Cons. Adj. EPS (INR)	71.4	80.8	95.8
EPS Gr. (%)	14.6	13.2	18.6
BV/Sh. (INR)	333.9	394.0	465.4

Ratios

Net D:E	-0.2	-0.3	-0.4
RoE (%)	23.2	22.2	22.3
RoCE (%)	23.6	22.5	22.6
Payout (%)	25.5	25.5	25.5

Valuations

P/E (x)	37.5	33.1	27.9
EV/EBITDA (x)	25.8	22.1	18.8
Div. Yield (%)	0.7	0.8	0.9
FCF Yield (%)	2.3	2.5	3.1
EV/Sales (x)	7.3	6.3	5.5

Shareholding Pattern (%)

As On	Dec-23	Sep-23	Dec-22
Promoter	66.2	66.2	66.1
DII	16.7	15.6	15.8
FII	9.1	10.0	10.1
Others	8.0	7.8	8.0

FII includes depository receipts

- Ajanta Pharma (AJP) delivered a marginally better-than-expected performance in 3QFY25. It has continued to outperform in the Domestic Formulation (DF) market during this quarter. The US generics business remains on a moderate growth trajectory, which impacted 3QFY25 performance to some extent. AJP has ventured into two new therapies in the DF market and plans to introduce additional therapies in the international market as well.
- We largely maintain our estimates for FY25/FY26/FY27. We value AJP at 35x 12M forward earnings to arrive at a TP of INR3,220.
- In addition to gaining market share in existing therapies, AJP is working to add newer therapies and expand its field force to support marketing activities. The company also has sufficient momentum from new launches in the international branded generics market, positioning it for sustained mid-teens growth over the next three years. Accordingly, almost 70% of the business is derived from the branded generics segment. AJP continues to build a healthy product pipeline for the US market as well. We build a 16% earnings CAGR over FY25-27, driven largely by its diversified portfolio and multiple geographies. Reiterate BUY.

Segment mix benefit substantially offset by higher opex

- AJP 3QFY25 revenues grew 3.7% to INR11.5b (our est: INR11.1b), led by growth across all key businesses. DF sale was up 12% YoY to INR3.5b (30% of sales). US generic sales grew 4.4% YoY to INR2.6b (23% of sales). Asia branded generics sales were up 8.2% YoY to INR3.2b (28% of sales). Africa branded generics and institutional sales declined 14.5% YoY to INR2b (18% of sales).
- Gross margin expanded 410bp YoY to 77.5% due to a reduction in raw material costs.
- EBITDA margin contracted ~110bp YoY to 28% (our est. 27.5%) as higher gross margins were offset by an increase in employee costs/other expenses (up 220bp/300bp YoY as % of sales).
- Consequently, EBITDA was flat YoY at INR3.2b (our est. INR3b).
- Adjusting for the Forex gain impact of INR176m, Adj. PAT grew 3.3% YoY to INR2.2b (our est. INR2b).
- During 9MFY25, revenue/EBITDA/PAT grew 10%/14%/20% YoY to INR34.8b/INR10.2b/INR7.2b.

Highlights from the management commentary

- AJP has forayed into new therapies, Gynaecology and Nephrology.
- The company has added 200 MRs in the Gynae and Nephrology segments during the quarter.
- Moreover, it has launched 12 new products in the Gynae and Nephrology segments during the quarter.
- The company launched 26 new products during the 9MFY25, of which eight were first-time launches in India.

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Investors are advised to refer through important disclosures made at the last page of the Research Report.

Consol. - Quarterly Perf.

(INR m)

