

Ajanta Pharma

Estimate change	↔
TP change	↔
Rating change	↔

CMP: INR2,706 TP: INR3,260 (+20%) Buy

Domestic formulation/US outperforms for the quarter

Efforts across segments to sustain growth momentum

- Ajanta Pharma (AJP) exhibited largely in-line operational performance for the quarter. Superior performance in Domestic Formulation (DF)/US was partly offset by the weak institutional anti-malaria business.
- The high base of the previous year impacted YoY growth in the branded generics export segment. That said, AJP continues to strengthen its positioning in the chronic portfolio across these markets.
- We largely maintain our estimates for FY26/FY27. We value AJP at 34x 12M forward earnings to arrive at a TP of INR3,260.
- Following a bottoming out of EBITDA margin at 22.6% in FY23, AJP reported strong improvement in profitability, achieving 28.3% EBITDA margin in FY25. Subsequently, it delivered 12%/19% EBITDA/PAT CAGR over FY23-25. AJP is enhancing its growth levers through: a) scaling up newer therapies/gaining market share in India, and b) increasing product launches—particularly in chronic therapies—in Africa/Asia markets, along with accelerating filings in the US generics market. Accordingly, we build in 15%/14% EBITDA/PAT CAGR over FY25-27. Reiterate BUY.

Segment mix benefit substantially offset by higher opex

- AJP's 4QFY25 revenue grew 11% to INR11.7b (our est: INR11.1b), led by growth across all key businesses.
- India's sales were up 13% YoY to INR3.7b (32% of sales). US generic sales grew 25% YoY to INR3.2b (28% of sales). Africa's branded generic sales grew 17.7% YoY to INR1.3b (11% of sales). Asia's branded generics sales were up 8% YoY to INR3b (26% of sales).
- Africa's institutional sales declined 54% to INR280m (2% of sales).
- Gross margin expanded 90bp YoY at 75.8%, driven by a better product mix.
- However, EBITDA margin contracted ~100bp YoY to 25.4% (our est. 25.9%) as higher gross margins were offset by an increase in employee costs/R&D expenses (up 170bp/50bp YoY as a % of sales).
- Consequently, EBITDA grew 6.8% YoY to INR3b (our est. INR2.9b).
- Adjusting for the forex gain impact of INR71m, adj. PAT grew 16.4% YoY to INR2.2b (our est. INR2b).
- In FY25, Revenue/EBITDA/PAT grew 10%/12%/19% YoY to INR46.4b/INR13b/INR9.4b.

Highlights from the management commentary

- AJP guided for high-teen YoY growth in the US generics segment and low-teen YoY growth in the branded generics segment for FY26.
- Additionally, the company guided for an EBITDA margin of 28% (+-1%) for FY26, similar to that of FY25.
- Considering the high base, the African branded generics business is expected to remain soft in FY26.
- AJP is expected to file 10-12 ANDAs in FY26 (filed six in FY25).

Bloomberg	AJP IN
Equity Shares (m)	125
M.Cap.(INRb)/(USDb)	338 / 4
52-Week Range (INR)	3486 / 2022
1, 6, 12 Rel. Per (%)	0/-9/16
12M Avg Val (INR M)	481

Financials & Valuations (INR b)

Y/E MARCH	FY25	FY26E	FY27E
Sales	46.5	52.0	59.2
EBITDA	13.2	14.8	17.5
Adj. PAT	9.4	10.1	12.1
EBIT Margin (%)	25.2	25.6	26.8
Cons. Adj. EPS (INR)	74.1	80.9	95.6
EPS Gr. (%)	18.9	9.3	18.1
BV/Sh. (INR)	299.6	359.4	430.6

Ratios

Net D:E	-0.2	-0.2	-0.3
RoE (%)	25.5	24.3	24.2
RoCE (%)	25.9	24.8	24.5
Payout (%)	26.0	25.5	25.5

Valuations

P/E (x)	36.5	33.4	28.3
EV/EBITDA (x)	25.8	22.8	19.0
Div. Yield (%)	0.7	0.8	0.9
FCF Yield (%)	2.5	1.1	2.6
EV/Sales (x)	7.3	6.5	5.6

Shareholding Pattern (%)

As On	Mar-25	Dec-24	Mar-24
Promoter	66.3	66.3	66.2
DII	17.5	17.0	17.5
FII	8.9	9.3	8.5
Others	7.4	7.5	7.8

FII includes depository receipts

Consol. - Quarterly perf.

