RESULT REVIEW

BOBCAPS
TRUST | INNOVATION | EXCELLENCE

HOLD
TP: Rs 2,795 | ⮝ 3%

AJANTA PHARMA | Pharmaceuticals | 01 May 2025

A New Dawn of Culture

- **Mix set of earnings where sales/EBITDA/PAT reported 5%/3%/10% above estimates; EBITDA margin reported 60 bps below estimates**
- **Entering new therapies and acquiring 3 brands to require higher MR & SG&A cost. Expect 27.5% EBITDA margin in FY26E & 28.5% in F27E**
- **Factoring in higher US sales growth, EPS upgrades by 3.6% and 7.3% in FY26E & FY27E. Upgrade to HOLD, ascribing PE of 30x on FY27E**

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Mixed 4Q - AJP reported a mixed set of earnings where sales grew by 11% YoY, EBITDA by 6.8% YoY and PAT by 11.1% YoY. However, EBITDA margin was reported lower. Sales was driven by 13% growth in the India business, 17% in the Africa branded business, 8% in the Asia region and 24% in the US region, offset by 54% decline in the Africa Institution segment on lower purchases by global funds. Overall, 12% growth in the Branded Generics business and higher RM cost led to 75.8% gross margin. Employee cost increased by 20% due to MR hiring and 14% rise in Other expenses attributed to 26% YoY growth in R&D cost to Rs 630mn resulting in 25.4% EBITDA margin. Higher depreciation, interest cost and lower Other income offset by lower tax rate of 16.4%, led to 11% YoY increase in PAT.

Domestic sales continue to surpass IPM growth – AJP reported 13.2% YoY growth in domestic region, surpassing IPM growth by 300 bps. This was driven by growth across therapies where Opthal grew by 6% vs IPM growth of 5%, Derma by 14% vs IPM growth of 10%, Pain Management growth 11% vs IPM growth of 8%, Cardiac growth of 11% vs IPM growth of 12%. During the quarter, AJP launched 6 products in 4QFY25 and 32 launches in FY25. AJP's trade generics segment also grew by 20% YoY to Rs 490 mn, contributing 13% of domestic sales. Going forward, AJP's domestic region will continue surpassing IPM growth by 200 bps, driven by strong growth across therapies. Hence, we expect domestic region to grow at 11% CAGR from FY25-27 to Rs 17.8bn in FY27.

US growth to be driven by new product launches – During the quarter, US grew by 24% YoY to Rs 3.2bn, driven primarily by new product launches. The growth was driven by 5 new products launched in H2FY25. Overall, US region has 52 ANDAs active and 47 products on the shelf. Going forward, AJP to file 10-12 ANDAs and expects ~7 new launches in FY26E and full year impact of 5 new products launched in FY25, Hence, we expect the US region to grow by 12% CAGR from FY25-27 to Rs 13.1bn in FY27E.

Key changes

Target	Rating
▲	▲

Ticker/Price	AJP IN/Rs 2,706
Market cap	US$ 4.0bn
Free float	31%
3M ADV	US$ 5.5mn
52wk high/low	Rs 3,485/Rs 2,111
Promoter/FPI/DII	66%/10%/15%

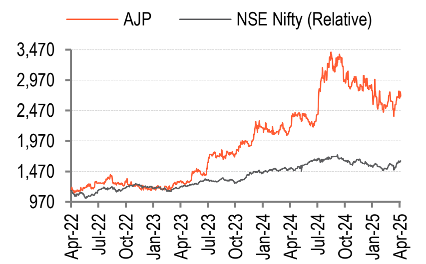
Source: NSE | Price as of 30 Apr 2025

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)	74.7	85.5	105.1
Adj. ROAE (%)	25.4	24.6	23.4
Adj. P/E (x)	37.1	33.7	29.2
EV/EBITDA (x)	27.0	23.9	20.6
Adj. EPS growth (%)	12.8	10.1	15.5

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

Africa branded business growth to normalise in FY26 – During the quarter, AJP's Africa branded business reported a growth of 17% YoY to Rs 1.3bn. The growth was driven by expanding chronic portfolio and new product launches. During FY25, 13 new products were launched; expect the same momentum to continue in new launches in FY26E. Due to a higher base in FY25, the Africa Branded business is expected to normalise, hence we expect this region to grow by 15% CAGR from FY25-27E to Rs 9.9bn in FY27E.