Y/E March	FY24				FY25E				FY24	FY25E	FY25E 3QE	vs Est (%)
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE				
Net Sales	10,210	10,284	11,052	10,541	11,449	11,866	11,461	10,794	42,087	45,571	11,109	3.2
YoY Change (%)	7.4	9.6	13.7	19.5	12.1	15.4	3.7	2.4	12.5	8.3	0.5	
Total Expenditure	7,397	7,378	7,835	7,758	7,846	8,498	8,253	8,078	30,368	32,674	8,054	
EBITDA	2,813	2,907	3,217	2,783	3,604	3,368	3,208	2,717	11,719	12,897	3,055	5.0
YoY Change (%)	11.7	40.9	48.7	62.7	28.1	15.9	-0.3	-2.4	38.6	10.0	-5.0	
Margins (%)	27.6	28.3	29.1	26.4	31.5	28.4	28.0	25.2	27.8	28.3	27.5	
Depreciation	332	337	343	343	340	344	360	339	1,354	1,383	347	
EBIT	2,482	2,570	2,874	2,441	3,264	3,024	2,849	2,377	10,365	11,514	2,708	5.2
YoY Change (%)	12.8	48.0	57.1	76.7	31.5	17.7	-0.9	-2.6	45.0	11.1	-5.8	
Margins (%)	24.3	25.0	26.0	23.2	28.5	25.5	24.9	22.0	24.6	25.3	24.4	2.0
Interest	9	23	25	15	7	60	79	62	72	209	44	
Other Income	121	85	95	158	182	195	129	133	459	638	110	
PBT before EO expense	2,594	2,631	2,944	2,584	3,439	3,159	2,898	2,448	10,752	11,943	2,774	4.5
Extra-Ord expense	97	128	-35	197	-217	-257	176	0	387	-298	0	
PBT	2,691	2,759	2,909	2,780	3,221	2,902	3,074	2,448	11,139	11,645	2,774	10.8
Tax	609	806	809	753	764	738	745	595	2,978	2,841	716	
Effective Rate (%)	22.6	29.2	27.8	27.1	23.7	25.4	24.2	24.3	26.7	24.4	25.8	
MI & P/L of Asso. Cos.	0	0	0	0	0	0	0	0	0	0	0	
Reported PAT	2,082	1,953	2,100	2,027	2,458	2,165	2,329	1,852	8,162	8,804	2,058	13.1
Adj PAT	2,007	1,862	2,125	1,884	2,624	2,356	2,196	1,852	7,878	9,028	2,058	6.7
YoY Change (%)	13.9	13.9	30.4	57.1	30.8	26.5	3.3	-1.7	26.5	14.6	-3.2	
Margins (%)	19.4	18.0	19.1	17.6	22.6	19.5	18.9	17.0	18.5	19.5	18.3	

E: MOFSL Estimates

Key Performance Indicators (Consolidated)

Y/E March	FY24				FY25E				FY24	FY25E	FY25E 3QE
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE			
INRm	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE			
Domestic formulations	3,190	3,550	3,080	3,260	3,530	3,860	3,450	3,656	13,079	14,496	3,440
YoY Change (%)	14.3	13.1	4.8	13.6	10.7	8.7	12.0	12.2	11.4	10.8	11.7
Asia	2,540	2,300	2,920	2,810	2,770	2,960	3,160	2,843	10,570	11,733	3,008
YoY Change (%)	5.8	(8.4)	28.1	18.1	9.1	28.7	8.2	1.2	10.4	11.0	3.0
Africa (branded + Insti)	2,240	1,947	2,410	1,740	2,720	2,560	2,060	2,013	8,347	9,353	2,117
YoY Change (%)	(8.6)	8.8	36.9	16.8	21.4	31.5	(14.5)	15.7	11.4	12.1	(12.2)
US	2,130	2,370	2,520	2,610	2,280	2,320	2,630	2,294	9,640	9,524	2,394
YoY Change (%)	19.0	28.1	(5.3)	31.8	7.0	(2.1)	4.4	(12.1)	16.4	(1.2)	(5.0)
Cost Break-up											
RM Cost (% of Sales)	24.7	24.9	26.6	25.1	23.4	22.1	22.5	22.9	25.3	22.7	22.3
Staff Cost (% of Sales)	20.9	21.6	20.9	22.2	22.2	22.0	23.1	23.2	21.4	22.6	22.7
R&D Expenses (% of Sales)	5.4	4.9	4.7	4.7	4.5	4.8	4.6	0.0	4.9	5.0	0.0
Other Cost (% of Sales)	26.9	25.2	23.3	26.4	23.0	27.6	26.4	28.8	25.4	26.4	27.5
Gross Margins(%)	75.3	75.1	73.4	74.9	76.6	77.9	77.5	77.1	74.7	77.3	77.7
EBITDA Margins(%)	27.6	28.3	29.1	26.4	31.5	28.4	28.0	25.2	27.8	28.3	27.5
EBIT Margins(%)	24.3	25.0	26.0	23.2	28.5	25.5	24.9	22.0	24.6	25.3	24.4
PBT Margins(%)	25.1	25.4	26.4	24.1	29.6	26.2	25.0	22.4	25.3	25.8	24.7
PAT Margins(%)	19.4	18.0	19.1	17.6	22.6	19.5	18.9	17.0	18.5	19.5	18.3



