

HOLD

TP: Rs 2,783 | ▲ 1%

AJANTA PHARMA

| Pharmaceuticals

| 29 July 2025

Double-digit growth to continue; EBITDA margin constant

- Earnings were in line with our estimates with sales /EBITDA/PAT reported 1%/-2.7%/3% above estimates
- All regions expected to report healthy growth resulting in sustaining 78% gross margin and 27% EBITDA margin, amidst higher SG&A cost
- Sustainable growth across geographies and healthy return ratios; we increase our ascribed PE to 33x on June'27 (earlier 30x); maintain HOLD

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In-line result: AJP reported in-line set of earnings, where sales grew by 13.8%/EBITDA grew by 6.4% and PAT grew by 3.9%. Product mix was healthy given 9% growth in the branded generics segment (74% of sales) and favourable API prices, resulting in 79% gross margin. Other expenses grew by 49% YoY, mainly due to higher SG&A cost towards newer therapies, resulting in 188 bps decline in EBITDA margin to 27%. Overall, healthy operations resulted in PAT growth of 3%. During the quarter, there was a one-time forex loss of Rs 250 mn; excluding that, EBITDA margin was reported at 29%.

Domestic sales grew double than IPM growth: Sales from the domestic region grew by 16% vs IPM growth 8%. The growth was driven by 2.5% volume growth vs 1.5% IPM, 4.4% price hike vs 4.2% IPM and 3.3% new launches vs 2.3% IPM. Key brands are also gaining higher traction, with MetXL including all variants being worth Rs 2.5bn; Cinod is Rs 1.2bn, Atorfit is nearing Rs 1bn, and Feburic has Rs 1bn sales. Going forward, the newer therapies like Nephrology and Gynecology are expected to scale up and the Cardiology segment is also expected to outgrow the IPM. Hence, we expect sales to grow at 11% CAGR from FY26-28.

US region to continue growth momentum – US sales grew by 36%, largely driven by 5 new products launched in H2FY25 and 1 in 1QFY26. Overall, the company remains on track to file 10-12 ANDAs and 2-3 new launches in the remaining 9MFY26. We believe the US region can grow at a CAGR of 11% from FY26-28E.

Current margins sustainable: A healthy product mix from the new launches in the Chronic segment, in Asia and the domestic region, continues to outperform the IPM. Hence, the current EBITDA margin of 27% will likely be sustainable.

Valuation: We maintain our FY26 and FY27 EPS of Rs 80.2 and 92.7 per share respectively, as earnings were in line with estimates. We expect growth across geographies to continue, followed by healthy return ratios. Thus, we ascribe PE of 33x on June'27 roll forward basis (earlier 30x) to arrive at TP of Rs 2,783 (earlier Rs 2,795), thus maintaining HOLD on the stock.

Key changes

Target	Rating
▼	◀ ▶

Ticker/Price	AJP IN/Rs 2,767
Market cap	US\$ 4.0bn
Free float	31%
3M ADV	US\$ 4.1mn
52wk high/low	Rs 3,485/Rs 2,327
Promoter/FPI/DII	66%/10%/15%

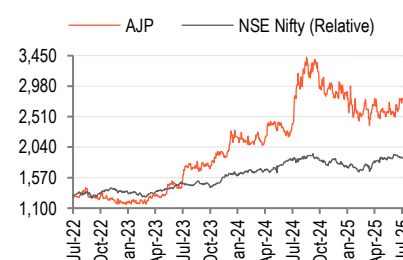
Source: NSE | Price as of 28 Jul 2025

Key financials

Y/E 31 Mar	FY25A	FY26E	FY27E
Total revenue (Rs mn)	46,481	51,892	57,744
EBITDA (Rs mn)	12,595	14,267	16,477
Adj. net profit (Rs mn)	9,204	10,135	11,707
Adj. EPS (Rs)	72.8	80.2	92.7
Consensus EPS (Rs)	72.8	83.5	98.1
Adj. ROAE (%)	25.4	24.6	23.4
Adj. P/E (x)	38.0	34.5	29.9
EV/EBITDA (x)	27.6	24.4	21.1
Adj. EPS growth (%)	12.8	10.1	15.5

