

Ajanta Pharma Ltd.

January 31, 2025

CMP: INR 2,671 | Target Price: INR 3,667 | Potential Upside: 37.3%

BUY

Change in Estimates	✓
Target Price Change	✓
Recommendation	✗

Company Info	
BB Code	AJP IN EQUITY
Face Value (INR)	2.0
52 W High/Low (INR)	3,486/2,004
Mkt Cap (Bn)	INR 334 / \$ 3.8
Shares o/s (Mn)	125.4
3M Avg. Daily Volume	1,24,609

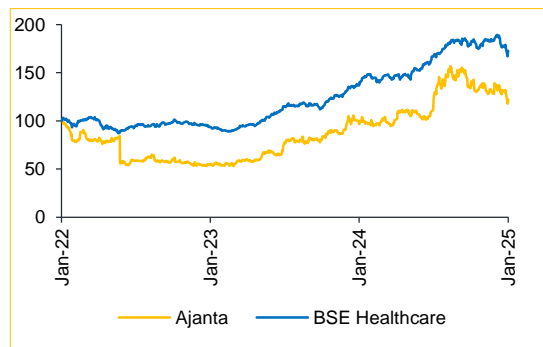
Change in Estimates						
	FY26E			FY27E		
INR Bn	New	Old	Dev. (%)	New	Old	Dev. (%)
Revenue	53.8	54.4	-1.1	62.3	62.6	-0.5
EBITDA	16.4	15.6	4.9	19.9	19.0	5.2
EBITDAM %	30.5	28.8	173bps	32.0	30.3	172bps
PAT	12.1	12.0	1.3	14.9	14.7	2.0
EPS	95.8	94.6	1.3	118.3	116.0	2.0

Actual vs Consensus			
INR Bn	Q3FY25A	Consensus Est.	Dev. %
Revenue	11.5	11.6	-1.0
EBITDA	3.2	3.2	1.5
EBITDAM %	28.0	27.3	70bps
PAT	2.3	2.8	-15.6

Key Financials					
INR Bn	FY23	FY24	FY25E	FY26E	FY27E
Revenue	37.4	42.1	46.6	53.8	62.3
YoY (%)	12.0	12.5	10.8	15.3	15.9
EBITDA	7.8	11.5	13.1	16.4	19.9
EBITDAM %	20.9	27.4	28.0	30.5	32.0
Adj PAT	5.9	8.2	9.4	12.1	14.9
EPS	46.5	64.6	74.4	95.7	118.2
ROE %	17.4	22.9	20.9	21.2	20.7
ROCE %	12.6	17.6	16.9	17.7	18.0
PE(x)	57.4	41.4	35.9	27.9	22.6
EV/EBITDA	42.7	29.1	25.2	19.8	16.2
BVPS	268.1	282.3	356.7	452.5	570.6
FCF	6,176.1	6,326.8	10,639.2	10,283.3	11,638.2

Shareholding Pattern (%)			
	Dec-24	Sep-24	Jun-24
Promoters	66.26	66.26	66.27
FII's	9.26	9.11	8.36
DII's	17.02	17.09	17.41
Public	7.46	7.52	7.95

Relative Performance (%)			
YTD	3Y	2Y	1Y
BSE Healthcare	72.7	84.4	26.4
AJP	22.2	121.0	26.4



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Revenue and EBITDA in Line with Estimates; PAT Miss Not Concerning with New Product Launches in India

- Revenue increased by 3.7% YoY but declined by 3.4% QoQ to INR 11.5 Bn (vs. consensus estimates of INR 11.6 Bn).
- EBITDA rose 2.2% YoY and 3.1% QoQ to INR 3.2 Bn. EBITDA margin contracted 42bps YoY but expanded 177bps QoQ to 28.0% (vs. consensus estimates of 27.3%).
- PAT grew 10.9% YoY and 7.6% QoQ to INR 2.3 Bn (vs. consensus estimates of INR 2.8 Bn), with a PAT margin of 20.3%.

India Business surpasses IPM growth with strong performance and new therapy expansions

AJP's India Business continues to outperform the Indian Pharmaceutical Market (IPM), which grew at 8%, with the company's growth at 12% as per IQVIA MAT Dec'24. Furthermore, the company has expanded into two new therapy areas – Nephrology and Gynaecology – launching 12 products during the quarter. These new segments have a combined market size of INR 160 Bn, and we expect the company to leverage this opportunity for growth. We expect the company to maintain its outperformance against the IPM, which is projected to grow at 8% in FY25.