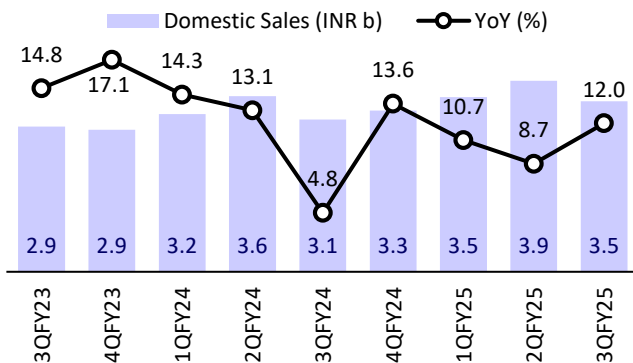
Other highlights from the management commentary

- At a base of 3,000+ MRs, the PCPM stood at INR3.5lacs during the quarter, excluding the 450 MRs added over the last six months.
- AJP launched nine new products during the quarter, bringing the total number of launches to 22 products in the Asian market in 9MFY25.
- AJP is well-positioned to sustain a low- to mid-teens revenue CAGR in the Asian market over the next three years, driven by new launches and market share gains.

- AJP launched seven new products during the quarter, bringing the total number of launches to 10 products in the African market during 9MFY25.
- African Institutional sales declined during the quarter due to lower procurements by global funds/institutional agencies.
- The company plans to file four more ANDAs in 4QFY25 for the US market.
- In FY26, the company expects healthy growth, driven by 6-8 launches, including 2-3 limited competition products in the US.