Asia region to witness stable growth - AJP reported 8% YoY growth to Rs 3bn in 4QFY25, primarily driven by strategic investment in both products and people. The business is penetrated in 10 countries spread over the Middle East, South East Asia and Central Asia. During FY25, AJP launched 25 products in the Asia region, largely in Chronic therapies. Going forward, the new product launches will aid growth, so we expect the Asia region to grow at 12% CAGR from FY25-27 to Rs 14.9 bn in FY27E.

Africa institution sales contribution to become insignificant - Africa institution sales declined by 54% YoY to Rs 280mn, due to lower procurement by the agencies. In FY25, institution sales declined by 41% YoY to Rs 1.4bn. The nature of procurement by the agencies remains unpredictable, so we expect sales to decline by 5% over FY25-27. However, its contribution is expected to lower to 2% in FY27 from 3% in FY25.

Newer therapies scale up to impact margins – AJP entered two new therapies of Nephrology and Gynaceology with addition of 250 + MRs. They also acquired 3 new brands in the Pain Management therapy from Aksigen Pharma for Rs 400 mn. Scaling up these brands to require MR hiring and promotional cost, hence EBITDA margin was lower at 25.4% in 4QFY25 and 27.1% in FY25. We expect higher expense trend to continue, hence, expect EBITDA margin to increase moderately to 27.5% in FY26 and 28.5% in FY28.

R&D expense to be stable at 5% of sales- During the quarter, R&D contribution increased to 5.4% of the sales (4.7% to sales in 4QFY24) to Rs 630 mn in 4QFY25 and Rs 2.2bn in FY25. As for the R&D spend, 50% is attributed to the US business and the remaining 50% to the branded generics business; the spend is expected to sustain around 5% of the sales.

Valuation - There is a dawn of new culture in the company where it has entered into two new therapies and acquired 3 brands in the Pain Management therapy from Aksigen Pharma. With an annual revenue of Rs 150-170, the 3 brands are acquired for Rs 400 mn. Scaling up of these brands will require additional MR hiring and promotional cost, thereby keeping margins in the similar range. However, factoring in higher growth in the US, our EPS estimates increase by 3.6% and 7.3% for FY26E and FY27E respectively. Hence, we upgrade the stock to HOLD (earlier SELL). We believe that all negatives are factored in the CMP and due to higher ROCE of 32% and stable growth in the branded generic business (76% contribution in FY25), we ascribe a PE of 30x on FYE (earlier 29x) to arrive at TP of Rs 2,795 (earlier Rs 2,288).