(InR m)

Y/E March	FY24				FY25E				FY24	FY25E	FY25E	vs Est
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			4QE	(%)
Net Sales	10,210	10,284	11,052	10,541	11,449	11,866	11,461	11,704	42,087	46,481	11,140	5.1
YoY Change (%)	7.4	9.6	13.7	19.5	12.1	15.4	3.7	11.0	12.5	10.4	5.7	
Total Expenditure	7,397	7,378	7,835	7,758	7,846	8,498	8,253	8,733	30,368	33,330	8,260	
EBITDA	2,813	2,907	3,217	2,783	3,604	3,368	3,208	2,972	11,719	13,152	2,881	3.2
YoY Change (%)	11.7	40.9	48.7	62.7	28.1	15.9	-0.3	6.8	38.6	12.2	3.5	
Margins (%)	27.6	28.3	29.1	26.4	31.5	28.4	28.0	25.4	27.8	28.3	25.9	
Depreciation	332	337	343	343	340	344	360	398	1,354	1,441	339	
EBIT	2,482	2,570	2,874	2,441	3,264	3,024	2,849	2,574	10,365	11,710	2,541	1.3
YoY Change (%)	12.8	48.0	57.1	76.7	31.5	17.7	-0.9	5.4	45.0	13.0	4.1	
Margins (%)	24.3	25.0	26.0	23.2	28.5	25.5	24.9	22.0	24.6	25.2	22.8	9.0
Interest	9	23	25	15	7	60	79	61	72	207	62	
Other Income	121	85	95	158	182	195	129	111	459	616	137	
PBT before EO expense	2,594	2,631	2,944	2,584	3,439	3,159	2,898	2,624	10,752	12,119	2,616	0.3
Extra-Ord expense	97	128	-35	197	-217	-257	176	71	387	-227	0	
PBT	2,691	2,759	2,909	2,780	3,221	2,902	3,074	2,694	11,139	11,892	2,616	3.0
Tax	609	806	809	753	764	738	745	442	2,978	2,688	636	
Effective Rate (%)	22.6	29.2	27.8	27.1	23.7	25.4	24.2	16.4	26.7	22.6	24.3	
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	2,253	8,162	9,204	1,980	13.8
Adj PAT	2,007	1,862	2,125	1,884	2,624	2,356	2,196	2,194	7,878	9,369	1,980	10.8
YoY Change (%)	13.9	13.9	30.4	57.1	30.8	26.5	3.3	16.4	26.5	18.9	5.1	
Margins (%)	19.4	18.0	19.1	17.6	22.6	19.5	18.9	18.6	18.5	19.9	17.6	

Key Performance Indicators (Consolidated)

Y/E March	FY24				FY25E				FY24	FY25E	FY25E
INRm	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			4QE
Domestic formulations	3,190	3,550	3,080	3,260	3,530	3,860	3,450	3,690	13,079	14,524	3,554
YoY Change (%)	14.3	13.1	4.8	13.6	10.7	8.7	12.0	13.2	11.4	11.0	9.0
Asia	2,540	2,300	2,920	2,810	2,770	2,960	3,160	3,030	10,570	11,944	3,054
YoY Change (%)	5.8	(8.4)	28.1	18.1	9.1	28.7	8.2	7.8	10.4	13.0	8.7
Africa (branded + Insti)	2,240	1,947	2,410	1,740	2,720	2,560	2,060	1,610	8,347	8,902	1,562
YoY Change (%)	(8.6)	8.8	36.9	16.8	21.4	31.5	(14.5)	(7.5)	11.4	6.7	(10.2)
US	2,130	2,370	2,520	2,610	2,280	2,320	2,630	3,250	9,640	10,205	2,975
YoY Change (%)	19.0	28.1	(5.3)	31.8	7.0	(2.1)	4.4	24.5	16.4	5.9	14.0
Cost Break-up											
RM Cost (% of Sales)	24.7	24.9	26.6	25.1	23.4	22.1	22.5	24.2	25.3	23.0	22.9
Staff Cost (% of Sales)	20.9	21.6	20.9	22.2	22.2	22.0	23.1	23.9	21.4	22.8	24.2
R&D Expenses (% of Sales)	5.4	4.9	4.7	4.8	4.5	4.8	4.6	5.4	4.9	4.8	0.0
Other Cost (% of Sales)	21.5	20.4	18.6	21.5	18.5	22.8	21.8	21.1	25.4	21.1	22.4
Gross Margins(%)	75.3	75.1	73.4	74.9	76.6	77.9	77.5	75.8	74.7	77.0	77.1
EBITDA Margins(%)	27.6	28.3	29.1	26.4	31.5	28.4	28.0	25.4	27.8	28.3	25.9
EBIT Margins(%)	24.3	25.0	26.0	23.2	28.5	25.5	24.9	22.0	24.6	25.2	22.8
PBT Margins(%)	25.1	25.4	26.4	24.1	29.6	26.2	25.0	22.2	25.3	25.7	23.2
PAT Margins(%)	19.4	18.0	19.1	17.6	22.6	19.5	18.9	18.6	18.5	19.9	17.6