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE



Fig 1 – Financial Highlights

(Rs mn)	Q1FY26	Q1FY25	YoY (%)	Q4FY25	QoQ (%)	FY25	FY26E	FY27E	FY28E
Net Sales	13,027	11,449	13.8	11,704	11.3	46,481	51,892	57,744	64,321
Total Expenses	9,513	8,146	16.8	8,733	8.9	33,886	37,626	41,267	45,287
(%) of net sales	73	71		75		73	73	71	70
Raw material consumed	2,759	2,679	3.0	2,834	(2.7)	10,708	11,935	13,570	14,794
(%) of net sales	21.2	23		24.2		23	23	24	23
Staff cost	3,029	2,838	6.7	2,798	8.3	10,897	11,935	12,704	14,151
(%) of net sales	23.3	24.8		23.9		23	23	22	22
R&D cost	560	510	9.8	630	(11.1)	2,240	2,595	2,887	3,216
(%) of net sales	4.3	4.5		5.4		4.8	5.0	5.0	5.0
SG&A	3,165	2,119	49.3	2,471	28.1	10,042	11,161	12,106	13,127
(%) of net sales	24.3	18.5		21.1		21.6	21.5	21.0	20.4
EBITDA	3,513	3,303	6.4	2,971	18.2	12,595	14,267	16,477	19,034
Depreciation	413	340	21.5	398	3.8	1,441	1,604	1,817	2,061
EBIT	3,101	2,964	4.6	2,574	20.5	11,154	12,663	14,660	16,973
Interest	53	7	620.5	61	(13.3)	207	150	100	75
Other Income	263	265	(0.5)	181	45.4	945	1,000	1,050	1,050
PBT	3,311	3,221	2.8	2,694	22.9	11,892	13,513	15,610	17,948
Less: Taxation	758	764	(0.7)	442	71.7	2,688	3,378	3,902	4,487
Less: Minority Interest						0	0	0	0
Recurring PAT	2,553	2,458	3.9	2,253	13.4	9,204	10,135	11,707	13,461
Exceptional items	0	0		0		0	0	0	0
Reported PAT	2,553	2,458	3.9	2,253	13.4	9,204	10,135	11,707	13,461
Key Ratios (%)									
Gross Margin	78.8	76.6	222	75.8	304	77.0	77.0	76.5	77.0
EBITDA Margin	27.0	28.9	(188)	25.4	158	27.1	27.5	28.5	29.6
Tax / PBT	22.9	23.7		16.4		22.6	25.0	25.0	25.0
NPM	19.6	21.5	(186)	19.2	36	19.8	19.5	20.3	20.9
EPS (Rs)	20.2	19.1		17.8		72.8	80.2	92.7	106.5

Source: Company, BOBCAPS Research

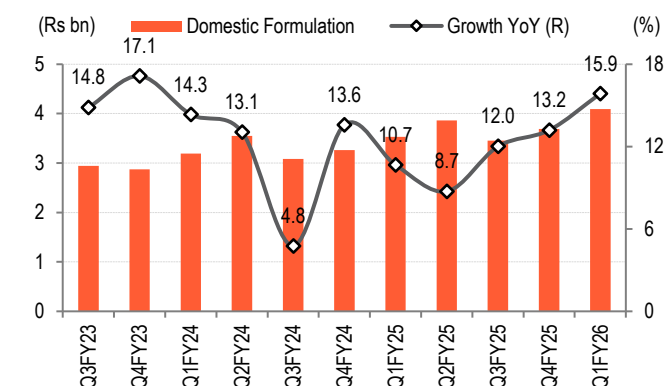
Fig 2 – Revenue Mix

(Rs mn)	Q1FY26	Q1FY25	YoY (%)	Q4FY25	QoQ (%)	FY25	FY26 E	FY27E	FY28E
Domestic Formulation	4,090	3,530	15.9	3,690	10.8	14,520	16,090	17,815	19,734
Exports Formulation	8,800	7,770	13.3	7,890	11.5	31,350	35,192	39,318	43,977
Africa	2,660	2,720	(2.2)	1,610	65.2	8,970	10,022	11,245	12,667
Asia	3,040	2,770	9.7	3,030	0.3	11,910	13,339	14,940	16,733
US	3,100	2,280	36.0	3,250	(4.6)	10,470	11,831	13,133	14,577
Other op Income	137	149	(8.5)	124	10.0	611	611	611	611
Revenues	13,027	11,449	13.8	11,704	11.3	46,481	51,892	57,744	64,321