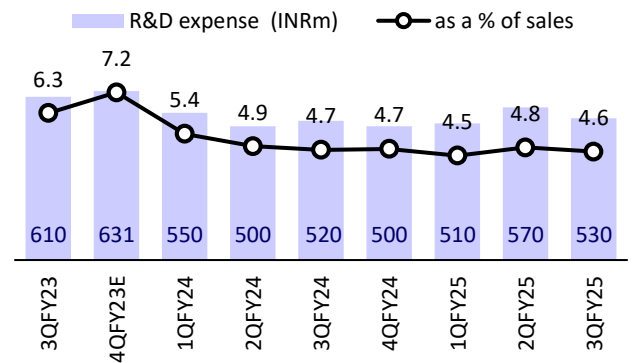
Key exhibits

Exhibit 1: DF sales up ~12% YoY in 3QFY25



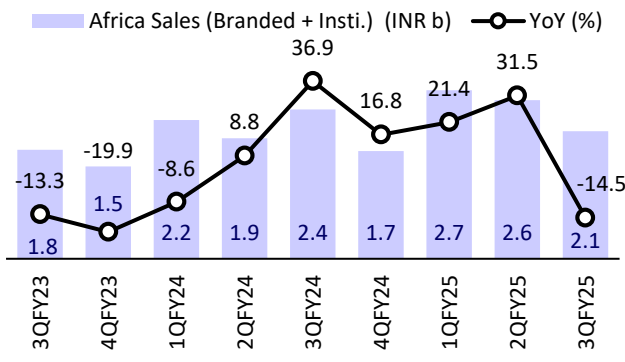
Source: MOFSL, Company

Exhibit 2: R&D spending at ~4.6% of sales in 3QFY25



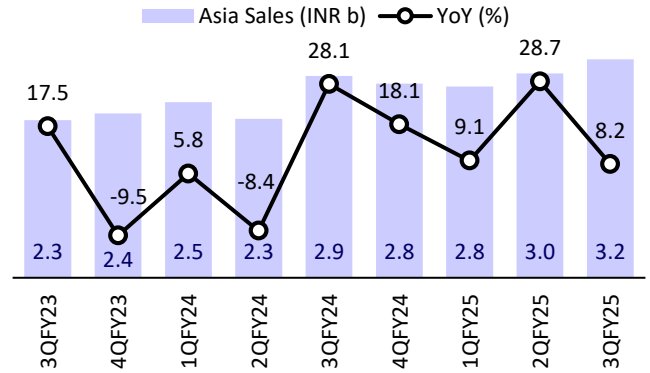
Source: MOFSL, Company

Exhibit 3: Africa sales (Branded + Institutional) declined ~14.5% YoY in 3QFY25



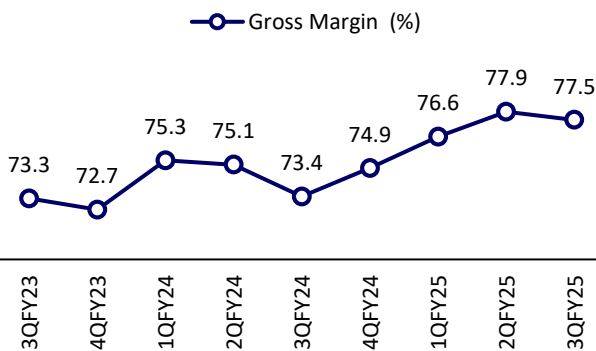
Source: MOFSL, Company

Exhibit 4: Asia sales grew 8.2% YoY in 3QFY25



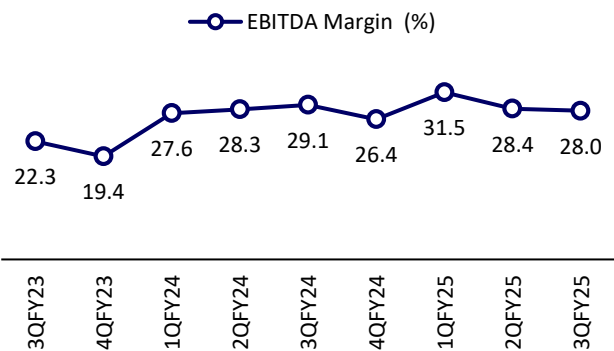
Source: MOFSL, Company

Exhibit 5: Gross margin expanded 410bp YoY in 3QFY25



Source: MOFSL, Company

Exhibit 6: EBITDA margin contracted ~110bp YoY in 3QFY25



Source: MOFSL, Company

Working on the next leg of growth

New launches/therapies to drive growth in the Branded Generics business

- In 9MFY25, AJP's DF revenue grew 10.7% YoY to ~INR3.5b, driven by: a) superior volume growth, b) new launches, and c) market share gains in existing products.
- In MAT Dec'24, AJP outperformed the industry by ~300bp, led by robust outperformance in derma/pain/ophthal by 6%/3%/2% vs. IPM.
- Over FY25-27, we expect AJP to post a 16% sales CAGR in the DF segment, as the company has forayed into faster-growing segments such as gynaec and nephrology.
- In 9MFY25, the African branded generics business grew strongly by 31% YoY to INR6.2b. This was fueled by: 1) the pension reform strike in France and the Red Sea crisis, and b) seven product launches in 9MFY25. Given the company's plans to aggressively expand its foothold in Anglo-Africa, we expect the African business to post a sales CAGR of 11%, reaching INR11.6b over FY25-27.
- AJP is enhancing its market presence in Asia by prioritizing chronic therapies and expanding into emerging markets, supported by 22 new launches in 9MFY25. The company has plans to aggressively scale up its operations in newer geographies like Central Asia. Additionally, it plans to launch new therapies in these regions going forward. We expect AJP to register a 15% sales CAGR in Asia, reaching INR15.4b over FY25-27.

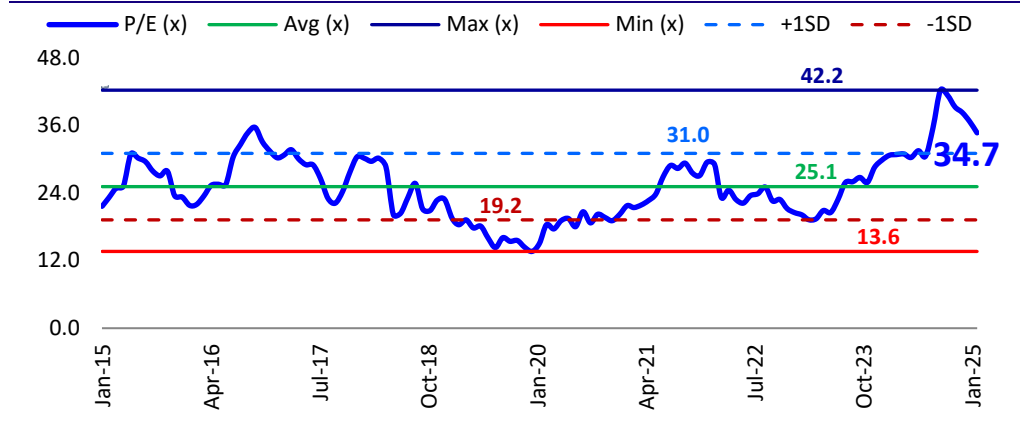
Yet to see a scale-up in the US business

- In 9MFY25, US generics sales grew 3% YoY to INR7.2b (~USD86m), benefiting from favorable currency movements, market share gains, and reduced intensity of price erosion.
- In 9MFY25, AJP filed 4 ANDAs and plans to file about 4 more in 4QFY25. Moreover, it has received 5 final approvals. The company plans to launch 6-8 launches in FY26, including 2-3 limited competition launches.
- We expect AJP to post a 9% sales CAGR at INR11.3b over FY25-27.