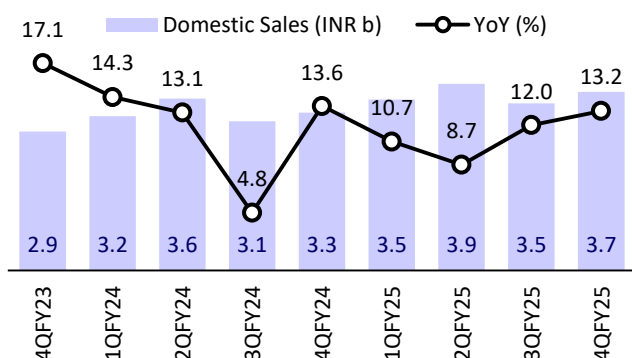

Other highlights from the management commentary

- AJP is expected to optimize MR productivity before adding MRs in FY26 in the Indian market.
- The company spent INR400m to acquire brands (annual sales of INR170m) for the Indian market.
- It launched 32/six products in India for FY25/4QFY25. Of these, eight were first-to-market.
- Additionally, the company launched 30/25 products in African/Asian markets in FY25.

- It aims to outperform IPM by 200bp on an annualized basis.
- The CWIP of INR1.8b pertains to capital expenditure for the administration office and the Pithampur plant.
- AJP will incur a capex of INR3b in FY26.
- In FY25, the company generated CFO of ~INR11.5b and EBITDA-to-CFO conversion of 92%.
- In FY25, the company generated a free cash flow of ~INR7b.