Source: Company, BOBCAPS Research

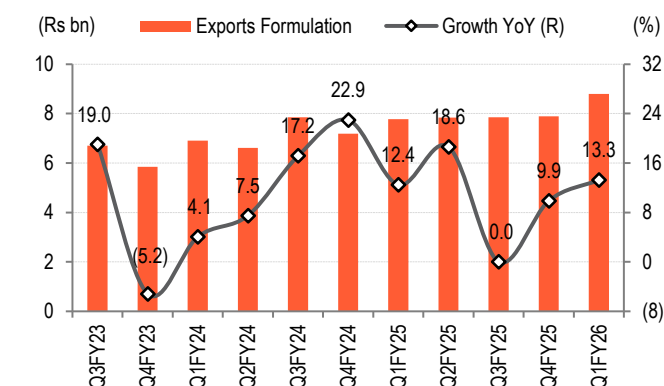
Financial Charts

Fig 3 – Domestic sales driven by IPM outperformance in 3 out of 4 therapies



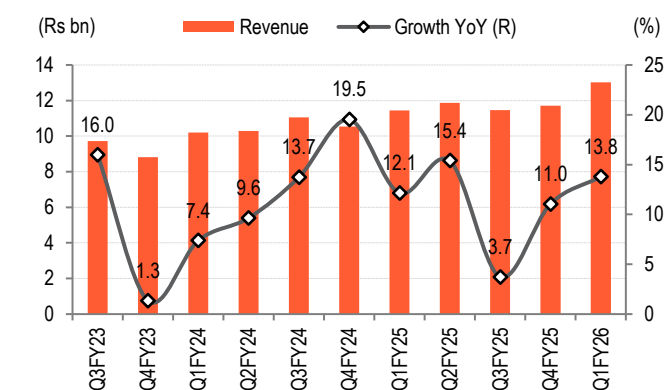
Source: Company, BOBCAPS Research

Fig 4 – Export sales driven by higher Asia and US sales



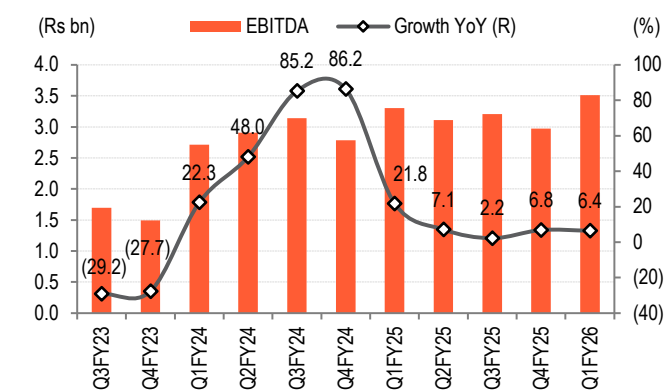
Source: Company, BOBCAPS Research

Fig 5 – Sales growth driven by growth across geographies



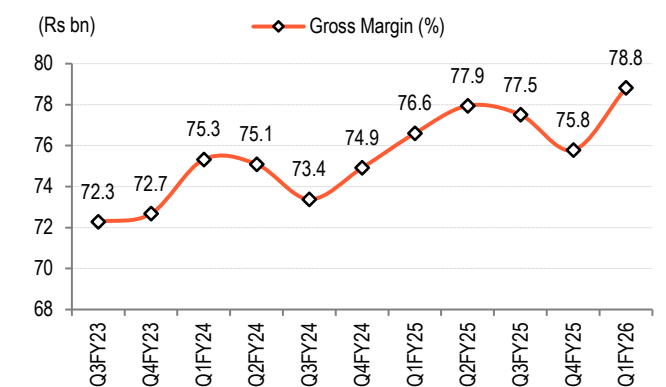
Source: Company, BOBCAPS Research

Fig 6 – EBITDA growth moderated on higher Other expenses



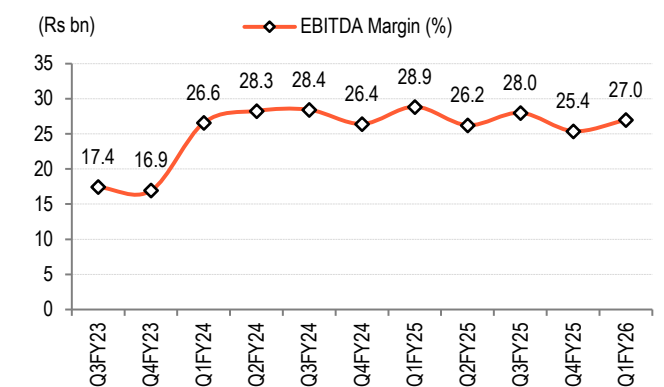
Source: Company, BOBCAPS Research

Fig 7 – Gross Margin driven by a healthy product mix and moderate API prices



Source: Company, BOBCAPS Research

Fig 8 – EBITDA margin went up with increase in higher margin products



Source: Company, BOBCAPS Research

Earnings Call Highlights

Outlook

Gross margin to report at 78% +/-1% in FY26,

EBITDA margin to report at a similar level of FY25 at 27%/+/-1%,

R&D expected to inch up to 5% of sales in FY26 where 50% is attributed to Branded generics and another 50% to the US.

ETR to sustain at 23% in FY26,

Capex – retain capex outflow of Rs3bn in FY26, out of which Rs 1-2 bn would be maintenance capex.

Asia + Africa Branded – (44% of total sales)

MR count – 40 MRs added in Asia and EM and expect to add 200 more in the remaining part of the year, totaling to 2500 MRs by FY26 from 2000 MRs in FY25.

Africa Branded – (20% of sales)

Growth - Africa business sales reported muted growth of 1%, primarily due to a high base and euro appreciation