Fig 1 – Financial Highlight table

(Rs mn)	Q4FY25	Q4FY24	YoY (%)	Q3FY25	QoQ (%)	FY24	FY25	FY26E	FY27E
Net Sales	11,704	10,541	11.0	11,461	2.1	42,087	46,481	51,892	57,744
Total Expenses	8,733	7,758	12.6	8,253	5.8	30,395	33,886	37,626	41,267
(%) of net sales	75	74		72		72	73	73	71
Raw material consumed	2,834	2,644	7.2	2,578	9.9	10,666	10,708	11,935	13,570
(%) of net sales	24.2	25		22.5		25	23	23	24
Staff cost	2,798	2,335	19.8	2,652	5.5	9,003	10,897	11,935	12,704
(%) of net sales	23.9	22.2		23.1		21	23	23	22
R&D cost	630	500	26.0	530	18.9	2,070	2,240	2,595	2,887
(%) of net sales	5.4	4.7		4.6		4.9	4.8	5.0	5.0
SG&A	2,471	2,279	8.4	2,493	(0.9)	8,656	10,042	11,161	12,106
(%) of net sales	21.1	21.6		21.8		20.6	21.6	21.5	21.0
EBITDA	2,971	2,783	6.8	3,208	(7.4)	11,692	12,595	14,267	16,477
Depreciation	398	343	16.1	360	10.6	1,354	1,441	1,604	1,817
EBIT	2,574	2,441	5.4	2,849	(9.7)	10,338	11,154	12,663	14,660
Interest	61	15	296.7	79	(23.3)	72	207	150	100
Other Income	181	355	(49.0)	304	(40.5)	846	945	1,000	1,050
PBT	2,694	2,780	(3.1)	3,074	(12.4)	11,112	11,892	13,513	15,610
Less: Taxation	442	753	(41.4)	745	(40.7)	2,978	2,688	3,378	3,902
Less: Minority Interest						0	0	0	0
Recurring PAT	2,253	2,027	11.1	2,329	(3.3)	8,134	9,204	10,135	11,707
Exceptional items	0	0		0		0	0	0	0
Reported PAT	2,253	2,027	11.1	2,329	(3.3)	8,134	9,204	10,135	11,707
Key Ratios (%)									
Gross Margin	75.8	74.9	87	77.5	(172)	74.7	77.0	77.0	76.5
EBITDA Margin	25.4	26.4	(102)	28.0	(261)	27.8	27.1	27.5	28.5
Tax / PBT	16.4	27.1		24.2		26.8	22.6	25.0	25.0
NPM	19.2	19.2	1	20.3	(107)	19.3	19.8	19.5	20.3
EPS (Rs)	17.8	15.8		18.4		64.4	72.8	80.2	92.7

Source: Company, BOBCAPS Research

Fig 2 – Segmental revenue

(Rs mn)	Q4FY25	Q4FY24	YoY (%)	Q3FY25	QoQ (%)	FY24	FY25	FY26	FY27
Domestic Formulation	3,690	3,260	13.2	3,450	7.0	13,080	14,520	16,090	17,815
Exports Formulation	7,890	7,180	9.9	7,850	0.5	28,550	31,350	35,192	39,318
Africa	1,610	1,750	(8.0)	2,060	(21.8)	8,340	8,970	10,022	11,245
Asia	3,030	2,810	7.8	3,160	(4.1)	10,570	11,910	13,339	14,940
US	3,250	2,620	24.0	2,630	23.6	9,640	10,470	11,831	13,133
Other op Income	124	101	23.2	161	(23.1)	457	611	611	611
Revenues	11,704	10,541	11.0	11,461	2.1	42,087	46,481	51,892	57,744

Source: Company, BOBCAPS Research

Concall Highlights

Branded generics (74% of total sales)

Growth - Witnessed satisfactory performance with healthy sales growth of 12% to Rs 8.05bn.

Outlook - Expect growth to be in early teens

Asia + Africa Branded – (42% of total sales)

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

Outlook - Strengthening this business through increased investment in both products and people to drive accelerated growth in the coming years. Expect FY25 growth to sustain in FY26.

New Product Launches – Launched 25 new products, primarily in Chronic therapies

Africa Branded – **(17% of sales)**

Growth - Africa business achieved an outstanding 28% growth, driven by continued strategic focus on expanding chronic therapies portfolio in the region, and successful launch of 13 new products.

Outlook- The Africa pharma market is anticipated to witness a moderation in growth in FY 2026, alongside the impact of high base effect in FY2025.

US – **(23% of sales)**

Growth - US generic business closed the year with 9% growth, driven by five new product launches occurring in the 2H of the year.

Outlook – Expect mid to high teens growth in the US on account of new product launches. Expect to launch 7 new products in FY26 and 10 -12 ANDA filings.

Tariff update – Currently, there is no tariff on pharma except for the 20% tariff announced by the US government on China. So, that first 20% tariff applies to pharma, also coming from China to the US. But other than that, there is no other tariff on pharma coming into US from any other place. The 20% tariff on first announcement by the US government has not seen any kind of shake-up or disruption.

Africa Institution – **(3% of sales)**

Growth - During the year, the business experienced a significant 41% de-growth, including a sharper decline of 53% during Q4, reducing its contribution to the revenue to just 3%.