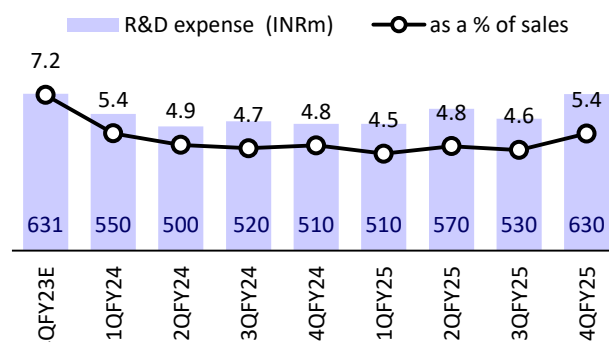
Key exhibits

Exhibit 1: DF sales up ~13% YoY in 4QFY25



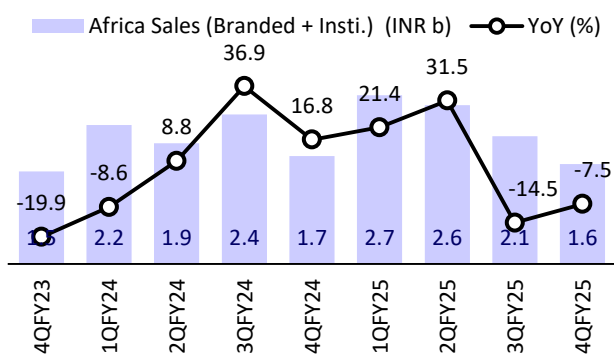
Source: MOFSL, Company

Exhibit 2: R&D spending at ~5.4% of sales in 4QFY25



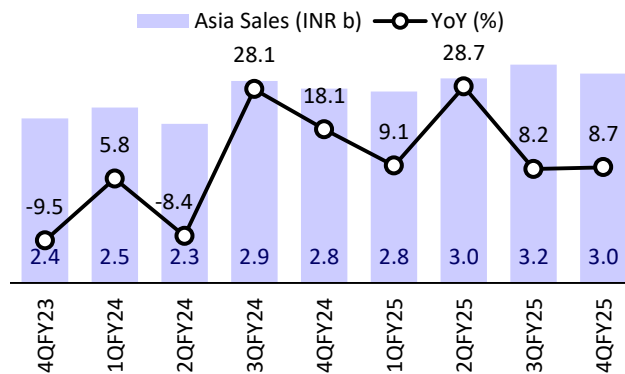
Source: MOFSL, Company

Exhibit 3: Africa sales (Branded + Institutional) declined ~7.5% YoY in 4QFY25



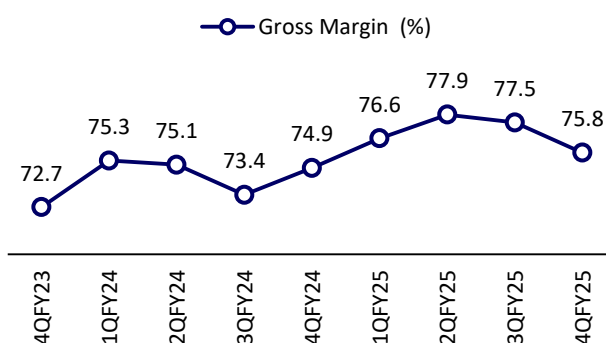
Source: MOFSL, Company

Exhibit 4: Asia sales grew 8.7% YoY in 4QFY25



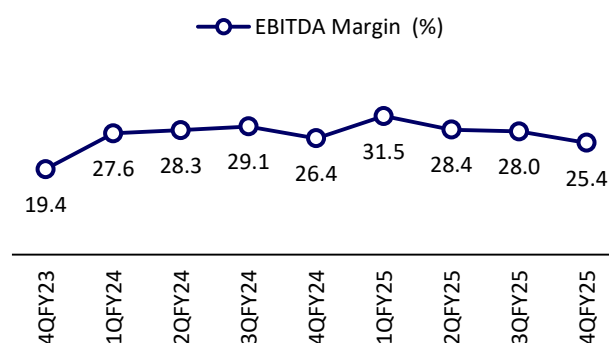
Source: MOFSL, Company

Exhibit 5: Gross margin expanded 90bp YoY in 4QFY25



Source: MOFSL, Company

Exhibit 6: EBITDA margin contracted ~100bp YoY in 4QFY25



Source: MOFSL, Company

Enhancing growth prospects across segments

Branded generics (70% of FY25 sales) – efforts toward sustaining growth momentum

- In FY25, AJP's DF (branded) revenue grew 11% YoY to ~INR12.8b, driven by: a) price (5% YoY) growth and b) volume growth (2.5% YoY) and new launches (3.1% YoY).
- In MAT Mar'25, AJP outperformed the industry by ~300bp, led by superior execution in the derma/pain category.
- The overall slowdown in the ophthalmology category at industry level is also impacting growth for AJP.
- By adding newer therapies, AJP is not only diversifying its DF revenue mix but also adding growth levers to sustain its outperformance vs IPM.
- Over FY25-27, we expect AJP to post a 16% sales CAGR in the DF segment, driven by the scale-up of gynaec and nephrology therapies and market share gain in base therapies.
- In FY25, the African branded generics business grew 29% YoY to INR7.5b. This was driven by the strong pace of launches and improved presence in certain geographies. While FY26 is expected to be soft, we expect 13% sales CAGR over FY25-27, reaching INR9.5b, as AJP continues to increase its focus on chronic therapies and expand its product portfolio in these markets.
- Likewise, AJP is scaling its operations in Asian sub-markets, such as Central Asia, the Middle East, and Southeast Asia. The company delivered robust 12% sales CAGR over the past five years, and the momentum is expected to sustain over the next 2-3 years, given its established presence, the addition of newer therapies, and enhanced marketing efforts.

