RESULT REVIEW

HOLD

TP: Rs 3,787 | ▲ 10%

AJANTA PHARMA

| Pharmaceuticals | 30 July 2026

Higher earnings growth factored into current valuations

- **Sales/EBITDA/PAT were 10.6%/8.3%/18.2% above our estimates. Reported EBITDA Margin was 50 bps above our estimate at 26.1%**
- **Margin guidance was retained, with Gross Margin guided at 78±1% and EBITDA Margin at 27±1%**
- **On Jun'28 EPS roll-forward, the stock trades at a PE of 27x; we ascribe 30x (earlier 29x) for a PT of Rs 3,787. Downgrade to Hold (earlier Buy)**

Foram Parekh
Research Analyst
research@bobcaps.in

Earnings above estimates - Sales grew by 24.8% YoY to Rs 16.26bn. The sales growth was driven by 24.4% YoY growth in the domestic region, 37.2% YoY growth in the Africa branded segment, and 57% YoY growth in the US region, which was offset by a 16% YoY decline in the Asia business. Raw Material cost grew by 18.8% YoY to Rs 3.28bn, contributing 20.2% of sales in 1QFY27 vs 21.2% in 1QFY26, leading to a 101 bps YoY increase in Gross Margin to 79.8%. R&D cost grew by 17.9% YoY and 4.8% QoQ to Rs 660mn, while Other expenses (ex. R&D) grew by 35% to Rs 4.27bn. Forex loss in 1QFY27 was Rs 306mn. A healthy product mix led to 20.6% YoY growth in EBITDA to Rs 4.24bn. However, EBITDA Margin declined by 92 bps YoY to 26.1% due to higher SG&A cost attributed to marketing for products in the newer therapies. EBITDA Margin (ex. forex) reported a 96 bps YoY decline to 27.9% in 1QFY27. Other Income grew by 169% YoY, depreciation grew by 7.8% YoY, interest declined by 39.5%, and Tax grew by 48.5%, leading to 30.9% YoY growth in PAT to Rs 3.34 bn.

India business continues to surpass IPM growth – In 1QFY27, the segment grew by 24% YoY to Rs 5bn. The growth was driven by volume and new launches. AJP's volume growth exceeded IPM's growth by 1.38x, and growth from new launches exceeded IPM's growth by 1.78x. As per IQVIA, most of the therapies surpassed IPM's growth, where Ophthalmology surpassed IPM growth by 1.5x, Dermatology surpassed it by 1.75x, and Pain Management surpassed it by 1.5x, while Cardiac underperformed IPM by 40%. This resulted in AJP reporting 15% growth as per MAT Jun'26 IPM and 18% for 1QFY26 as per IQVIA. This growth was driven by 3,750 MRs and a 65% Chronic portfolio. AJP has a total of 17 brands above Rs 250mn, and the top 10 brands contribute 53% of domestic sales. We expect the current outperformance to continue; hence, we expect the segment to grow at a CAGR of 15% from FY27-29E

Valuation - At CMP, on rolling forward to Jun'28 EPS, the stock trades at a PE of 27.2x on Rs 126 EPS. In line with our EPS increase, we increase our ascribed PE to 30x (29x earlier) to arrive at a PT of Rs 3,787 (earlier PT of Rs 3,347), implying 10% upside; thus, downgrade to Hold (earlier Buy).

Key changes

Target	Rating
▲	▼

Ticker/Price	AJP IN/Rs 3,436
Market cap	US$ 4.6bn
Free float	31%
3M ADV	US$ 4.9mn
52wk high/low	Rs 3,599/Rs 2,330
Promoter/FPI/DII	66%/10%/15%

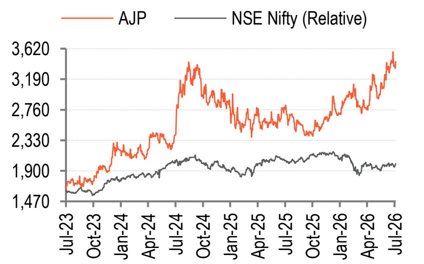
Source: NSE | Price as of 30 Jul 2026

Key financials

Y/E 31 Mar	FY26A	FY27E	FY28E
Total revenue (Rs mn)	54,529	62,460	72,070
EBITDA (Rs mn)	13,948	16,785	20,477
Adj. net profit (Rs mn)	10,560	12,466	15,091
Adj. EPS (Rs)	83.6	98.7	119.4
Consensus EPS (Rs)	83.6	96.9	111.2
Adj. ROAE (%)	25.8	25.2	24.9
Adj. P/E (x)	41.1	34.8	28.8
EV/EBITDA (x)	31.1	25.8	21.2
Adj. EPS growth (%)	14.7	18.0	21.1