Asia and Africa Branded Generics on Track for Double-Digit Growth

The branded generics business, encompassing both Asia and Africa, now accounts for ~38% of total revenue. We expect the company to continue its strong double-digit growth in both regions, driven by a robust product pipeline and expanding market share. The company is also focusing on enhancing its presence in countries where its footprint is currently small.

View and Valuation: We have increased our FY26/27 EPS estimates by 1.3%/2.0% and maintained our 'BUY' rating with a target price of INR 3,667, applying a 31x multiple (unchanged), which is higher than peers due to the company's better return ratios and EPS growth. We anticipate the company will benefit from strong double-digit growth in branded generics, above-market growth in its Indian business, and new product launches in the US. Furthermore, the company is shifting its focus away from the uncertain Africa Institutional business. We also expect margin improvements driven by changes in product mix and enhanced operational efficiency.

Particulars (INR Mn)	Q3FY25	Q3FY24	YoY (%)	Q2FY25	QoQ (%)
Revenue	11,461	11,052	3.7	11,866	(3.4)
Cost of Goods Sold	2,578	2,942	(12.4)	2,617	(1.5)
Gross Profit	8,883	8,110	9.5	9,250	(4.0)
Gross Margin (%)	77.5	73.4	412.4	77.9	(44.2) bps
Employee & Other Expenses	2,652	2,314	14.6	2,610	1.6
EBITDA	3,208	3,140	2.2	3,112	3.1
EBITDA Margin (%)	28.0	28.4	(41.7) bps	26.2	177.0 bps
Depreciation	360	342	5.1	344	4.6
EBIT	2,849	2,797	1.8	2,768	2.9
Interest	79	25	217.7	60	31.4
PBT	3,074	2,908	5.7	2,902	5.9
Tax	745	809	(7.9)	738	1.0
PAT	2,329	2,100	10.9	2,165	7.6
PAT Margin (%)	20.3	19.0	132.0	18.2	207.6 bps
EPS	18.6	16.6	11.8	17.1	8.4

Geographical Revenue	Q3FY25	Q3FY24	YoY (%)	Q2FY25	QoQ (%)
India	3,450	3,080	12.0	3,860	(10.6)
North America	2,630	2,520	4.4	2,320	13.4
African Branded generic	1,730	1,550	11.6	2,130	(18.8)
Asia Branded generic	3,160	2,920	8.2	2,960	6.8
African Institutional	330	860	(61.6)	430	(23.3)
Other	161	122	32.8	166	(3.1)

Management Call - Highlights

India Business

- Revenue declined sequentially due to a high base last quarter from seasonal demand and distributor stocking, with Q3 FY25 seeing inventory normalization.
- Entered 2 new therapies – Nephrology and Gynaecology – with 12 products launched during the quarter
- Trade generics, a part of this segment, contributed 12% to India revenue

Asia + Africa Branded Generic Business

- Launched 9 products in Asia and 7 in Africa
- Quarterly fluctuations due to shipment schedules, but overall demand remains strong in both regions
- The company aims to drive growth in Africa through new launches, strong brand positioning, and increasing market share
- Double-digit growth expected in Africa branded generics, with growth in Asia branded generics normalizing at a 14-15% CAGR

US Generics

- Filed 4 ANDAs, received 5 approvals, and launched 5 products in 9MFY25
- Currently has 48 products in the market, with 21 ANDAs awaiting USFDA approval
- Management anticipates limited-competition launches in FY26

Africa Institutional Business

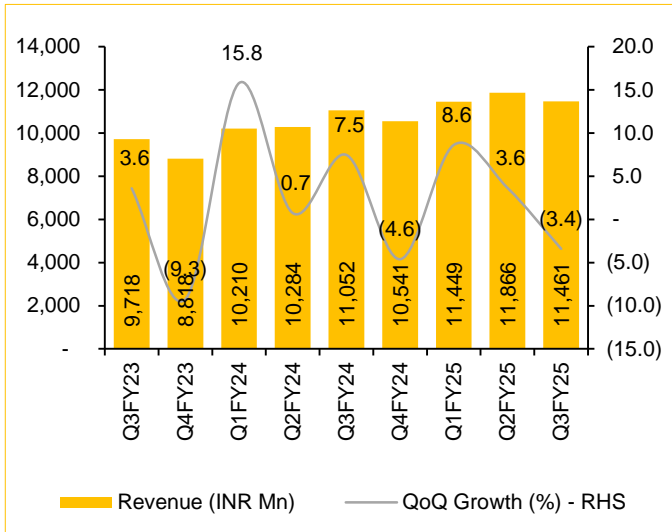
- Highly reliant on donor-funded agencies like Global Fund, USAID, and other international procurement bodies
- Funding disruptions and delays have reduced purchases of antimalarial products, which dominate this segment
- As its contribution declines (now 3% of total revenue), the company is shifting focus to more predictable, higher-margin businesses like Branded Generics (India, Asia, and Africa) and US Generics
- Over time, the Africa Institutional business is expected to become a smaller part of the portfolio