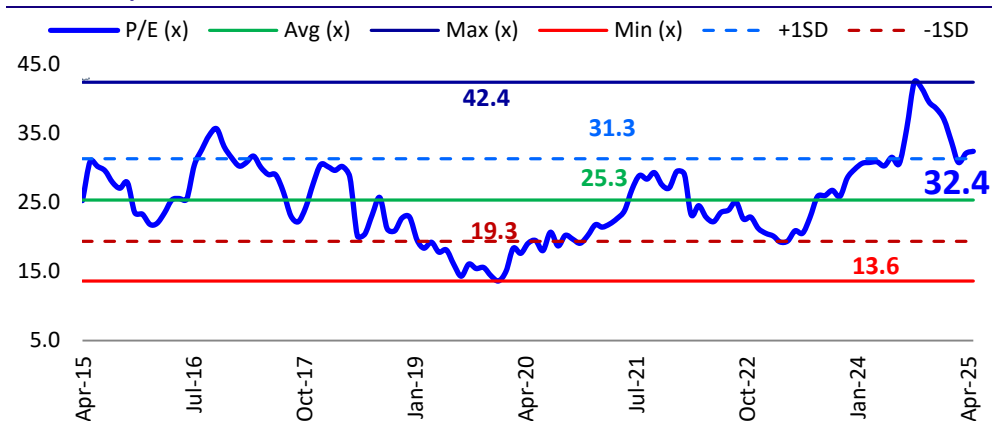
US generics – gearing up for better growth prospects

- Compared to strong YoY growth of 19%/16% YoY in FY23/FY24, the company witnessed moderate YoY growth of 9% in FY25, reaching INR10.5b. The slower pace of filing and launches, along with ongoing price erosion in the base portfolio, impacted FY25 performance in the US generics market.
- That said, AJP aims to file 10-12 ANDAs in FY26 and scale up its business from products launched in 2HFY25.
- Accordingly, we build in 15% sales CAGR over FY25-27 in the US generics market, reaching INR13b.

Valuation and view: Reiterate BUY

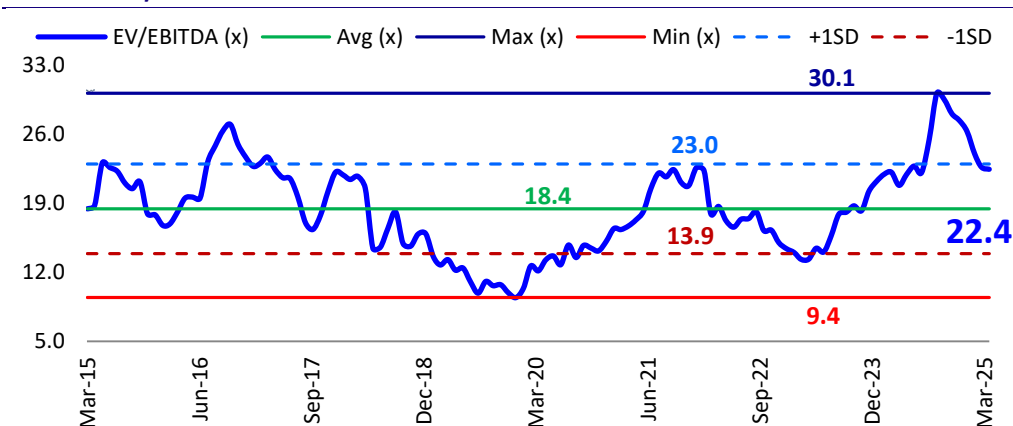
- We largely maintain our estimates for FY26/FY27. We value AJP at 34x 12M forward earnings to arrive at a TP of INR3,260.
- Following a bottoming out of EBITDA margin at 22.6% in FY23, AJP delivered strong improvement in profitability, achieving EBITDA margin of 28.3% in FY25. Subsequently, it delivered 12%/19% EBITDA/PAT CAGR over FY23-25. AJP is enhancing growth levers through: a) scaling up newer therapies/gaining market share in India and b) increasing product launches—particularly in chronic therapies—in African/Asian markets, along with accelerating filings in the US generics market. Accordingly, we build in 15%/14% EBITDA/PAT CAGR over FY25-27. Reiterate BUY.