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

Fig 1 – Quarterly therapeutic sales

(Rs mn)	1QFY27 Sales	Contribution (%)
Cardiac	1883	37
Opthal	1476	29
Derma	1120	22
Pain management	509	10
Nephrology	51	1
Gynecology	51	1
Total domestic sales	**5090**	**100**

Source: Company, BOBCAPS Research

Asia + Africa branded business to grow in double digit - In 1QFY27, the Africa branded segment grew by 29% YoY to Rs 2.95bn, while the Asia business declined by 16% YoY to Rs 2.6bn. The Asia decline was on account of the ongoing Middle East war, which affected shipments due to supply chain issues. However, the company launched 6 new products in 1QFY27. Going forward, the company intends to resolve the supply chain issue and expects this segment to grow back into double digits. The Africa business growth is driven by outperformance of the private market, which is growing by 7-12%, and launched 3 new products . Cumulatively, the branded business growth of Asia and Africa is driven by 220+ products on the shelf within 8 therapies. We expect the Asia region to grow at a CAGR of 14% from FY27-29E to Rs 17.57bn, and the Africa branded business to grow at a CAGR of 20% from FY27-29E to Rs 15.49bn.

US growth to normalize in FY27E – In 1QFY27, US sales grew by 57% to Rs 4.87bn. The growth was driven by a dominant market share of ~25% from existing business, 2 new launches during the quarter, and the full-year impact of new launches from last year. Going forward, the company guided for no new launches in 2QFY27 and 3QFY27, 5-7 ANDA filings in FY27, and expects higher competition, Hence, we expect this region to grow at a normalized rate of 8% in FY27 vs 49% growth in FY26. Overall, we expect this region to grow at a CAGR of 13% from FY27-29E to Rs 21.65bn.

Quarterly Highlights

Fig 2 – Financial Highlights

(Rs mn)	Q1FY27	Q1FY26	YoY (%)	Q4FY26	QoQ (%)	Q1FY27	Var. (%)
Net Sales	16,260	13,027	24.8	14,216	14.4	14,700	10.6
Total Expenses	12,024	9,513	26.4	10,882	10.5	10,789	
(%) of net sales	73.9	73.0		76.5		73.4	
Raw material consumed	3,279	2,759	18.8	3,048	7.6	3,087	
(%) of net sales	20.2	21.2		21.4		21.0	
Gross Profit	8,745.3	6,754.2		7,834.2		7,702.5	
Staff cost	3,811	3,029	25.8	3,407	11.9	3,528	8.0
(%) of net sales	23.4	23.3		24.0		24.0	
R&D cost	660	560	17.9	630	4.8	632	4.4
(%) of net sales	4.1	4.3		4.4		4.3	
SG&A ex of R&D	4,274	3,165	35.0	3,797	12.6	3,543	20.7
(%) of net sales	26.3	24.3		26.7		24.1	
EBITDA	4,236	3,514	20.6	3,334	27.0	3,910	8.3
Depreciation	445	413	7.8	454	(1.9)	470	
EBIT	3,791	3,101	22.3	2,880	31.6	3,440	
Interest	32	53	(39.5)	24	34.7	20	
Other Income	709	263	169.3	614	15.4	300	
PBT	4,468	3,311	34.9	3,471	28.7	3,720	20.1
Less: Taxation	1,126	758	48.5	804	40.0	893	
Less: Minority Interest							
Recurring PAT	3,342	2,553	30.9	2,667	25.3	2,827	18.2
Exceptional items	-	-		-		-	
Reported PAT	3,342	2,553	30.9	2,667	25.3	2,827	18.2
Key Ratios (%)			**(bps)**		**(bps)**		
Gross Margin	79.8	78.8	101bps	78.6	128bps	79.0	
EBITDA Margin	26.1	27.0	(92bps)	23.5	260bps	26.6	
Tax / PBT	25.2	22.9	231bps	23.2	203bps	24.0	
NPM	20.6	19.6	95bps	18.8	180bps	19.2	
EPS (Rs)	26.7	20.4	30.9	21.3	25.3	22.6	