Outlook

- Gross Margin expected to remain in the range of ~77% for Q3FY25, with quarterly fluctuations of 50-100bps due to changes in product mix
- EBITDA projected to be around 28%, +/- 1% for FY25
- Estimated Capex, including maintenance, is INR 2,250 Mn
- The company expects low to mid-teens CAGR over the next 3 years for branded generics
- US Generics growth expected to be mid-single digits in FY25, with double-digit growth in FY26 and 6-8 new launches

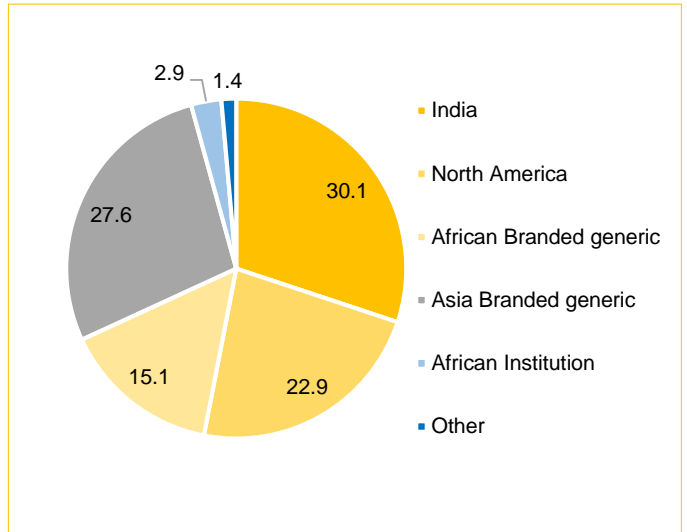
- Gross and EBITDA margins are expected to remain at Q3FY25 levels of 77% and 28%, with a fluctuation of ±100bps.

Revenue largely in line with estimates



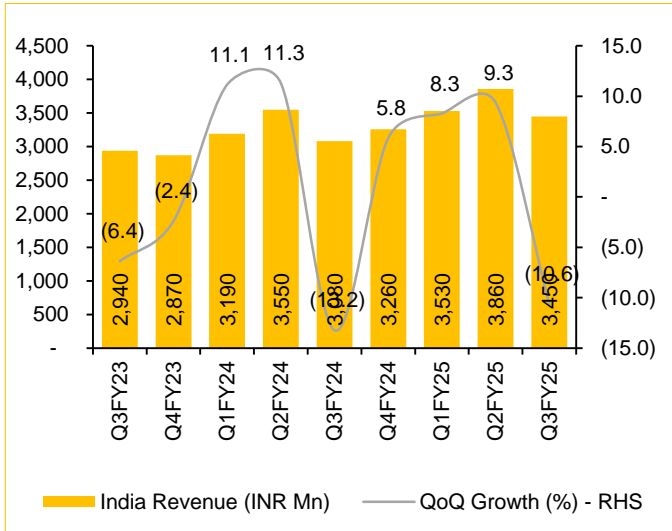
Source: Company, CEBPL

Revenue split for Q3FY25 (INR 11.5 bn)



