

India

ADD (no change)

Consensus ratings*: Buy 10 Hold 1 Sell 3

Current price:	Rs2,677
Target price:	Rs3,220
Previous target:	Rs3,220
Up/downside:	20.3%
InCred Research / Consensus:	5.5%
Reuters:	AJPH.NS
Bloomberg:	AJP IN
Market cap:	US\$3,860m Rs334,371m
Average daily turnover:	US\$6.1m Rs527.7m
Current shares o/s:	128.1m
Free float:	33.8%

*Source: Bloomberg

Key changes in this note

- FY25F/26F EPS reduced by 6%/4%.



Price performance	1M	3M	12M
Absolute (%)	(9.4)	(10.7)	26.8
Relative (%)	(7.8)	(7.6)	18.5

Major shareholders	% held
Promoters	66.2
UTI MF	3.7
Nippon MF	3.2

Research Analyst(s)



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Ajanta Pharma Ltd

Consistent delivery

- 3QFY25 EBITDA was in line with estimates, with a margin of 28%. The margin has been resilient despite sales force addition during the year.
- India business growth was strong at 12% YoY. Asia & Africa branded business posted a combined growth of 9% YoY, in line with the annual guidance.
- Our FY25F/26F EPS estimates are marginally down by 6%/4%, respectively. Retain our ADD rating on the stock with a target price of Rs3,220.

Decent 3QFY25 performance

Ajanta Pharma's 3QFY25 performance was decent and broadly in line with our expectations. Margin was healthy at 28% (our/Bloomberg or BB consensus estimate: 27.9%), led by a healthy performance across branded markets. The gross margin was down marginally by 40bp QoQ. The impact of the increase in the number of medical representatives or MRs got reflected during the quarter, while SG&A costs will reflect gradually. Management reiterated its FY25F margin guidance of 28% (with a 100bp possible variation on either side) – baking in a likely increase in manpower costs (field force addition) and freight costs.

India outshines; Asia/Africa branded business performs as guided

India business growth was healthy at 12% YoY, driven by all key therapies outperforming industry growth. The company added two new therapies – nephrology and gynaecology - during the quarter with around 12 product launches and 200 MRs. Trade generics business was up 13% YoY at Rs430m. Ajanta Pharma launched 26 products in 9MFY25, of which 8 were first-to-market. It has added around 450 MRs, with the total MRs now at 3,450. The US business was up 13% QoQ; FY26F should witness faster growth as most of the launches are back-ended in 4QFY25F (two launches can be limited-competition opportunities out of the 6-8 planned launches) while the branded businesses should register low-mid teen growth.

Other highlights

- a) Capex guidance stands at Rs2.25bn while the tax rate will be around 24% in FY25F. b) Gross margin should broadly sustain. c) 12% of India business now comprises trade in generics. d) Saw strong improvement in the working capital cycle from 97 days to 91 days.

Retain our ADD rating with a target price of Rs3,220

Our FY25F/26F earnings are marginally down by 6%/4%, respectively. Ajanta Pharma's large, diversified presence in the branded generics markets of India, Asia and Africa (~70% of revenue) provides revenue stability/visibility and mitigates business risks. We retain our ADD rating on the stock with an unchanged target price of Rs3,220. Downside risk: Slowdown in the branded generics market.

Financial Summary

	Mar-22A	Mar-23A	Mar-24A	Mar-25F	Mar-26F
Revenue (Rsm)	33,410	37,426	42,088	46,376	52,216
Operating EBITDA (Rsm)	9,294	7,833	11,720	12,907	15,003
Net Profit (Rsm)	7,128	5,880	8,163	9,308	11,102
Core EPS (Rs)	55.6	45.9	63.7	72.7	86.7
Core EPS Growth	9.0%	(17.5%)	38.8%	14.0%	19.3%
FD Core P/E (x)	48.11	58.32	42.01	36.84	30.89
DPS (Rs)	6.3	6.7	51.0	50.0	50.0
Dividend Yield	0.24%	0.25%	1.91%	1.87%	1.87%
EV/EBITDA (x)	36.51	42.65	28.82	26.31	22.46
P/FCFE (x)	34.51	24.17	23.96	22.54	19.66
Net Gearing	(10.2%)	(25.3%)	(13.8%)	(8.8%)	(14.2%)
P/BV (x)	10.50	10.12	9.61	9.63	8.52
ROE	22.8%	17.7%	23.5%	26.1%	29.3%
% Change In Core EPS Estimates				(5.54%)	(3.77%)
InCred Research/Consensus EPS (x)					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 1: Financial summary