New launches – Launched 2 new products during the quarter enhancing Chronic portfolio.

Outlook - The Africa pharma market is anticipated to witness a moderation in growth in FY 2026; hence, the company expects mid-to single digit growth in FY26. Expects growth to bounce back to double digits in FY27, as the base normalises.

Asian Branded - (23% of sales)

Growth – This region grew by 10% YoY, driven primarily by launching 10 new products in chronic therapies.

Penetration - Ajanta's Asia business extends across Middle East, South East Asia and Central Asia, covering nearly 10 countries.

Outlook - Growth in this region will likely sustain 11-15% in FY26, on higher base of FY25.

US – (24% of sales)

Growth - US generic segment as guided reported a healthy 36% growth, primarily driven by five new products launched in H2FY25 and 1 in 1QFY26.

Outlook – Expect the current quarterly run rate of Rs3bn to be sustained, driven by 2-3 new launches and filing 10-11 ANDAs in the remaining 9MFY26.

Africa Institution – (3% of sales)

Sales & Outlook – Sales declined by 8% as the business remains unpredictable with its dependence on procurement agencies and maintain a cautious outlook on the segment.

Domestic Market (31% of sales)

Sales – Sales grew by 16% YoY, driven by the launch of 8 new products, out of which one was launched for the first time in the market. The growth was driven by 2.5% volume growth vs 1.5% IPM, 4.4% price hike vs 4.2% IPM and 3.3% new launches vs 2.3% IPM.

Therapy Contribution - As on IQVIA MAT June 2025, Cardiology contributed 37%, Ophthalmology 30%, Dermatology 23% and 10% coming from pain management.