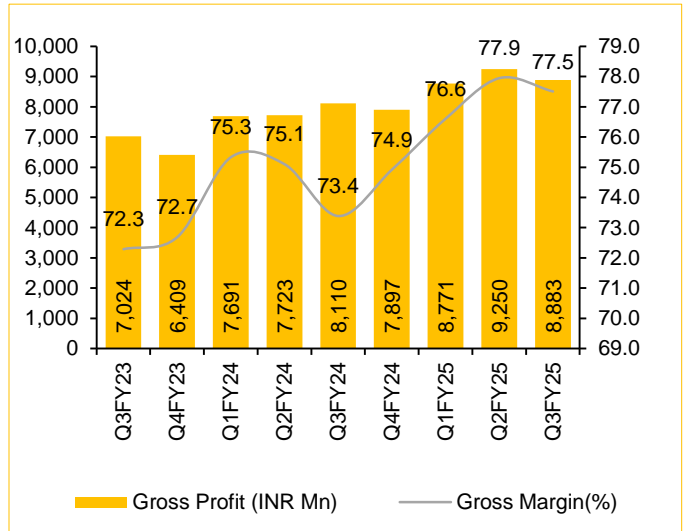
Source: Company, CEBPL

India revenue declines qoq



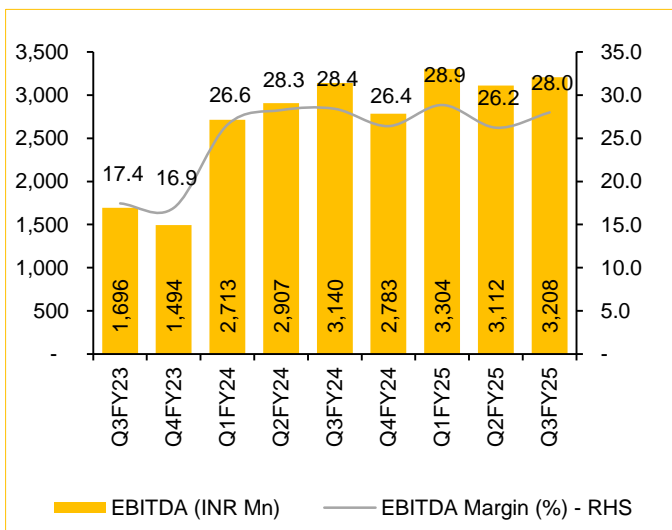
Source: Company, CEBPL

Gross profit improves yoy with expanding margins



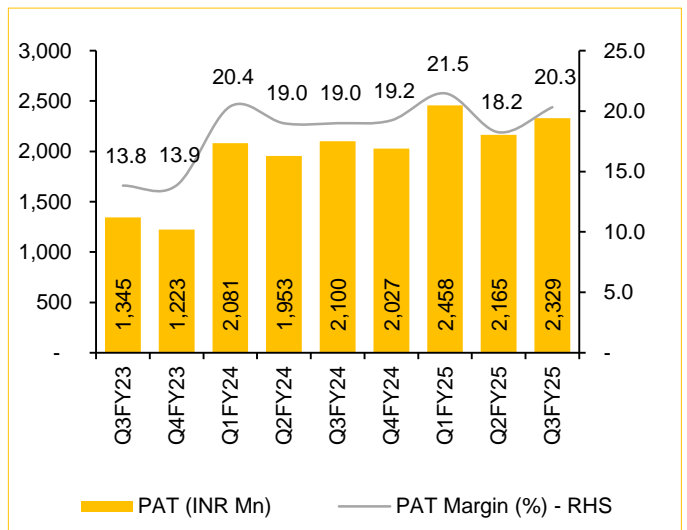
Source: Company, CEBPL

EBITDA strengthens with stable margin expansion



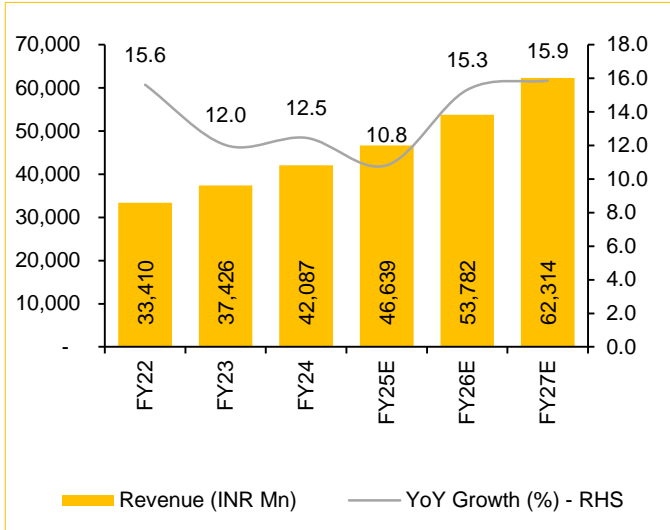
Source: Company, CEBPL

PAT improves with strengthening margins, however misses estimates



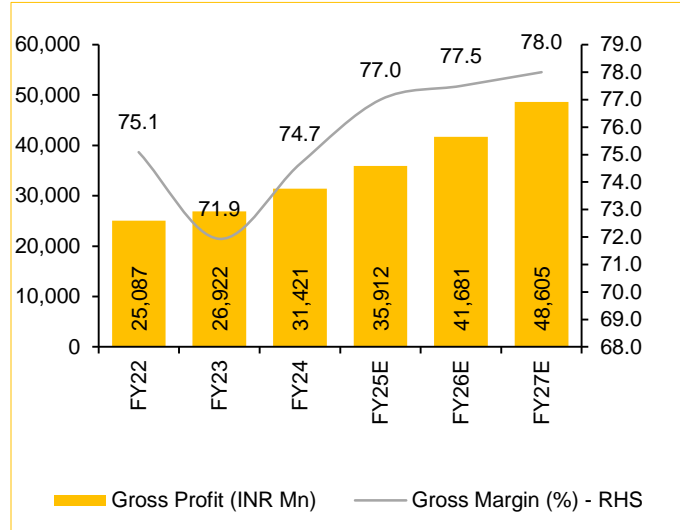
Source: Company, CEBPL

Revenue growth driven by expansion across regions



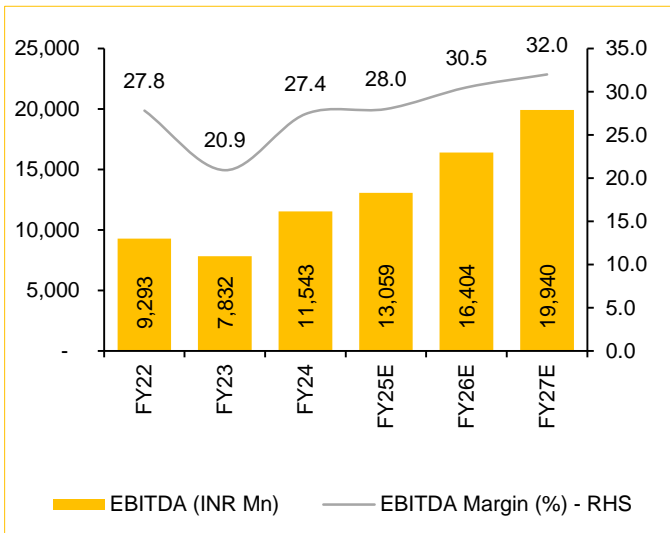
Source: Company, CEBPL

Gross margin expansion driven by improved product mix



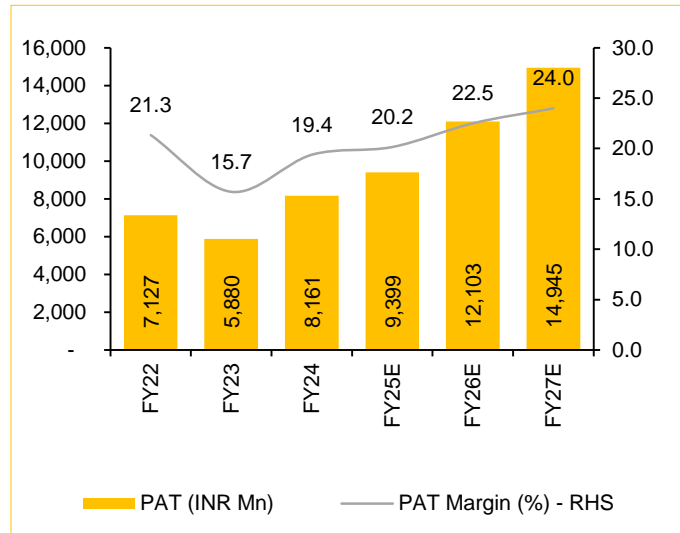
Source: Company, CEBPL

EBITDA growth to accelerate with expanding margins