Exhibit 7: P/E chart



Source: MOFSL, Company, Bloomberg

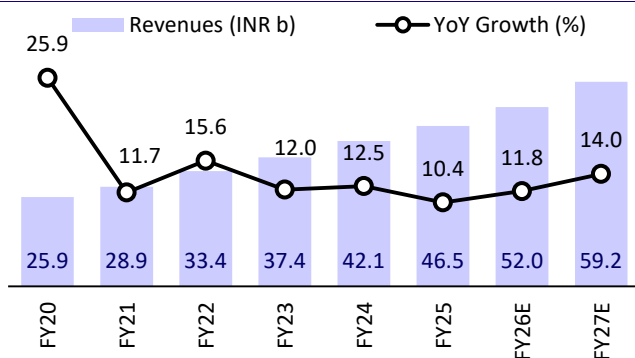
Exhibit 8: EV/EBITDA chart



Source: MOFSL, Company, Bloomberg

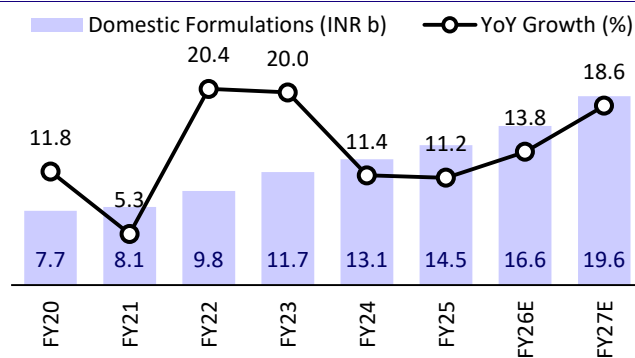
Story in charts

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



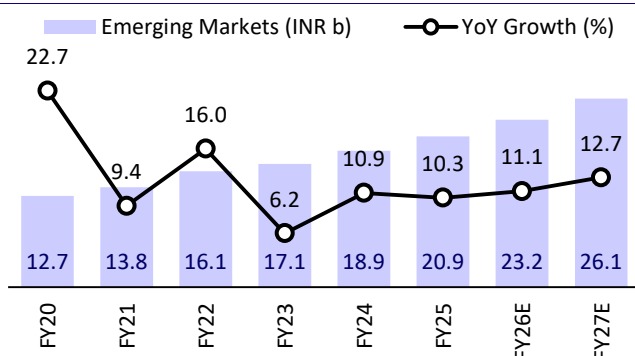
Source: Company, MOFSL

Exhibit 10: DF sales to clock 16% CAGR over FY25-27



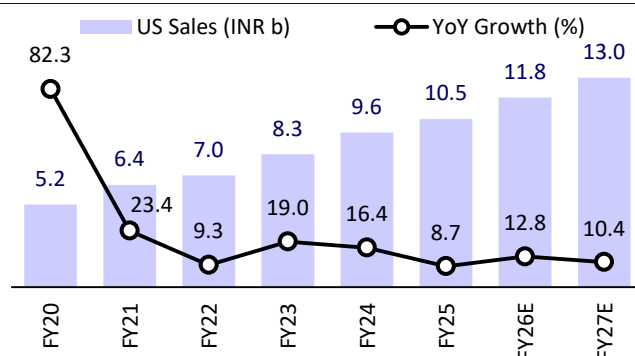
Source: Company, MOFSL

Exhibit 11: EM sales to clock 12% CAGR over FY25-27



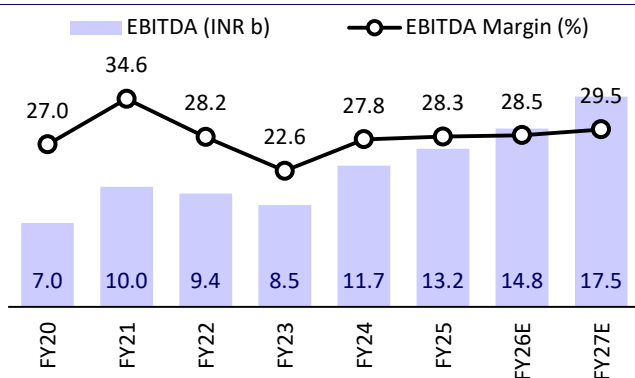
Source: Company, MOFSL

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



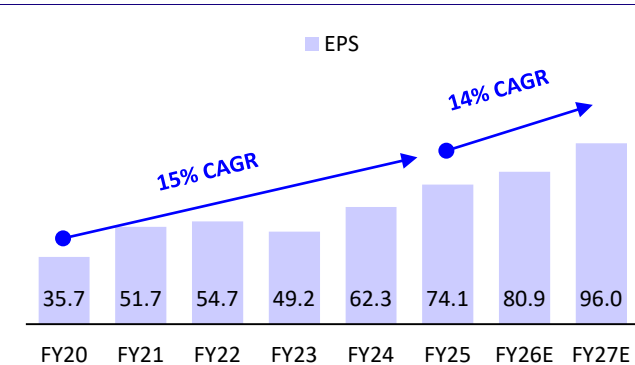
Source: Company, MOFSL

Exhibit 13: Expects 120bp margin expansion over FY25-27



Source: Company, MOFSL

Exhibit 14: Expects 14% 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	FY25	FY26E	FY27E
Total Income from Operations	20,554	25,879	28,897	33,410	37,426	42,087	46,481	51,986	59,248
Change (%)	-3.5	25.9	11.7	15.6	12.0	12.5	10.4	11.8	14.0
Total Expenditure	14,809	18,895	18,911	23,986	28,972	30,368	33,330	37,163	41,783
% of Sales	72.1	73.0	65.4	71.8	77.4	72.2	71.7	71.5	70.5
EBITDA	5,744	6,983	9,986	9,424	8,454	11,719	13,152	14,824	17,465
Margin (%)	27.9	27.0	34.6	28.2	22.6	27.8	28.3	28.5	29.5
Depreciation	721	957	1,161	1,253	1,308	1,354	1,441	1,503	1,534
EBIT	5,024	6,026	8,825	8,171	7,146	10,365	11,710	13,321	15,931
Int. and Finance Charges	12	119	83	102	58	72	207	263	248
Other Income	211	522	260	757	803	459	616	689	785
PBT bef. EO Exp.	5,223	6,429	9,002	8,826	7,892	10,752	12,119	13,747	16,468
EO Items	80	-211	0	-269	439	-387	227	0	0
PBT after EO Exp.	5,143	6,640	9,002	9,095	7,453	11,139	11,892	13,747	16,468
Total Tax	1,273	1,963	2,463	1,968	1,574	2,978	2,688	3,602	4,323
Tax Rate (%)	24.8	29.6	27.4	21.6	21.1	26.7	22.6	26.2	26.3
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	9,204	10,144	12,145