Source: Company, BOBCAPS Research

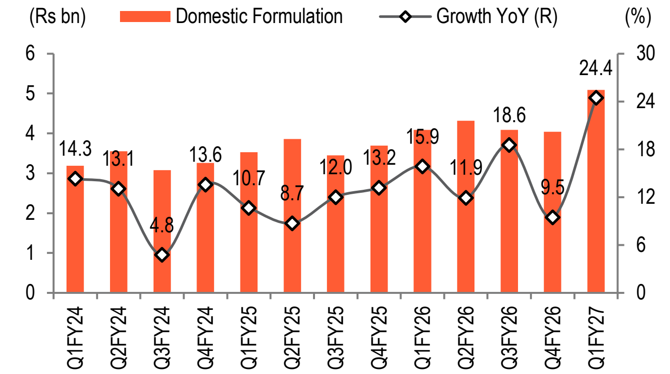
Fig 3 – Revenue Mix

(Rs mn)	Q1FY27	Q1FY26	YoY (%)	Q4FY26	QoQ (%)	Q1FY27	Var. (%)
Domestic Formulation	5,090	4,090	24.4	4,040	26.0	4,704	8.2
Exports Formulation	11,070	8,800	25.8	10,090	9.7	9,996	10.7
Africa	3,650	2,660	37.2	2,300	58.7	3,072	18.8
Asia	2,550	3,040	(16.1)	2,740	(6.9)	2,584	(1.3)
US	4,870	3,100	57.1	5,050	(3.6)	4,340	12.2
Other op Income	100	137	(27.0)	86	15.3		
Revenues	16,260	13,027	24.8	14,216	14.4	14,700	10.6