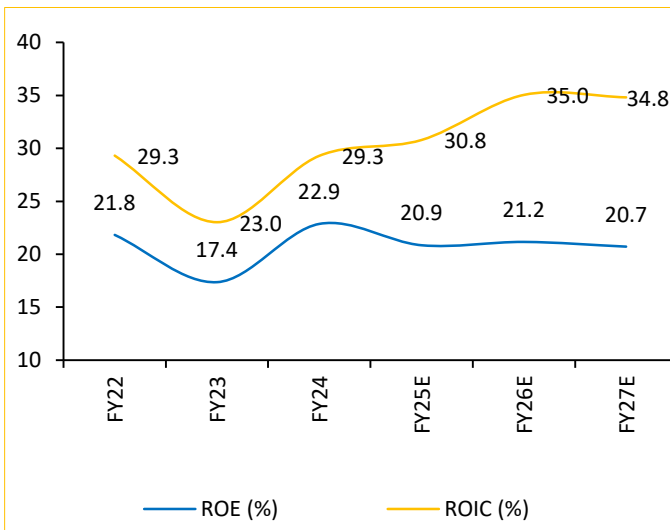
Source: Company, CEBPL

PAT growth momentum to continue



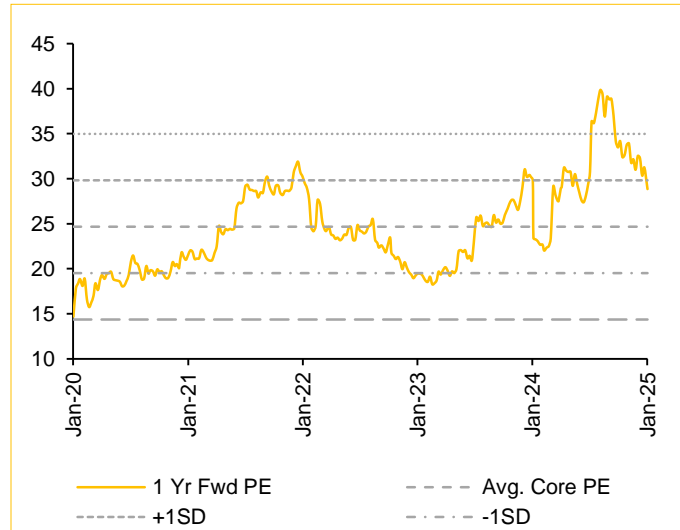
Source: Company, CEBPL

ROE and ROIC Trends



Source: Company, CEBPL

1 Year Forward PE Band



Source: Company, CEBPL

Income statement (Consolidated in INR Mn)

Particular	FY23	FY24	FY25E	FY26E	FY27E
Revenue	37,426	42,087	46,639	53,782	62,314
Gross Profit	26,922	31,421	35,912	41,681	48,605
EBITDA	7,832	11,543	13,059	16,404	19,940
Depreciation	1,308	1,354	1,440	1,511	1,521
EBIT	6,524	10,189	11,619	14,893	18,419
Other Income	986	1,022	1,073	1,345	1,558
Interest Expense	58	72	160	100	50
PBT	7,452	11,138	12,532	16,138	19,927
Reported PAT	5,880	8,161	9,399	12,103	14,945
EPS	46.5	64.6	74.4	95.8	118.3

Source: Company, CEBPL

Balance sheet (Consolidated in INR Mn)

Particular	FY23	FY24	FY25E	FY26E	FY27E
Net Worth	33,880	35,674	45,073	57,176	72,121
Borrowings	355	353	333	328	308
Trade Payables	4,228	4,632	4,856	5,305	5,463
Other Non-current Liabilities	1,256	1,518	1,542	1,502	1,504
Other Current Liabilities	7,071	4,208	3,969	3,880	3,507
Total Net Worth & Liabilities	46,788	46,384	55,772	68,190	82,903
Net Block	14,078	13,841	14,651	14,941	15,219
Capital WIP	2,095	2,565	2,565	2,565	2,565
Goodwill & Intangible Assets	78	147	147	147	147
Investments	5,354	3,486	7,182	12,556	18,880
Trade Receivables	10,569	12,468	10,989	11,788	12,804
Cash & Cash Equivalents	3,309	1,308	7,841	12,115	15,717
Other Non-current Assets	1,949	2,337	2,091	1,832	1,873
Other Current Assets	9,358	10,233	10,307	12,248	15,698
Total Assets	46,788	46,384	55,772	68,190	82,903