Therapy growth – During the quarter, Cardiac grew by 8% vs IPM growth of 12%, Ophthal grew by 9% vs IPM growth 5%, Derma grew by 13% vs IPM growth of 9% and Pain grew by 10% vs IPM growth of 7%.

Cardiac therapy growth was lower than the IPM on lower volume and decrease in market share due to intense competition.

MR Count – Currently have 3,500 MRs,

Top Brands - AJP has 15 brands in 250 mn size and 55% domestic sales is driven from top 10 brands. Amongst all domestic brands, MetXL including all variants is worth Rs 2.5bn, Cinod Rs 1.2bn, Atorfit nearing Rs 1bn, and Feburic Rs 1bn sales.

Outlook – Expect to grow 20-25% higher than the IPM. So, if IPM grows by 8%, Ajanta expects to grow by 10%.

New Therapies - The new therapies of gynecology and nephrology are taking good shape and are expected to contribute meaningfully in the coming years. The company added 70MRs in Q1FY26, and in the remaining quarters expect to add 70 more MRs.

Valuation Methodology

AJP reported a healthy set of earnings where sales/EBITDA/PAT grew 1%/-2.7% and 3% above our estimates, domestic sales reported 16% growth vs IPM growth of 8% (surpassed BOB estimates by 3.5%), US region grew by 36% (surpassed BOB estimates by 13.3%) and Asia region grew by 11% (4.6% below BOB estimates), offsetting 1% decline in Africa Branded (8% below BOB estimates). Healthy product mix, moderation in API prices and provisioning for returns led to 79% gross margin. However, a 49% rise in other expenses led to 27% EBITDA margin (in line with guidance).

Going forward, domestic region is expected to outgrow IPM by 20-25%, driven by outperformance in 3 out of 4 therapies, which includes Derma, Ophthalmology and Pain Management. Key brands like Met XI, Cinod, Atorfit, Feburic are gaining traction amidst above Rs 1bn sales. Asia branded business is also expected to grow in mid-teens, driven by new launches in the chronic segment and MR hiring (2,500 MRs expected in Asian +EM in FY26 vs 2000 in FY25) to drive deeper penetration in the geography. US region is also expected to sustain current high growth momentum, driven by new launches where it launched 5 products in H2FY25, whose full year impact would be visible in FY 26 and 2-3 launches in the remaining 9MFY26 while 1 launch in 1QFY26 whose full year impact would be seen in FY27. At 3%, the dependency on Africa institutional business contribution remains non meaningful.

Overall, we expect the growth trajectory to be sustained, followed by introducing FY28 numbers. Thus, we arrive at a sales/EBITDA/PAT CAGR of 11%/16%/15% respectively. As the earnings were in line, we maintain our estimates for FY26 and FY27 EPS of Rs 80.2 and 92.7 per share respectively. As all geographies continue to report healthy growth, followed by healthy return ratios, we increase our ascribed PE to 33x on June'27 roll forward basis (earlier 30x) to arrive at TP of Rs 2,783 (earlier Rs 2,795), thus maintaining HOLD on the stock.

Fig 9 – Change in estimates

(Rs mn)	New		Old		Change (%)	
	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E
Sales	51,892	57,744	51,892	57,744	0.0	(0.0)
EBITDA	14,267	16,477	14,267	16,477	(0.0)	0.0
EBITDA margin (%)	27.5	28.5	27.5	28.5	(0bps)	0bps
PAT	10,134.6	11,707.2	10,135	11,707	(0.0)	0.0
EPS (Rs)	80	93	80	93	0.0	(0.0)

Source: Company, BOBCAPS Research

Key Risks

Key upside risks to our estimates:

- Lower raw material and freight costs
- Stable or lower price erosion in the US business
- Rupee depreciation
- No supply chain constraints in Africa

Key downside risks to our estimates:

- Higher raw material and freight costs
- Higher price erosion in the US business
- Rupee appreciation
- Supply chain constraints in Africa

Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Total revenue	42,087	46,481	51,892	57,744	64,321
EBITDA	11,719	12,595	14,267	16,477	19,034
Depreciation	1,354	1,441	1,604	1,817	2,061
EBIT	10,365	11,154	12,663	14,660	16,973
Net interest inc./(exp.)	(72)	(207)	(150)	(100)	(75)
Other inc./(exp.)	846	945	1,000	1,050	1,050
Exceptional items	0	0	0	0	0
EBT	11,139	11,892	13,513	15,610	17,948
Income taxes	2,978	2,688	3,378	3,902	4,487
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	0	0	0	0	0
Reported net profit	8,161	9,204	10,135	11,707	13,461
Adjustments	0	0	0	0	0
Adjusted net profit	8,161	9,204	10,135	11,707	13,461

Balance Sheet

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Accounts payables	4,632	4,542	4,265	3,164	3,524
Other current liabilities	4,068	5,089	3,632	4,042	4,502
Provisions	573	1,036	1,157	1,287	1,434
Debt funds	353	147	147	147	147
Other liabilities	0	0	0	0	0
Equity capital	253	253	253	253	253
Reserves & surplus	35,161	36,893	45,001	54,367	65,135
Shareholders' fund	35,414	37,146	45,253	54,619	65,388
Total liab. and equities	45,039	47,960	54,455	63,260	74,996
Cash and cash eq.	1,360	1,902	1,730	3,465	7,555
Accounts receivables	12,468	11,827	12,795	13,922	15,508
Inventories	8,284	9,039	9,952	10,916	12,159
Other current assets	2,231	1,635	3,632	4,619	5,146
Investments	3,486	4,640	6,031	7,841	10,193
Net fixed assets	14,645	17,155	18,551	20,734	22,672
CWIP	2,565	1,763	1,763	1,763	1,763
Intangible assets	0	0	0	0	0
Deferred tax assets, net	0	0	0	0	0
Other assets	0	0	0	0	0
Total assets	45,039	47,960	54,455	63,260	74,996

Cash Flows

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Cash flow from operations	4,454	12,730	6,396	9,986	13,209
Capital expenditures	(962)	(2,000)	(3,000)	(4,000)	(4,000)
Change in investments	1,867	(1,153)	(1,392)	(1,809)	(2,352)
Other investing cash flows	0	0	0	0	0
Cash flow from investing	906	(3,153)	(4,392)	(5,809)	(6,352)
Equities issued/Others	0	0	0	0	0
Debt raised/repaid	(4)	(206)	0	0	0
Interest expenses	(72)	(207)	(150)	(100)	(75)
Dividends paid	(1,632)	(1,841)	(2,027)	(2,341)	(2,692)
Other financing cash flows	(5,625)	(6,780)	0	0	0
Cash flow from financing	(7,333)	(9,034)	(2,177)	(2,441)	(2,767)
Chg in cash & cash eq.	(1,973)	542	(172)	1,735	4,090
Closing cash & cash eq.	1,360	1,902	1,730	3,465	7,555

Per Share

Y/E 31 Mar (Rs)	FY24A	FY25A	FY26E	FY27E	FY28E
Reported EPS	64.6	72.8	80.2	92.7	106.5
Adjusted EPS	64.6	72.8	80.2	92.7	106.5
Dividend per share	12.9	14.6	16.0	18.5	21.3
Book value per share	403.8	423.6	516.0	622.8	745.6

Valuations Ratios

Y/E 31 Mar (x)	FY24A	FY25A	FY26E	FY27E	FY28E
EV/Sales	8.2	7.5	6.7	6.0	5.4
EV/EBITDA	29.6	27.6	24.4	21.1	18.2
Adjusted P/E	42.8	38.0	34.5	29.9	26.0
P/BV	6.9	6.5	5.4	4.4	3.7

DuPont Analysis

Y/E 31 Mar (%)	FY24A	FY25A	FY26E	FY27E	FY28E
Tax burden (Net profit/PBT)	73.3	77.4	75.0	75.0	75.0
Interest burden (PBT/EBIT)	107.5	106.6	106.7	106.5	105.7
EBIT margin (EBIT/Revenue)	24.6	24.0	24.4	25.4	26.4
Asset turnover (Rev./Avg TA)	30.1	31.8	31.4	28.8	26.7
Leverage (Avg TA/Avg Equity)	1.0	1.0	1.0	1.0	1.0
Adjusted ROAE	23.6	25.4	24.6	23.4	22.4