Outlook - Maintain a cautious outlook on this segment for the foreseeable future.

Domestic Market (31% of sales)

New Therapies - addition of two new therapies, Gynecology and Nephrology with both first line of treatment and added little over 200 MRs in the domestic market. It will take atleast 3 years for new therapies to scale up.

New acquisition – acquired 3 brands in the pain management therapy from Aspen Pharma for ~Rs 400 mn. Revenue from these brands is 150-170mn.

MR hiring – added 250 new MRs in existing therapies and expect to hire more in FY26

New product launches – launched 32 new products in FY25 with 8 first-time launches

Outlook – expect to surpass IPM growth by 200 bps annually, backed by robust pipeline of new product launches.

Company update

Gross margins – reported at 77% due to higher contribution from branded generic business in the overall revenue. Expect to continue similar level with +/- 50-100 bps.

EBITDA margin – 4QFY25 EBITDA margin was lower at 25.4%, due to higher MR addition and lower gross margin due to change in business mix. However, expect FY26 to report EBITDA margin of 28% +-1%.

Capex – Incurred capex of Rs 3.18bn in FY24 and Rs 3bn in FY26.

R&D – Maintain 5% of sales in FY27 where 50% is attributed to Branded generics and another 50% to US.

Valuation methodology

AJP reported a mixed set of earnings where sales/ EBITDA/PAT grew by 11%/6%/11%. However, margin declined by 102 bps YoY. During the quarter, gross margin clocked at 75.8%, primarily due to a change in product mix where the branded generic contribution has lowered to 70% IN 4QFY25 and the US generics contribution increased to 28%. We expect this trend to continue as management has guided for 10 ANDA filings and ~7 new launches in FY26. The full year impact of 5 new products launched in FY25 would also result in higher growth of mid-teens for the US region in FY26E. However, Branded generics growth is expected to be stable around 12-15%, driven by ~200 bps above IPM growth in the India region, normalised Africa branded region sale and stable Asian region sale.

However, the company has entered two new therapies and acquired 3 brands in the Pain Management therapy from Aksigen Pharma. These 3 brands have an annual revenue of Rs 150-170, acquired for Rs 400 mn. Scaling up these brands will require additional MR hiring and promotional cost, thereby keeping margins in the similar range. However, factoring in higher growth in US, our EPS estimates increase by 3.6% and 7.3% for FY26E and FY27E respectively. Hence, we upgrade the stock to HOLD (earlier SELL). We believe that all negatives are factored in the CMP and due to higher ROCE of 32% and stable growth in branded generic business (76% contribution in FY25), we ascribe a PE of 30x on FYE (earlier 29x) to arrive at TP of Rs 2,795 (earlier Rs 2,288).

Fig 3 – Change in Estimate table

(Rs mn)	New		Old		Change (%)	
	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E
Sales	51,892	57,744	50,289	55,104	3.2	4.8
EBITDA	14,267	16,477	13,643	15,225	4.6	8.2
EBITDA margin (%)	27.5	28.5	27.1	27.6	36bps	91bps
PAT	10,134.6	11,707.2	9,780	10,909	3.6	7.3
EPS (Rs)	80	93	77	86	3.6	7.3

Source: Company, BOBCAPS Research

Fig 4 – Key assumption

Particulars (Rs mn)	FY24	FY25	FY26E	FY27E
Sales	42,087	46,481	51,892	57,744
EBITDA	11,719	12,595	14,267	16,477
PAT	8,161	9,204	10,135	11,707
EPS (Rs)	64.6	72.8	80.2	92.7
EBITDA Margin (%)	27.8	27.1	27.5	28.5
PAT Margin (%)	19.4	19.8	19.5	20.3

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, and
- Supply chain constraints in Africa

Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY23A	FY24A	FY25A	FY26E	FY27E
Total revenue	**37,426**	**42,087**	**46,481**	**51,892**	**57,744**
EBITDA	7,831	11,719	12,595	14,267	16,477
Depreciation	1,308	1,354	1,441	1,604	1,817
EBIT	6,523	10,365	11,154	12,663	14,660
Net interest inc./(exp.)	(58)	(72)	(207)	(150)	(100)
Other inc./(exp.)	986	846	945	1,000	1,050
Exceptional items	0	0	0	0	0
EBT	7,451	11,139	11,892	13,513	15,610
Income taxes	1,573	2,978	2,688	3,378	3,902
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	0	0	0	0	0
Reported net profit	**5,879**	**8,161**	**9,204**	**10,135**	**11,707**
Adjustments	0	0	0	0	0
Adjusted net profit	**5,879**	**8,161**	**9,204**	**10,135**	**11,707**

Balance Sheet

Y/E 31 Mar (Rs mn)	FY23A	FY24A	FY25A	FY26E	FY27E
Accounts payables	4,228	4,632	4,542	4,265	3,164
Other current liabilities	6,967	4,068	5,089	3,632	4,042
Provisions	382	573	1,036	1,157	1,287
Debt funds	356	353	147	147	147
Other liabilities	0	0	0	0	0
Equity capital	253	253	253	253	253
Reserves & surplus	33,637	35,161	36,893	45,001	54,367
Shareholders' fund	33,889	35,414	37,146	45,253	54,619
Total liab. and equities	**45,823**	**45,039**	**47,960**	**54,455**	**63,260**
Cash and cash eq.	3,333	1,360	1,902	1,730	3,465
Accounts receivables	10,569	12,468	11,827	12,795	13,922
Inventories	8,156	8,284	9,039	9,952	10,916
Other current assets	1,429	2,231	1,635	3,632	4,619
Investments	5,354	3,486	4,640	6,031	7,841
Net fixed assets	14,887	14,645	17,155	18,551	20,734
CWIP	2,095	2,565	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	**45,823**	**45,039**	**47,960**	**54,455**	**63,260**

Cash Flows

Y/E 31 Mar (Rs mn)	FY23A	FY24A	FY25A	FY26E	FY27E
Cash flow from operations	**11,789**	**4,454**	**12,730**	**6,396**	**9,986**
Capital expenditures	(811)	(962)	(2,000)	(3,000)	(4,000)
Change in investments	(3,800)	1,867	(1,153)	(1,392)	(1,809)
Other investing cash flows	0	0	0	0	0
Cash flow from investing	**(4,611)**	**906**	**(3,153)**	**(4,392)**	**(5,809)**
Equities issued/Others	81	0	0	0	0
Debt raised/repaid	106	(4)	(206)	0	0
Interest expenses	(58)	(72)	(207)	(150)	(100)
Dividends paid	(884)	(1,632)	(1,841)	(2,027)	(2,341)
Other financing cash flows	(5,207)	(5,625)	(6,780)	0	0
Cash flow from financing	**(5,963)**	**(7,333)**	**(9,034)**	**(2,177)**	**(2,441)**
Chg in cash & cash eq.	**1,215**	**(1,973)**	**542**	**(172)**	**1,735**
Closing cash & cash eq.	**3,333**	**1,360**	**1,902**	**1,730**	**3,465**

Per Share

Y/E 31 Mar (Rs)	FY23A	FY24A	FY25A	FY26E	FY27E
Reported EPS	46.5	64.6	72.8	80.2	92.7
Adjusted EPS	46.5	64.6	72.8	80.2	92.7
Dividend per share	7.0	12.9	14.6	16.0	18.5
Book value per share	386.4	403.8	423.6	516.0	622.8

Valuations Ratios

Y/E 31 Mar (x)	FY23A	FY24A	FY25A	FY26E	FY27E
EV/Sales	9.1	8.1	7.3	6.6	5.9
EV/EBITDA	43.4	29.0	27.0	23.9	20.6
Adjusted P/E	58.2	41.9	37.1	33.7	29.2
P/BV	7.0	6.7	6.4	5.2	4.3