(Rs m)	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	Y-o-Y (%)	Q-o-Q (%)
Revenue	9,718	8,818	10,210	10,284	11,052	10,541	11,449	11,866	11,461	4%	-3%
Consumption of raw materials	2,693	2,409	2,519	2,561	2,941	2,644	2,679	2,617	2,578	-12%	-1%
as % of sales	27.7%	27.3%	24.7%	24.9%	26.6%	25.1%	23.4%	22.1%	22.5%		
Employee costs	1,924	2,237	2,132	2,223	2,314	2,335	2,838	2,610	2,652	15%	2%
as % of sales	19.8%	25.4%	20.9%	21.6%	20.9%	22.2%	24.8%	22.0%	23.1%		
Other expenditure	2425	2049	2296	2094	2136	2279	2119	2958	2493	17%	-16%
as % of sales	25.0%	23.2%	22.5%	20.4%	19.3%	21.6%	18.5%	24.9%	21.8%		
EBITDA	2,065	1,494	2,713	2,907	3,142	2,783	3,304	3,112	3,208	2%	3%
Margins (%)	21.3%	16.9%	26.6%	28.3%	28.4%	26.4%	28.9%	26.2%	28.0%		
Depreciation	333	330	332	337	343	343	340	344	360		
Other income	-21	368	318	213	136	355	265	195	304		
Interest	28	11	9	23	25	15	7	60	79		
PBT	1,683	1,520	2,690	2,759	2,910	2,780	3,221	2,902	3,074	6%	6%
Total tax	338	298	609	806	809	753	764	738	745		
Tax rate (%)	20.1%	19.6%	22.6%	29.2%	27.8%	27.1%	23.7%	25.4%	24.2%		
PAT before MI	1,345	1,222	2,081	1,953	2,101	2,027	2,458	2,165	2,329	11%	8%
Minority interest (MI)	0	0	0	0	0	0	0	0	0		
Adj. PAT before extraordinary items	1,345	1,222	2,081	1,953	2,101	2,027	2,458	2,165	2,329	11%	8%
Extraordinary expenses	0	0	0	0	0	0	0	0	0		
Reported PAT	1,345	1,222	2,081	1,953	2,101	2,027	2,458	2,165	2,329	11%	8%
No. of shares	128.1	128.1	125.9	125.9	125.9	125.9	125.9	125.9	125.9		
EPS	10.5	9.5	16.5	15.5	16.6	16.0	19.5	17.3	18.4		

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 2: Margin profile

(Rs m)	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	Y-o-Y (bp)	Q-o-Q (bp)
Margins (%)											
Gross	72%	73%	75%	75%	73%	75%	77%	78%	78%	412	-44
EBITDA	21%	17%	27%	28%	28%	26%	29%	26%	28%	-43	177
Adj. PAT	14%	14%	20%	19%	19%	19%	21%	18%	20%	131	208
Effective tax rate	20%	20%	23%	29%	28%	27%	24%	25%	24%	-355	-117

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 3: Revenue summary

(Rs m)	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	Y-o-Y (%)	Q-o-Q (%)
US formulations INR	2,660	1,970	2,130	2,370	2,520	2,610	2,280	2,320	2,630	4%	13%
% total revenue	27.4%	22.3%	20.9%	23.0%	22.8%	24.8%	19.9%	19.6%	22.9%		
Africa institutional	310	490	650	370	860	610	420	430	330	-62%	-23%
% total revenue	3.2%	5.6%	6.4%	3.6%	7.8%	5.8%	3.7%	3.6%	2.9%		
Africa total / branded	1,450	1,000	1,590	1,570	1,550	1,130	2,300	2,130	1,730	12%	-19%
% total revenue	14.9%	11.3%	15.6%	15.3%	14.0%	10.7%	20.1%	17.9%	15.1%		
Asia	2,280	2,380	2,540	2,510	2,920	2,810	2,770	2,960	3,160	8%	7%
% total revenue	23.5%	27.0%	24.9%	24.4%	26.4%	26.7%	24.2%	24.9%	27.6%		
India	2,940	2,870	3,190	3,550	3,080	3,260	3,530	3,860	3,450	12%	-11%
% total revenue	30.3%	32.5%	31.2%	34.5%	27.9%	30.9%	30.8%	32.5%	30.1%		
Total revenue	9,718	8,818	10,210	10,284	11,052	10,541	11,449	11,866	11,461	4%	-3%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 4: Actuals versus estimates

	Actuals	Incred Estimates	Variance (%)	Bloomberg Estimates	Variance (%)
Revenue	11,461	11,506	-0.4	11,587	-1.1
EBITDA	3,208	3,209	-	3,164	1.4
Margin (%)	28.0	27.9		27.3	
PAT	2,329	2,374	-1.9	2,244	3.8