Valuation and view: Reiterate BUY

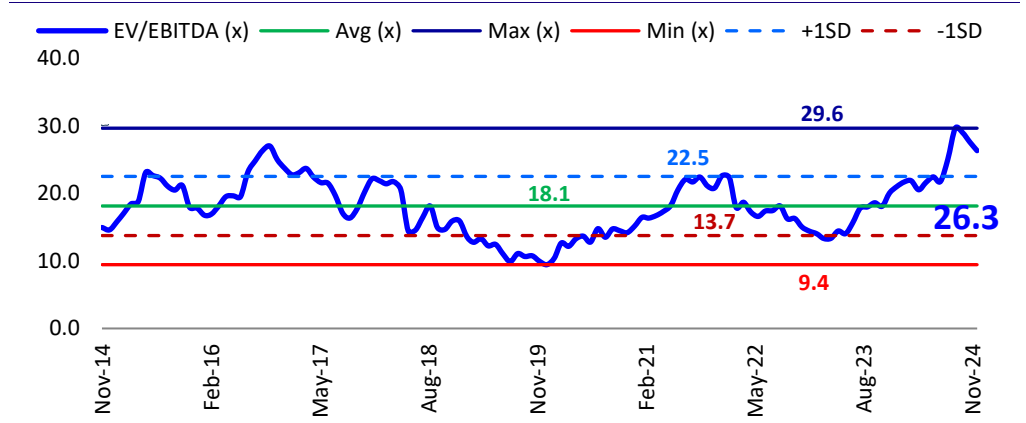
- We largely maintain our estimates for FY25/FY26/FY27. We value AJP at 35x 12M forward earnings to arrive at a TP of INR3,220.
- In addition to gaining market share in existing therapies, AJP is working to add newer therapies and expand its field force to support marketing activities. The company also has sufficient momentum from new launches in the international branded generics market, positioning it for sustained mid-teens growth over the next three years. Accordingly, almost 70% of the business is derived from the branded generics segment. AJP continues to build a healthy product pipeline for the US market as well. We build a 16% earnings CAGR over FY25-27, driven largely by its diversified portfolio and multiple geographies. Reiterate BUY.