DuPont Analysis

Y/E 31 Mar (%)	FY23A	FY24A	FY25A	FY26E	FY27E
Tax burden (Net profit/PBT)	78.9	73.3	77.4	75.0	75.0
Interest burden (PBT/EBIT)	114.2	107.5	106.6	106.7	106.5
EBIT margin (EBIT/Revenue)	17.4	24.6	24.0	24.4	25.4
Asset turnover (Rev./Avg TA)	27.7	30.1	31.8	31.4	28.8
Leverage (Avg TA/Avg Equity)	1.0	1.0	1.0	1.0	1.0
Adjusted ROAE	17.5	23.6	25.4	24.6	23.4

Ratio Analysis

Y/E 31 Mar	FY23A	FY24A	FY25A	FY26E	FY27E
YoY growth (%)					
Revenue	12.0	12.5	10.4	11.6	11.3
EBITDA	(15.7)	49.6	7.5	13.3	15.5
Adjusted EPS	(44.0)	38.8	12.8	10.1	15.5
Profitability & Return ratios (%)					
EBITDA margin	20.9	27.8	27.1	27.5	28.5
EBIT margin	17.4	24.6	24.0	24.4	25.4
Adjusted profit margin	15.7	19.4	19.8	19.5	20.3
Adjusted ROAE	17.5	23.6	25.4	24.6	23.4
ROCE	22.2	32.0	33.1	33.0	31.4
Working capital days (days)					
Receivables	103	108	93	90	88
Inventory	80	72	71	70	69
Payables	41	40	36	30	20
Ratios (x)					
Gross asset turnover	1.7	1.8	1.9	1.9	1.8
Current ratio	2.0	2.6	2.3	3.1	3.9
Net interest coverage ratio	111.7	143.8	53.8	84.4	146.6
Adjusted debt/equity	(0.1)	0.0	0.0	0.0	(0.1)

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

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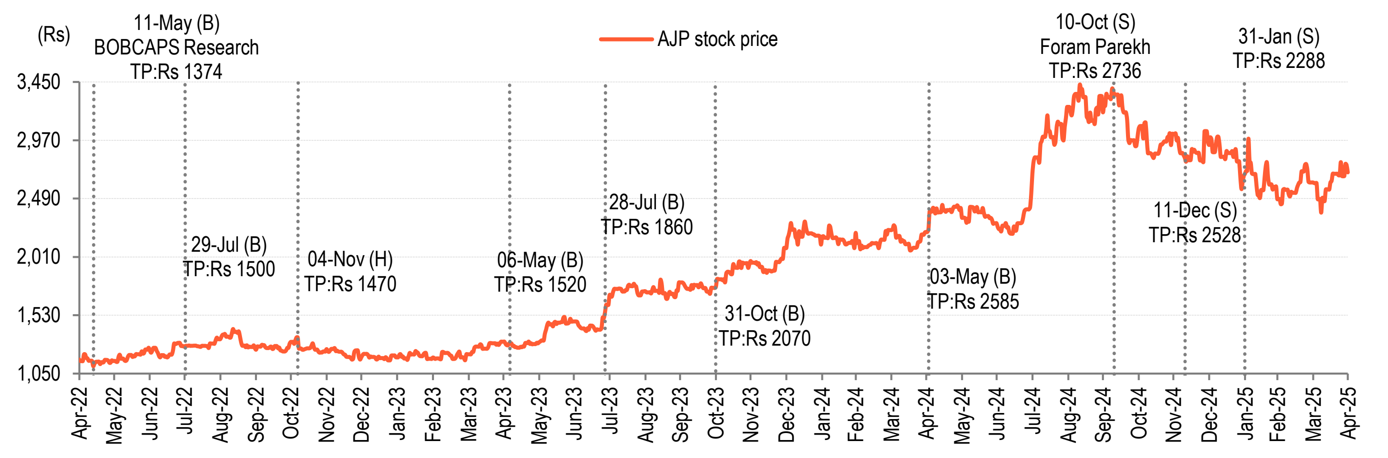
BUY – Expected return >+15%
HOLD – Expected return from -6% to +15%
SELL – Expected return <-6%
Note: Recommendation structure changed with effect from 21 June 2021

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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