Adjusted PAT	3,930	4,522	6,539	6,916	6,225	7,878	9,369	10,144	12,145
Change (%)	-16.1	15.1	44.6	5.8	-10.0	26.6	18.9	8.3	19.7
Margin (%)	19.1	17.5	22.6	20.7	16.6	18.7	20.2	19.5	20.5

Consolidated - Balance Sheet

(INR m)

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
Equity Share Capital	175	175	174	172	253	253	251	251	251
Total Reserves	22,277	25,813	29,782	32,472	33,627	35,421	37,652	45,210	54,216
Net Worth	22,452	25,989	29,956	32,644	33,880	35,674	37,903	45,460	54,467
Total Loans	7	7	16	19	15	15	26	26	26
Deferred Tax Liabilities	271	558	421	463	977	1,085	1,105	1,105	1,105
Capital Employed	22,730	26,553	30,393	33,125	34,872	36,773	39,034	46,591	55,597
Gross Block	16,152	20,045	21,896	22,857	24,012	25,191	29,460	31,868	33,850
Less: Accum. Deprn.	4,366	5,324	6,485	7,738	9,046	10,400	11,841	13,343	14,953
Net Fixed Assets	11,786	14,721	15,411	15,120	14,966	14,792	17,619	18,525	18,896
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	1,760	1,352	1,170
Total Investments	888	476	517	707	5,465	3,580	4,640	4,640	4,640
Curr. Assets, Loans&Adv.	11,357	16,417	20,276	22,645	24,265	25,448	26,130	34,028	44,425
Inventory	4,357	4,957	7,665	7,911	8,156	8,284	9,039	10,894	13,165
Account Receivables	4,595	7,753	7,384	10,198	10,569	12,468	11,827	15,667	17,044
Cash and Bank Balance	1,005	2,053	2,096	2,118	3,309	1,308	1,762	3,282	9,447
Loans and Advances	1,400	1,655	3,131	2,418	2,231	3,388	3,502	4,185	4,769
Curr. Liability & Prov.	3,913	6,379	6,893	6,875	11,919	9,611	11,116	11,953	13,533
Account Payables	2,251	3,623	3,739	3,272	4,227	4,633	4,542	5,803	6,525
Other Current Liabilities	1,278	2,230	2,858	3,302	7,310	4,405	5,537	5,442	6,202
Provisions	384	526	296	301	382	573	1,036	708	807
Net Current Assets	7,444	10,038	13,383	15,770	12,346	15,836	15,015	22,075	30,891
Appl. of Funds	22,730	26,553	30,393	33,126	34,872	36,773	39,034	46,591	55,597