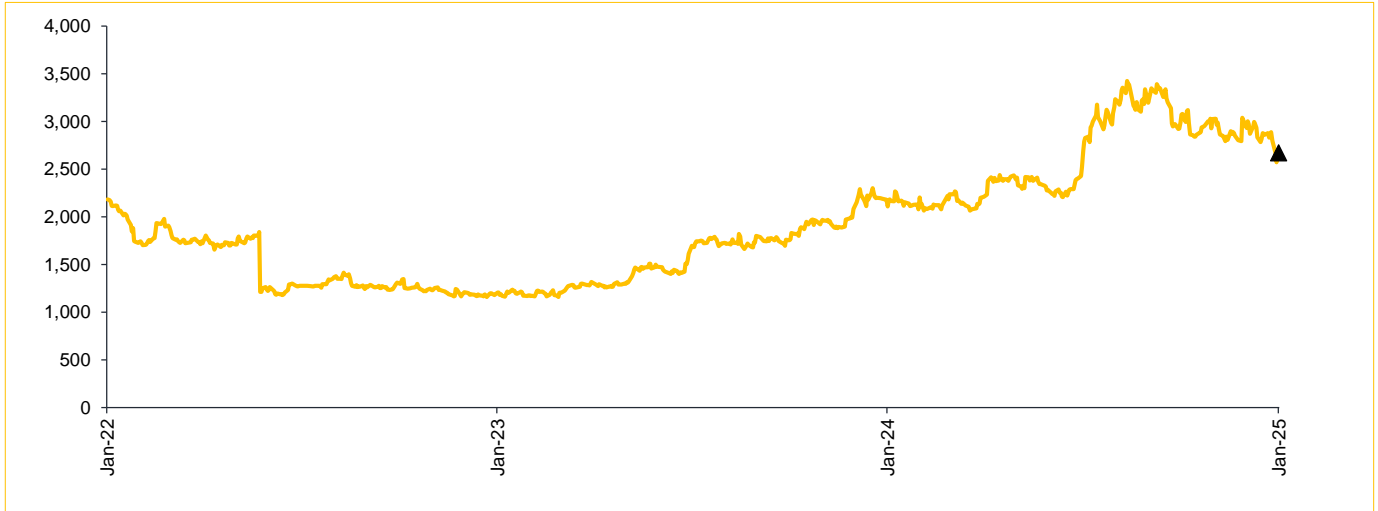
Source: Company, CEBPL

Cash Flows (INR Mn)	FY23	FY24	FY25E	FY26E	FY27E
Cash Flows From Operations	7,921	7,851	12,889	12,281	13,633
Cash Flows From Investing	(5,596)	654	(5,945)	(7,174)	(8,124)
Cash Flows From Financing	(1,082)	(10,511)	(412)	(833)	(1,907)

Ratio Analysis	FY23	FY24	FY25E	FY26E	FY27E
Growth Ratios					
Revenues	12.0	12.5	10.8	15.3	15.9
Gross Profit	7.3	16.7	14.3	16.1	16.6
EBITDA	(15.7)	47.4	13.1	25.6	21.6
EBIT	(18.9)	56.2	14.0	28.2	23.7
PBT	(18.1)	49.5	12.5	28.8	23.5
PAT	(17.5)	38.8	15.2	28.8	23.5
Margins					
Gross Profit Margin	71.9	74.7	77.0	77.5	78.0
EBITDA Margin	20.9	27.4	28.0	30.5	32.0
EBIT Margin	17.4	24.2	24.9	27.7	29.6
PBT Margin	19.9	26.5	26.9	30.0	32.0
Tax rate	21.1	26.7	25.0	25.0	25.0
PAT Margin	15.7	19.4	20.2	22.5	24.0
Profitability					
Return On Equity (ROE)	17.4	22.9	20.9	21.2	20.7
Return On Invested Capital (ROIC)	23.0	29.3	30.8	35.0	34.8
Return On Capital Employed (ROCE)	12.6	17.6	16.9	17.7	18.0
Financial leverage					
Pre-tax OCF/EBITDA (x)	1.2	0.9	1.2	1.0	0.9
OCF / Net profit (x)	1.3	1.0	1.4	1.0	0.9
EV/EBITDA (x)	42.7	29.1	25.2	19.8	16.1
Earnings					
EPS	46.5	64.6	74.4	95.8	118.3
Shares Outstanding	126.4	126.4	126.4	126.4	126.4
Working Capital					
Inventory Days (x)	80	72	64	63	62
Receivable Days (x)	103	108	86	80	75
Creditor Days (x)	41	40	38	36	32
Working Capital Days	141	140	112	107	105

Source: Company, CEBPL

Historical share price chart: Ajanta Pharma Limited



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HOLD	The security is expected to show upside or downside returns by 14% to -5% over the next 12 months
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