Source: BOBCAPS Research, Company

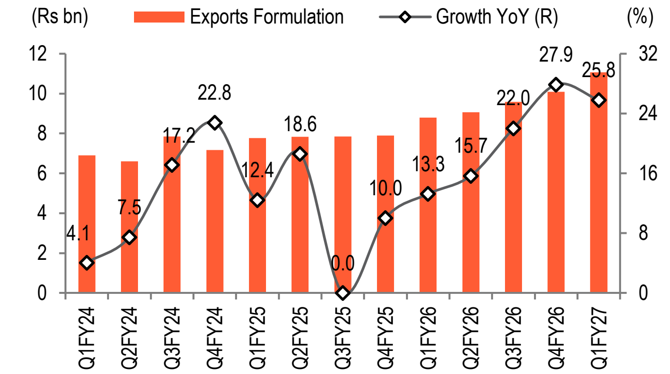
Financial Charts

Fig 4 – Domestic sales continue to outperform the IPM growth



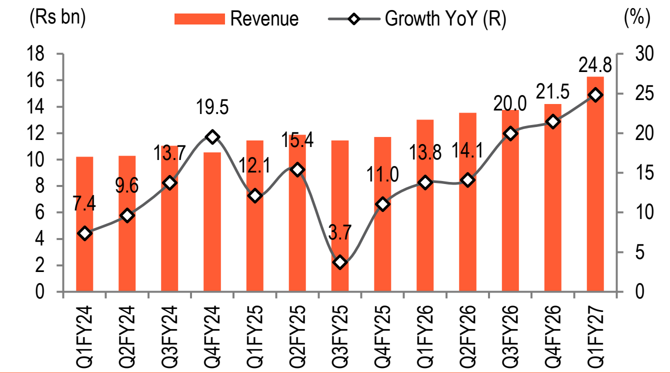
Source: Company, BOBCAPS Research

Fig 5 – Export formulation sales impacted with decline in the Asia region



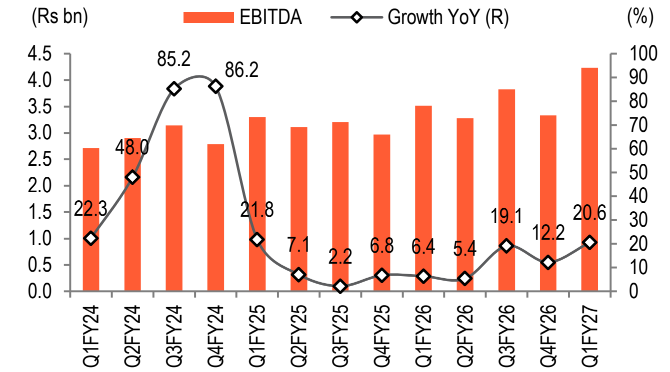
Source: Company, BOBCAPS Research

Fig 6 – Sales growth was driven by growth across geographies ex of Asia



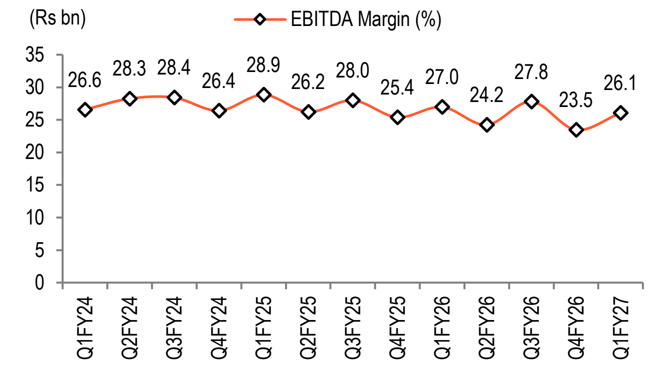
Source: Company, BOBCAPS Research

Fig 7 – EBITDA was driven by higher product mix



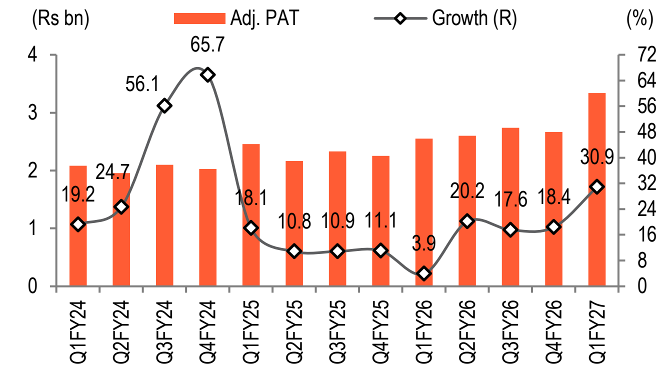
Source: Company, BOBCAPS Research

Fig 8 – Higher EBITDA led to higher margin



Source: Company, BOBCAPS Research

Fig 9 – Healthy operations and lower interest cost led to healthy PAT



Source: Company, BOBCAPS Research

Valuation methodology

AJP's earnings were better than our estimates on all fronts. In 1QFY27, all the geographies reported growth ex of Asia, whose supply chain was impacted due to the Middle East war; however, demand remained intact, leading to a 26% EBITDA Margin.

Going forward, the company would witness inflationary Raw Material cost due to the Middle East war, and normalized US growth due to no new launches and a high base effect, which would be offset by sustained double-digit growth in India, Africa branded, and the elevated Asia business. We are factoring in a 16% CAGR for the branded formulation business from FY27-29E to Rs 60.5bn in FY29E, and a 13% CAGR for the US generics business.

Though earnings beat our estimates on all fronts, we factor in normalized US sales growth of 8% in FY27 from an earlier higher growth estimate; hence, our EPS increases by 2% in FY27E, 5% in FY28E, and 12% in FY29E to Rs 99.4/120.4/143.7, respectively. Thus, our sales/EBITDA/PAT grow at a CAGR of 15%/21%/20% from FY27-29E. At CMP, on roll forward to Jun'28 EPS, the stock trades at a PE of 27.2x on Rs 126 EPS. In line with our EPS increase, we increase our ascribed PE to 30x (29x earlier) to arrive at a PT of Rs 3,787 (earlier PT of Rs 3,347), implying 10% upside; thus, downgrade to Hold (earlier Buy).

Fig 10 – Change in Estimates

	New			Old			Change (%)		
	FY27E	FY28E	FY29E	FY27E	FY28E	FY29E	FY27E	FY28E	FY29E
Revenue	62,460	72,070	82,621	64,169	72,553	80,432	(3)	(1)	2.7
EBITDA	16,785	20,477	24,562	16,916	19,841	22,362	(1)	3	10
EBITDA M (%)	27	28	30	26	27	28	51.1bps	106.5bps	192.6bps
EPS	99.4	120.4	143.7	97.9	114.5	128.5	2	5	12

Source: Company, BOBCAPS Research

Fig 11 – 1 year forward PE chart

Source: Bloomberg

Key Risks

Key upside risks

- Sustaining 1QFY26 domestic region growth rate is an upside risk to our estimates
- Softening of RM cost which increases margins

Key downside risk

- Non sustenance of Africa branded business growth
- Intense Price erosion pressure in the US

Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY25A	FY26A	FY27E	FY28E	FY29E
Total revenue	**46,481**	**54,529**	**62,460**	**72,070**	**82,621**
EBITDA	12,595	13,948	16,785	20,477	24,562
Depreciation	1,441	1,731	1,639	1,859	2,079
EBIT	11,154	12,217	15,146	18,618	22,483
Net interest inc./(exp.)	(207)	(161)	(150)	(175)	(190)
Other inc./(exp.)	945	1,721	1,850	1,950	2,050
Exceptional items	0	0	0	0	1
EBT	11,892	13,777	16,846	20,393	24,343
Income taxes	2,688	3,217	4,380	5,302	6,329
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	0	0	0	0	0
Reported net profit	**9,204**	**10,560**	**12,466**	**15,091**	**18,014**
Adjustments	0	0	0	0	0
Adjusted net profit	**9,204**	**10,560**	**12,466**	**15,091**	**18,014**

Balance Sheet

Y/E 31 Mar (Rs mn)	FY25A	FY26A	FY27E	FY28E	FY29E
Accounts payables	4,542	5,443	6,160	7,108	8,149
Other current liabilities	5,089	6,238	4,372	4,324	2,479
Provisions	919	794	909	1,049	1,203
Debt funds	127	2,208	2,208	2,208	2,208
Other liabilities	0	0	0	0	1
Equity capital	251	251	251	251	251
Reserves & surplus	36,893	44,314	54,286	66,359	80,770
Shareholders' fund	37,144	44,564	54,537	66,610	81,021
Total liab. and equities	**47,820**	**59,247**	**68,187**	**81,299**	**95,059**
Cash and cash eq.	1,763	1,048	1,544	2,120	2,523
Accounts receivables	11,827	18,539	20,535	24,681	28,295
Inventories	9,039	9,385	10,267	11,650	12,902
Other current assets	1,635	3,557	4,997	7,567	11,154
Investments	4,640	5,884	7,649	9,943	12,926
Net fixed assets	17,155	18,254	20,615	22,756	24,678
CWIP	1,763	2,581	2,581	2,581	2,581
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	**47,820**	**59,247**	**68,187**	**81,299**	**95,059**

Cash Flows

Y/E 31 Mar (Rs mn)	FY25A	FY26A	FY27E	FY28E	FY29E
Cash flow from operations	**12,612**	**5,397**	**8,904**	**10,065**	**11,181**
Capital expenditures	(2,000)	(3,000)	(4,000)	(4,000)	(4,000)
Change in investments	(1,153)	(1,244)	(1,765)	(2,295)	(2,983)
Other investing cash flows	0	0	0	0	0
Cash flow from investing	**(3,153)**	**(4,244)**	**(5,765)**	**(6,295)**	**(6,983)**
Equities issued/Others	(2)	0	0	0	0
Debt raised/repaid	(226)	2,081	0	0	0
Interest expenses	(207)	(161)	(150)	(175)	(190)
Dividends paid	(1,841)	(2,112)	(2,493)	(3,018)	(3,603)
Other financing cash flows	(6,780)	(1,675)	0	0	0
Cash flow from financing	**(9,056)**	**(1,868)**	**(2,643)**	**(3,193)**	**(3,793)**
Chg in cash & cash eq.	**403**	**(715)**	**496**	**577**	**405**
Closing cash & cash eq.	**1,763**	**1,048**	**1,544**	**2,120**	**2,525**

Per Share

Y/E 31 Mar (Rs)	FY25A	FY26A	FY27E	FY28E	FY29E
Reported EPS	72.8	83.6	98.7	119.4	142.6
Adjusted EPS	72.8	83.6	98.7	119.4	142.6
Dividend per share	14.7	16.8	19.9	24.1	28.7
Book value per share	423.5	508.1	621.9	759.5	923.8

Valuations Ratios

Y/E 31 Mar (x)	FY25A	FY26A	FY27E	FY28E	FY29E
EV/Sales	9.4	8.0	6.9	6.0	5.3
EV/EBITDA	34.6	31.1	25.8	21.2	17.7
Adjusted P/E	47.2	41.1	34.8	28.8	24.1
P/BV	8.1	6.8	5.5	4.5	3.7