Exhibit 7: P/E chart



Source: MOFSL, Company, Bloomberg

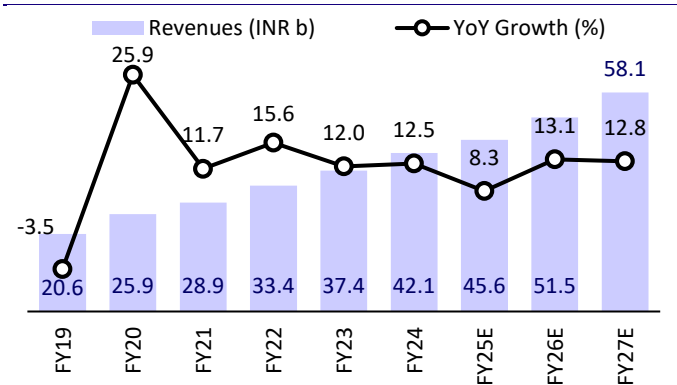
Exhibit 8: EV/EBITDA chart



Source: MOFSL, Company, Bloomberg

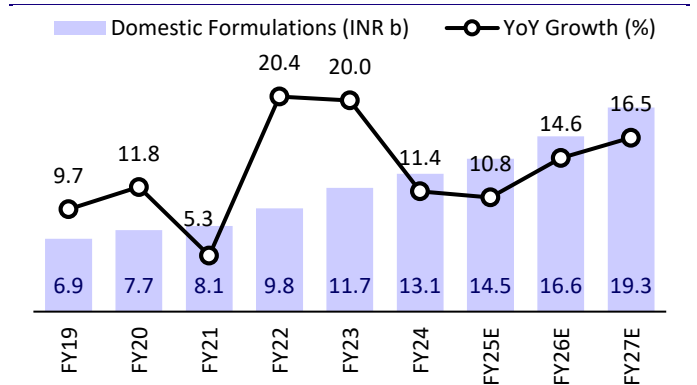
Story in charts

Exhibit 9: Total sales to post 13% CAGR over FY25-27



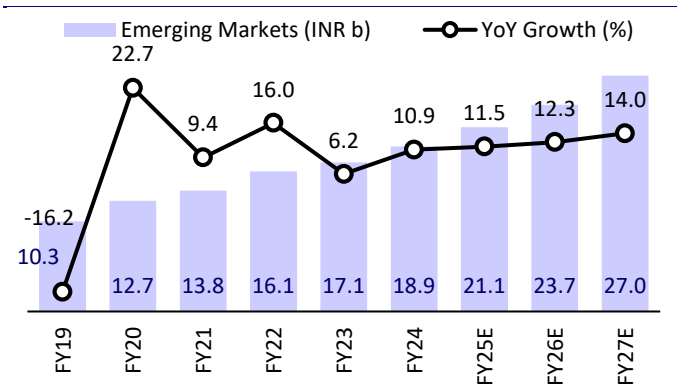
Source: Company, MOFSL

Exhibit 10: DF sales to clock 15.5% CAGR over FY25-27



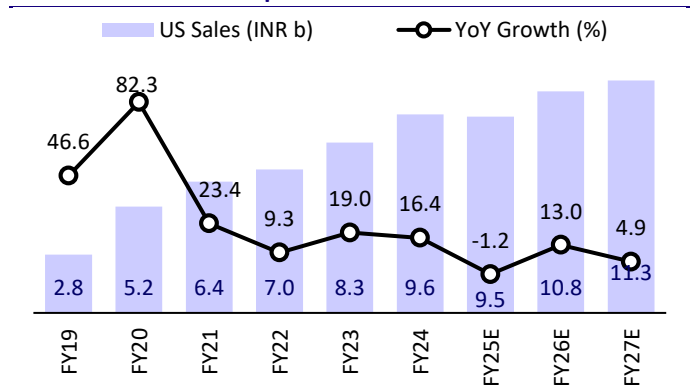
Source: Company, MOFSL

Exhibit 11: EM sales to clock 13.2% CAGR over FY25-27



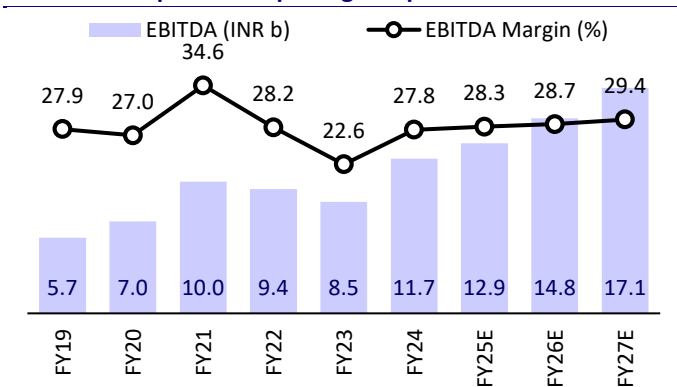
Source: Company, MOFSL

Exhibit 12: US sales to post 9% CAGR over FY25-27



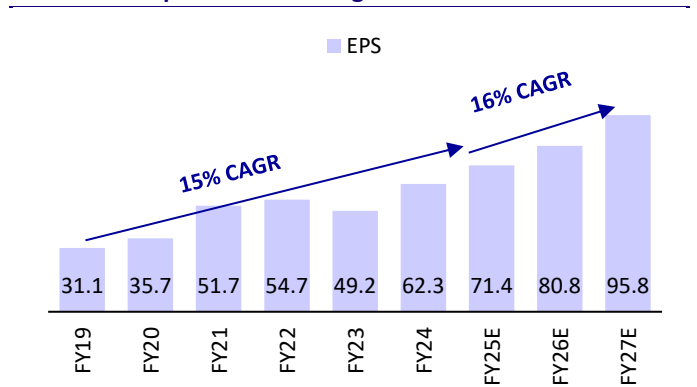
Source: Company, MOFSL

Exhibit 13: Expects 110bp margin expansion over FY25-27



Source: Company, MOFSL

Exhibit 14: Expects 16% earnings CAGR over FY25-27



Source: Company, MOFSL

Financials and valuations

Consolidated - Income Statement									(INR m)
Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Total Income from Operations	20,554	25,879	28,897	33,410	37,426	42,087	45,571	51,536	58,131
Change (%)	-3.5	25.9	11.7	15.6	12.0	12.5	8.3	13.1	12.8
Total Expenditure	14,809	18,895	18,911	23,986	28,972	30,368	32,674	36,745	41,041
% of Sales	72.1	73.0	65.4	71.8	77.4	72.2	71.7	71.3	70.6
EBITDA	5,744	6,983	9,986	9,424	8,454	11,719	12,897	14,791	17,091
Margin (%)	27.9	27.0	34.6	28.2	22.6	27.8	28.3	28.7	29.4
Depreciation	721	957	1,161	1,253	1,308	1,354	1,383	1,415	1,530
EBIT	5,024	6,026	8,825	8,171	7,146	10,365	11,514	13,376	15,560
Int. and Finance Charges	12	119	83	102	58	72	209	209	209
Other Income	211	522	260	757	803	459	638	722	814
PBT bef. EO Exp.	5,223	6,429	9,002	8,826	7,892	10,752	11,943	13,889	16,166
EO Items	80	211	0	269	439	387	-298	0	0
PBT after EO Exp.	5,143	6,640	9,002	9,095	7,453	11,139	11,645	13,889	16,166
Total Tax	1,273	1,963	2,463	1,968	1,574	2,978	2,841	3,681	4,041
Tax Rate (%)	24.8	29.6	27.4	21.6	21.1	26.7	24.4	26.5	25.0
Minority Interest	0	0	0	0	0	0	0	0	0