Ratio Analysis

Y/E 31 Mar	FY24A	FY25A	FY26E	FY27E	FY28E
YoY growth (%)					
Revenue	12.5	10.4	11.6	11.3	11.4
EBITDA	49.6	7.5	13.3	15.5	15.5
Adjusted EPS	38.8	12.8	10.1	15.5	15.0

Profitability & Return ratios (%)

EBITDA margin	27.8	27.1	27.5	28.5	29.6
EBIT margin	24.6	24.0	24.4	25.4	26.4
Adjusted profit margin	19.4	19.8	19.5	20.3	20.9
Adjusted ROAE	23.6	25.4	24.6	23.4	22.4
ROCE	32.0	33.1	33.0	31.4	30.0

Working capital days (days)

Receivables	108	93	90	88	88
Inventory	72	71	70	69	69
Payables	40	36	30	20	20

Ratios (x)

Gross asset turnover	1.8	1.9	1.9	1.8	1.8
Current ratio	2.6	2.3	3.1	3.9	4.3
Net interest coverage ratio	143.8	53.8	84.4	146.6	226.3
Adjusted debt/equity	0.0	0.0	0.0	(0.1)	(0.1)

Source: Company, BOBCAPS Research | Note: TA = Total Assets

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SEBI Research Analyst Registration No: **INH000000040 valid till 03 February 2025**

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BUY – Expected return >+15%

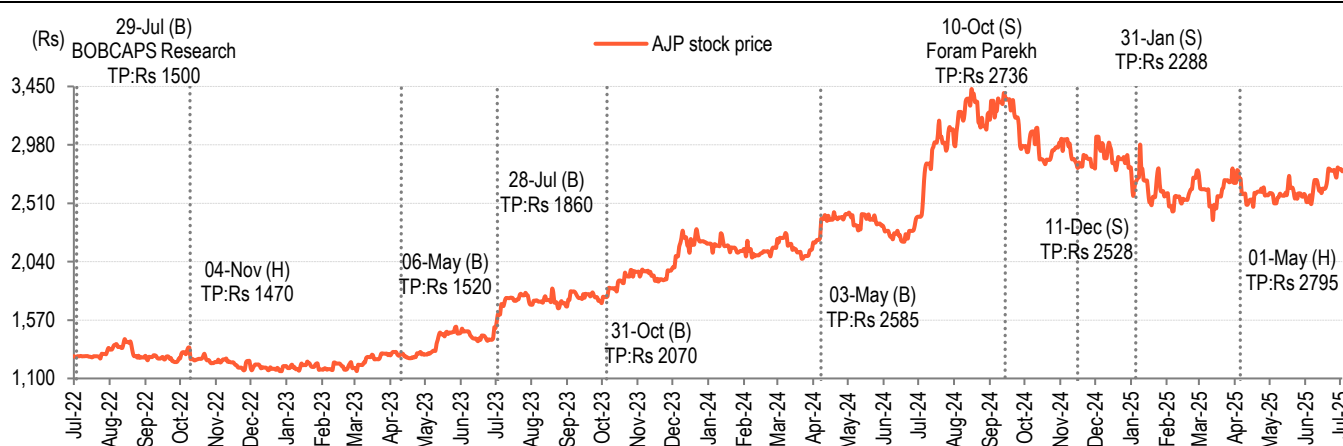
HOLD – Expected return from -6% to +15%

SELL – Expected return <-6%

Note: Recommendation structure changed with effect from 21 June 2021

Our recommendation scale does not factor in short-term stock price volatility related to market fluctuations. Thus, our recommendations may not always be strictly in line with the recommendation scale as shown above.

Ratings and Target Price (3-year history): AJANTA PHARMA (AJP IN)



B – Buy, H – Hold, S – Sell, A – Add, R – Reduce

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