DuPont Analysis

Y/E 31 Mar (%)	FY25A	FY26A	FY27E	FY28E	FY29E
Tax burden (Net profit/PBT)	77.4	76.7	74.0	74.0	74.0
Interest burden (PBT/EBIT)	106.6	112.8	111.2	109.5	108.3
EBIT margin (EBIT/Revenue)	24.0	22.4	24.2	25.8	27.2
Asset turnover (Rev./Avg TA)	31.8	32.4	30.2	28.7	27.2
Leverage (Avg TA/Avg Equity)	1.0	1.0	1.0	1.0	1.0
Adjusted ROAE	25.4	25.8	25.2	24.9	24.4

Ratio Analysis

Y/E 31 Mar	FY25A	FY26A	FY27E	FY28E	FY29E
YoY growth (%)					
Revenue	10.4	17.3	14.5	15.4	14.6
EBITDA	7.5	10.7	20.3	22.0	19.9
Adjusted EPS	12.8	14.7	18.0	21.1	19.4
Profitability & Return ratios (%)					
EBITDA margin	27.1	25.6	26.9	28.4	29.7
EBIT margin	24.0	22.4	24.2	25.8	27.2
Adjusted profit margin	19.8	19.4	20.0	20.9	21.8
Adjusted ROAE	25.4	25.8	25.2	24.9	24.4
ROCE	33.1	33.2	32.8	32.8	32.3
Working capital days (days)					
Receivables	93	124	120	125	125
Inventory	71	63	60	59	57
Payables	36	36	36	36	36
Ratios (x)					
Gross asset turnover	1.9	2.0	2.0	2.0	2.1
Current ratio	2.3	2.6	3.3	3.7	4.6
Net interest coverage ratio	53.8	75.8	101.0	106.4	118.3
Adjusted debt/equity	0.0	0.0	0.0	0.0	0.0

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

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SEBI Depository Participant Registration No: **IN-DP-728-2022**
SEBI Merchant Banker Registration No: **INM000009926**
Phone: +91-22-61389300
Name of the Compliance Officer: Mr. Sameer Khobrekar
Email ID: Compliance@bobcaps.in; Phone no.: +91-22-61389358
For any queries or grievances, you may contact the Grievance Officer.
Name of the Grievance Officer: Mr. Nilesh Mehta
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Recommendation scale: Recommendations and Absolute returns (%) over 12 months

BUY – Expected return >+15%

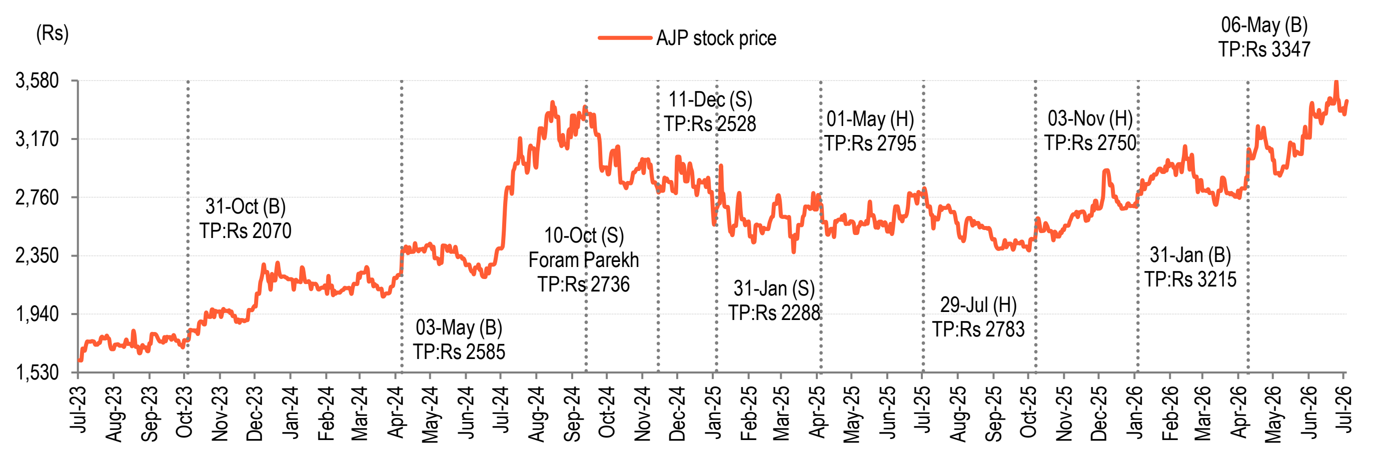
HOLD – Expected return from -6% to +15%

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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