Reported PAT	3,870	4,677	6,539	7,127	5,879	8,162	8,804	10,208	12,124
Adjusted PAT	3,930	4,522	6,539	6,916	6,225	7,878	9,028	10,208	12,124
Change (%)	-16.1	15.1	44.6	5.8	-10.0	26.6	14.6	13.1	18.8
Margin (%)	19.1	17.5	22.6	20.7	16.6	18.7	19.8	19.8	20.9

Consolidated - Balance Sheet									(INR m)
Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Equity Share Capital	175	175	174	172	253	253	253	253	253
Total Reserves	22,277	25,813	29,782	32,472	33,627	35,421	41,980	49,585	58,618
Net Worth	22,452	25,989	29,956	32,644	33,880	35,674	42,232	49,838	58,870
Total Loans	7	7	16	19	15	15	15	15	15
Deferred Tax Liabilities	271	558	421	463	977	1,085	1,085	1,085	1,085
Capital Employed	22,730	26,553	30,393	33,125	34,872	36,773	43,332	50,937	59,970
Gross Block	16,152	20,045	21,896	22,857	24,012	25,191	27,993	29,753	31,455
Less: Accum. Deprn.	4,366	5,324	6,485	7,738	9,046	10,400	11,782	13,197	14,727
Net Fixed Assets	11,786	14,721	15,411	15,120	14,966	14,792	16,211	16,556	16,728
Goodwill on Consolidation	0	0	0	0	0	0	0	0	0
Capital WIP	2,613	1,319	1,082	1,529	2,095	2,565	1,263	1,003	1,101
Total Investments	888	476	517	707	5,465	3,580	3,580	3,580	3,580
Curr. Assets, Loans&Adv.	11,357	16,417	20,276	22,645	24,265	25,448	32,772	41,633	51,847
Inventory	4,357	4,957	7,665	7,911	8,156	8,284	9,399	10,772	12,931
Account Receivables	4,595	7,753	7,384	10,198	10,569	12,468	13,609	15,531	16,723
Cash and Bank Balance	1,005	2,053	2,096	2,118	3,309	1,308	6,095	11,181	17,514
Loans and Advances	1,400	1,655	3,131	2,418	2,231	3,388	3,668	4,149	4,679
Curr. Liability & Prov.	3,913	6,379	6,893	6,875	11,919	9,611	10,493	11,834	13,285
Account Payables	2,251	3,623	3,739	3,272	4,227	4,633	5,103	5,738	6,409
Other Current Liabilities	1,278	2,230	2,858	3,302	7,310	4,405	4,770	5,394	6,085
Provisions	384	526	296	301	382	573	620	702	791
Net Current Assets	7,444	10,038	13,383	15,770	12,346	15,836	22,279	29,799	38,562
Appl. of Funds	22,730	26,553	30,393	33,126	34,872	36,773	43,332	50,937	59,970