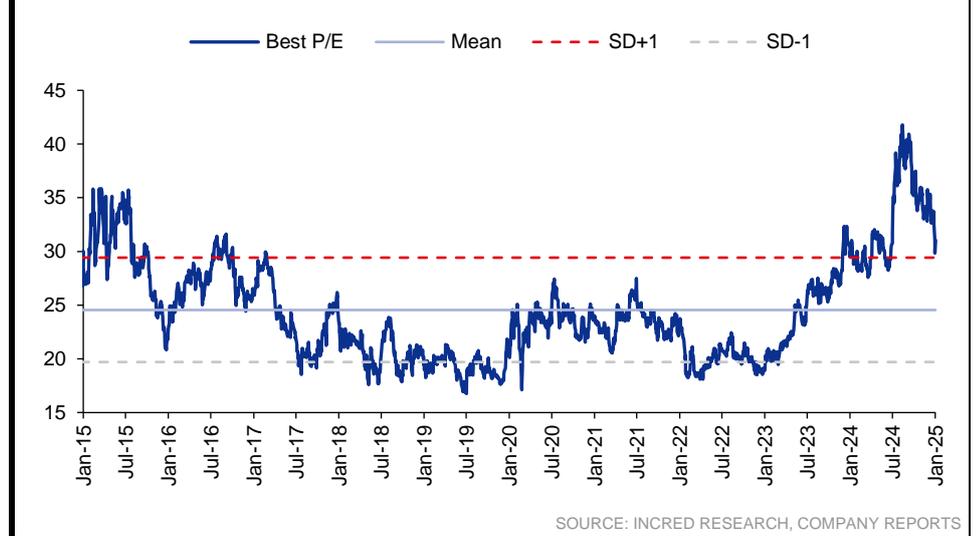
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 5: Our revised earnings estimates

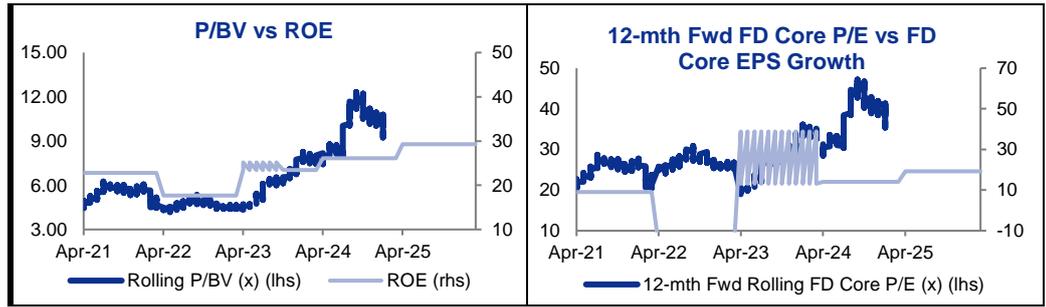
	FY25F			FY26F		
	Old	New	% change	Old	New	% change
Revenue	46,840	46,376	(1.0)	52,727	52,216	(1.0)
EBITDA	13,460	12,907	(4.1)	15,828	15,003	(5.2)
Margin	28.7	27.8		30.0	28.7	
PAT	9,854	9,308	(5.5)	11,537	11,102	(3.8)
EPS	78.0	73.7		91.3	87.9	

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 6: After the recent significant price correction, Ajanta Pharma's valuation has reached the SD+1 level



BY THE NUMBERS



Profit & Loss

(Rs mn)	Mar-22A	Mar-23A	Mar-24A	Mar-25F	Mar-26F
Total Net Revenues	33,410	37,426	42,088	46,376	52,216
Gross Profit	25,088	26,922	31,422	35,942	40,467
Operating EBITDA	9,294	7,833	11,720	12,907	15,003
Depreciation And Amortisation	(1,253)	(1,308)	(1,354)	(1,400)	(1,450)
Operating EBIT	8,041	6,525	10,366	11,507	13,553
Financial Income/(Expense)	(102)	(58)	(72)	(210)	(45)
Pretax Income/(Loss) from Assoc.					
Non-Operating Income/(Expense)	1,157	986	846	950	1,100
Profit Before Tax (pre-EI)	9,096	7,453	11,140	12,247	14,608
Exceptional Items					
Pre-tax Profit	9,096	7,453	11,140	12,247	14,608
Taxation	(1,968)	(1,573)	(2,978)	(2,939)	(3,506)
Exceptional Income - post-tax					
Profit After Tax	7,128	5,880	8,163	9,308	11,102
Minority Interests					
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	7,128	5,880	8,163	9,308	11,102
Recurring Net Profit	7,128	5,880	8,163	9,308	11,102
Fully Diluted Recurring Net Profit	7,128	5,880	8,163	9,308	11,102