Financials and valuations

Ratios

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
Basic (INR)									
EPS	31.1	35.7	51.7	54.7	49.2	62.3	74.1	80.9	95.6
Cash EPS	36.8	43.3	60.9	64.6	59.5	73.0	85.5	92.1	108.3
BV/Share	177.5	205.4	236.8	258.1	267.8	282.0	299.6	359.4	430.6
DPS	6.3	9.0	6.6	6.4	11.5	15.4	18.9	20.4	24.4
Payout (%)	20.6	24.8	12.7	11.4	24.7	23.8	26.0	25.5	25.5
Valuation (x)									
P/E	86.9	75.5	52.2	49.4	54.9	43.4	36.5	33.4	28.3
Cash P/E	73.4	62.3	44.4	41.8	45.3	37.0	31.6	29.3	24.9
P/BV	15.2	13.1	11.4	10.5	10.1	9.6	9.0	7.5	6.3
EV/Sales	16.6	13.1	11.7	10.2	9.0	8.1	7.3	6.5	5.6
EV/EBITDA	59.3	48.6	34.0	36.0	40.0	29.0	25.8	22.8	19.0
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	29.0	48.8	51.1	66.5	29.1	68.9
Return Ratios (%)									
RoE	18.3	18.7	23.4	22.1	18.7	22.7	25.5	24.3	24.2
RoCE	18.4	19.0	23.6	22.3	18.8	22.8	25.9	24.8	24.5
RoIC	21.4	20.7	25.9	23.1	21.4	28.5	30.1	28.8	30.1
Working Capital Ratios									
Inventory (Days)	77	66	97	86	80	72	71	76	81
Debtor (Days)	82	109	93	111	103	108	93	110	105
Creditor (Days)	40	51	47	36	41	40	36	41	40
Leverage Ratio (x)									
Net Debt/Equity	-0.1	-0.1	-0.1	-0.1	-0.3	-0.1	-0.2	-0.2	-0.3

Consolidated - Cash Flow Statement

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
OP/(Loss) before Tax	5,303	6,218	9,002	8,557	7,453	11,139	11,892	13,747	16,392
Depreciation	721	957	1,161	1,253	1,308	1,354	1,441	1,503	1,610
Interest & Finance Charges	-199	-403	-177	-655	58	72	207	-426	-537
Direct Taxes Paid	-1,273	-1,963	-2,463	-1,968	-1,513	-3,121	-3,230	-3,602	-4,303
(Inc)/Dec in WC	115	-1,548	-1,708	-2,427	665	-998	1,789	-5,541	-2,651
CF from Operations	4,667	3,262	5,815	4,760	7,971	8,446	12,100	5,680	10,511
Others	-922	1,306	169	323	-53	-596	-521	0	0
CF from Operating incl EO	3,745	4,568	5,983	5,082	7,918	7,851	11,579	5,680	10,511
(Inc)/Dec in FA	-3,979	-2,599	-1,614	-1,409	-1,745	-1,390	-3,168	-2,000	-1,800
Free Cash Flow	-234	1,969	4,369	3,674	6,173	6,460	8,411	3,680	8,711
(Pur)/Sale of Investments	1,155	413	-41	-190	-3,907	1,774	-977	0	0
Others	596	-58	-1,169	857	56	270	378	689	785
CF from Investments	-2,228	-2,244	-2,824	-741	-5,596	654	-3,767	-1,311	-1,015
Issue of Shares	0	0	-2	-2	-14	0	0	0	0
Inc/(Dec) in Debt	-5	1	9	3	-5	1	11	0	0
Interest Paid	-12	-119	-83	-102	-23	-35	-173	-263	-248
Dividend Paid	-796	-1,159	-829	-816	-897	-6,422	-3,494	-2,587	-3,083
CF from Fin. Activity	-1,476	-1,683	-2,737	-4,252	-1,131	-10,511	-7,344	-2,850	-3,331
Inc/Dec of Cash	41	640	422	89	1,191	-2,006	468	1,519	6,165
Opening Balance	906	952	1,592	2,014	2,103	3,295	1,288	1,756	3,275
Closing Balance	948	1,592	2,014	2,103	3,295	1,288	1,756	3,275	9,440
Unrealised loss / (gain) on forex	4	432	82	14	14	19	6	6	6
Total Cash & Cash Eq	1,005	2,053	2,096	2,118	3,309	1,307	1,762	3,281	9,447

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