E: MOFSL Estimates

Financials and valuations

Ratios

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Basic (INR)									
EPS	31.1	35.7	51.7	54.7	49.2	62.3	71.4	80.8	95.8
Cash EPS	36.8	43.3	60.9	64.6	59.5	73.0	82.3	91.9	107.9
BV/Share	177.5	205.4	236.8	258.1	267.8	282.0	333.9	394.0	465.4
DPS	6.3	9.0	6.6	6.4	11.5	15.9	17.7	20.6	24.4
Payout (%)	20.6	24.8	12.7	11.4	24.7	24.7	25.5	25.5	25.5
Valuation (x)									
P/E	86.1	74.8	51.7	48.9	54.3	42.9	37.5	33.1	27.9
Cash P/E	72.7	61.7	43.9	41.4	44.9	36.6	32.5	29.1	24.8
P/BV	15.1	13.0	11.3	10.4	10.0	9.5	8.0	6.8	5.7
EV/Sales	16.4	13.0	11.6	10.1	9.0	8.0	7.3	6.3	5.5
EV/EBITDA	58.7	48.1	33.7	35.7	39.6	28.8	25.8	22.1	18.8
Dividend Yield (%)	0.2	0.3	0.2	0.2	0.4	0.6	0.7	0.8	0.9
FCF per share	-1.9	15.6	34.5	33.3	48.8	51.1	52.2	56.7	69.7
Return Ratios (%)									
RoE	18.3	18.7	23.4	22.1	18.7	22.7	23.2	22.2	22.3
RoCE	18.4	19.0	23.6	22.3	18.8	22.8	23.6	22.5	22.6
RoIC	21.4	20.7	25.9	23.1	21.4	28.5	28.2	29.1	32.0
Working Capital Ratios									
Inventory (Days)	77	66	97	86	80	72	75	76	81
Debtor (Days)	82	109	93	111	103	108	109	110	105
Creditor (Days)	40	51	47	36	41	40	41	41	40
Leverage Ratio (x)									
Net Debt/Equity	-0.1	-0.1	-0.1	-0.1	-0.3	-0.1	-0.2	-0.3	-0.4

Consolidated - Cash Flow Statement

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
0 (INR m)									
OP/(Loss) before Tax	5,303	6,218	9,002	9,095	7,453	11,139	11,645	13,889	16,166
Depreciation	721	957	1,161	1,253	1,308	1,354	1,383	1,415	1,530
Interest & Finance Charges	-199	-403	-177	-655	58	72	-429	-513	-605
Direct Taxes Paid	-1,273	-1,963	-2,463	-1,968	-1,513	-3,121	-2,841	-3,681	-4,041
(Inc)/Dec in WC	115	-1,548	-1,708	-2,427	665	-998	-1,654	-2,434	-2,430
CF from Operations	4,667	3,262	5,815	5,298	7,971	8,446	8,103	8,676	10,619
Others	-922	1,306	169	323	-53	-596	0	0	0
CF from Operating incl EO	3,745	4,568	5,983	5,620	7,918	7,851	8,103	8,676	10,619
(Inc)/Dec in FA	-3,979	-2,599	-1,614	-1,409	-1,745	-1,390	-1,500	-1,500	-1,800
Free Cash Flow	-234	1,969	4,369	4,212	6,173	6,460	6,603	7,176	8,819
(Pur)/Sale of Investments	1,155	413	-41	-190	-3,907	1,774	0	0	0
Others	596	-58	-1,169	857	56	270	638	722	814
CF from Investments	-2,228	-2,244	-2,824	-741	-5,596	654	-862	-778	-986
Issue of Shares	0	0	-2	-2	-14	0	0	0	0
Inc/(Dec) in Debt	-5	1	9	3	-5	1	0	0	0
Interest Paid	-12	-119	-83	-102	-23	-35	-209	-209	-209
Dividend Paid	-796	-1,159	-829	-816	-897	-6,422	-2,245	-2,603	-3,092
Others	-664	-405	-1,832	-3,873	-192	-4,054	0	0	0
CF from Fin. Activity	-1,476	-1,683	-2,737	-4,790	-1,131	-10,511	-2,454	-2,812	-3,300
Inc/Dec of Cash	41	640	422	89	1,191	-2,006	4,787	5,086	6,333
Opening Balance	906	952	1,592	2,014	2,103	3,295	1,288	6,076	11,162
Closing Balance	948	1,592	2,014	2,103	3,295	1,288	6,076	11,162	17,495
Unrealised loss / (gain) on forex	4	432	82	14	14	19	19	19	19
Total Cash & Cash Eq	1,005	2,053	2,096	2,118	3,309	1,307	6,095	11,181	17,515

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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

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