Cash Flow

(Rs mn)	Mar-22A	Mar-23A	Mar-24A	Mar-25F	Mar-26F
EBITDA	9,294	7,833	11,720	12,907	15,003
Cash Flow from Invt. & Assoc.					
Change In Working Capital	(2,004)	575	(998)	(1,613)	(2,027)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense					
Other Operating Cashflow	(1,670)	(490)	(2,872)	(2,939)	(3,506)
Net Interest (Paid)/Received	(102)	(58)	(72)	(210)	(45)
Tax Paid	(2,724)	(1,418)	(3,645)	(3,679)	(4,561)
Cashflow From Operations	5,620	7,918	7,851	8,355	9,470
Capex	(1,304)	(1,649)	(1,390)	(1,500)	(1,500)
Disposals Of FAs/subsidiaries					
Acq. Of Subsidiaries/investments					
Other Investing Cashflow					
Cash Flow From Investing	4,316	6,268	6,460	6,855	7,970
Debt Raised/(repaid)					
Proceeds From Issue Of Shares	(3,541)	(14)	(9)		
Shares Repurchased					
Dividends Paid	(822)	(897)	(6,422)	(6,534)	(6,458)
Preferred Dividends					
Other Financing Cashflow	1,229	(4,114)	(2,036)	(2,110)	1,055
Cash Flow From Financing	(3,134)	(5,025)	(8,466)	(8,644)	(5,403)
Total Cash Generated	1,182	1,243	(2,006)	(1,789)	2,568
Free Cashflow To Equity	9,936	14,186	14,311	15,210	17,440
Free Cashflow To Firm	10,038	14,245	14,383	15,420	17,485

SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS...cont'd

Balance Sheet					
(Rs mn)	Mar-22A	Mar-23A	Mar-24A	Mar-25F	Mar-26F
Total Cash And Equivalents	3,337	8,586	4,948	3,158	5,726
Total Debtors	10,198	10,569	12,468	13,913	15,665
Inventories	7,911	8,156	8,284	10,203	11,487
Total Other Current Assets	1,199	1,029	1,609	1,391	1,566
Total Current Assets	22,645	28,340	27,309	28,665	34,445
Fixed Assets	15,856	16,982	17,210	17,310	17,360
Total Investments	251	251	186	186	186
Intangible Assets	793	78	147	147	147
Total Other Non-Current Assets	1,012	1,140	1,533	1,533	1,533
Total Non-current Assets	17,912	18,450	19,075	19,175	19,225
Short-term Debt	3	2	15	15	15
Current Portion of Long-Term Debt					
Total Creditors	3,272	4,228	4,632	4,311	4,799
Other Current Liabilities	3,199	7,163	4,306	6,159	6,856
Total Current Liabilities	6,474	11,393	8,953	10,485	11,670
Total Long-term Debt	16	13			
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	1,422	1,505	1,758	1,758	1,758
Total Non-current Liabilities	1,439	1,518	1,758	1,758	1,758
Total Provisions					
Total Liabilities	7,912	12,910	10,710	12,243	13,428
Shareholders Equity	32,644	33,880	35,674	35,597	40,241
Minority Interests					
Total Equity	32,644	33,880	35,674	35,597	40,241

Key Ratios					
	Mar-22A	Mar-23A	Mar-24A	Mar-25F	Mar-26F
Revenue Growth	15.6%	12.0%	12.5%	10.2%	12.6%
Operating EBITDA Growth	(6.9%)	(15.7%)	49.6%	10.1%	16.2%
Operating EBITDA Margin	27.8%	20.9%	27.8%	27.8%	28.7%
Net Cash Per Share (Rs)	25.90	66.91	38.51	24.54	44.58
BVPS (Rs)	254.83	264.48	278.48	277.89	314.14
Gross Interest Cover	78.83	111.72	143.78	54.80	301.17
Effective Tax Rate	21.6%	21.1%	26.7%	24.0%	24.0%
Net Dividend Payout Ratio					
Accounts Receivables Days	96.04	101.27	99.89	103.82	103.38
Inventory Days	341.57	279.15	281.32	323.32	336.93
Accounts Payables Days	153.73	130.30	151.60	156.42	141.52
ROIC (%)	19.7%	18.4%	24.0%	25.3%	28.1%
ROCE (%)	25.7%	19.6%	29.8%	32.3%	35.7%
Return On Average Assets	18.4%	13.6%	17.6%	20.1%	21.9%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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For any queries or grievances, you may contact the Grievance Officer.

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CIN: U74999MH2016PTC287535

Recommendation Framework**Stock Ratings**

Definition:

- Add** The stock's total return is expected to exceed 10% over the next 12 months.
- Hold** The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
- Reduce** The stock's total return is expected to fall below 0% or more over the next 12 months.

The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.

Sector Ratings

Definition:

- Overweight** An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
- Neutral** A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
- Underweight** An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

Country Ratings

Definition:

- Overweight** An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.
- Neutral** A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
- Underweight** An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.