



India

ADD (no change)

Consensus ratings*: Buy 13 Hold 0 Sell 3

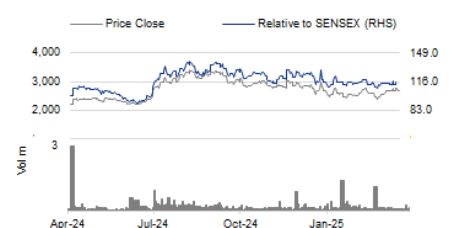
Current price: Rs2,695
 Target price: ▼ Rs3,100
 Previous target: Rs3,220
 Up/downside: 15.0%
 InCred Research / Consensus: -2.0%

Reuters: AJPH.NS
 Bloomberg: AJP IN
 Market cap: US\$3,942m
 Rs336,588m
 Average daily turnover: US\$4.9m
 Rs415.4m
 Current shares o/s: 125.4m
 Free float: 33.8%

*Source: Bloomberg

Key changes in this note

- Reduce FY26F EPS by 4%.
- Lower our target price to Rs3,100 from Rs3,220.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	3.5	(5.9)	29.6
Relative (%)	1.4	(9.2)	20.6

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

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Ajanta Pharma Ltd

Steady growth momentum likely to continue

- The 4QFY25 performance was in line with estimates but missed on the margin front. The company acquired three brands in the pain management segment.
- The US business is expected to post mid-high teens growth in FY26F; India to outperform IPM by at least 200bp while Africa to grow in mid-high teens.
- Our FY26F EPS estimate is slightly down by 4%. We maintain our ADD rating on the stock with a lower target price of Rs3,100.

In-line 4QFY25 performance; miss on the margin front

Ajanta Pharma's 4QFY25 performance was steady (11% YoY growth vs. our estimate of 9.6%) and broadly in line with our expectations. However, the miss on the margin front at 25.4% (our/Bloomberg or BB consensus estimate at 27.7%/28%, respectively) was due to lower gross margin (at 75.8%, down 170bp QoQ due to higher US business) and higher R&D spending (at 5.4%, 80bp up QoQ). The company has acquired three brands in the pain management segment, having a revenue of Rs150-170m, for a consideration of Rs400m. Management has given FY26F margin guidance of 28% (with a 100bp possible variation on either side) – factoring in a likely increase in other expenses because of investment in products and people in the branded generics business.

US business likely to shine in FY26F; Africa market to stay steady

The US business growth in FY26F is expected to be in mid-high teens driven by ramp-up in four back-ended launches (includes Fluvoxamine ER tablet and Oxcarbazepine having potential to reach a decent-size in FY26F) in 2HFY25, and seven new product launches spread over FY26F. India business growth was healthy at 13% YoY, driven by all key therapies outperforming industry growth. The company aims to outperform the IPM by at least 200bp in FY26F. Due to the intense competition in new therapies like gynaecology and nephrology, it will take three years to make a significant presence in the market. While the African pharmaceutical market is expected to witness moderate growth in FY26F (high base effect), management remains confident of achieving low-mid teens growth for the next three-to-four years.

Other highlights

a) Capex guidance stands at Rs3bn, while the tax rate will be around 23% in FY26F. b) Gross margin should broadly sustain (with a 50-100bp variation on either side). c) R&D spending is expected to remain at the 5% level in FY26F.

Retain our ADD rating with a lower target price of Rs3,100

Our FY26F earnings are slightly down by 4%. We introduce FY27F estimates and roll forward our valuation to the same. 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 a lower target price of Rs3,100 (Rs3,220 earlier). Downside risk: Slowdown in the branded generics market.

Financial Summary	Mar-23A	Mar-24A	Mar-25A	Mar-26F	Mar-27F
Revenue (Rsm)	37,426	42,088	46,481	53,044	58,858
Operating EBITDA (Rsm)	7,833	11,720	12,595	14,957	17,582
Net Profit (Rsm)	5,880	8,163	9,204	11,032	13,065
Core EPS (Rs)	46.9	65.1	73.4	88.0	104.2
Core EPS Growth	(17.5%)	38.8%	12.8%	19.9%	18.4%
FD Core P/E (x)	57.45	41.38	36.70	30.62	25.85
DPS (Rs)	6.7	51.0	55.8	50.0	50.0
Dividend Yield	0.25%	1.89%	2.07%	1.86%	1.86%
EV/EBITDA (x)	42.00	28.38	26.68	22.24	18.63
P/FCFE (x)	23.81	23.60	16.91	15.24	14.91
Net Gearing	(25.3%)	(13.8%)	(4.6%)	(12.3%)	(20.8%)
P/BV (x)	9.97	9.47	8.91	8.05	6.93
ROE	17.7%	23.5%	25.0%	27.6%	28.8%
% Change In Core EPS Estimates				0.68%	
InCred Research/Consensus EPS (x)					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 1: Financial summary

(Rs m)	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	Y-o-Y (%)	Q-o-Q (%)
Revenue	8,818	10,210	10,284	11,052	10,541	11,449	11,866	11,461	11,704	11%	2%
Consumption of raw materials	2,409	2,519	2,561	2,941	2,644	2,679	2,617	2,578	2,834	7%	10%
as % of sales	27.3%	24.7%	24.9%	26.6%	25.1%	23.4%	22.1%	22.5%	24.2%		
Employee costs	2,237	2,132	2,223	2,314	2,335	2,838	2,610	2,652	2,798	20%	6%
as % of sales	25.4%	20.9%	21.6%	20.9%	22.2%	24.8%	22.0%	23.1%	23.9%		
Other expenditure	2,049	2,296	2,094	2,136	2,279	2,119	2,958	2,493	2,471	8%	-1%
as % of sales	23.2%	22.5%	20.4%	19.3%	21.6%	18.5%	24.9%	21.8%	21.1%		
EBITDA	1,494	2,713	2,907	3,142	2,783	3,304	3,112	3,208	2,972	7%	-7%
Margins (%)	16.9%	26.6%	28.3%	28.4%	26.4%	28.9%	26.2%	28.0%	25.4%		
Depreciation	330	332	337	343	343	340	344	360	398		
Other income	368	318	213	136	355	265	195	304	181		
Interest	11	9	23	25	15	7	60	79	61		
PBT	1,520	2,690	2,759	2,910	2,780	3,221	2,902	3,074	2,694	-3%	-12%
Total tax	298	609	806	809	753	764	738	745	442		
Tax rate (%)	19.6%	22.6%	29.2%	27.8%	27.1%	23.7%	25.4%	24.2%	16.4%		
PAT before MI	1,222	2,081	1,953	2,101	2,027	2,458	2,165	2,329	2,253	11%	-3%
Minority interest (MI)	0	0	0	0	0	0	0	0	0		
Adj. PAT before extraordinary items	1,222	2,081	1,953	2,101	2,027	2,458	2,165	2,329	2,253	11%	-3%
Extraordinary expenses	0	0	0	0	0	0	0	0	0		
Reported PAT	1,222	2,081	1,953	2,101	2,027	2,458	2,165	2,329	2,253	11%	-3%
No. of shares	128.1	125.9	125.9	125.9	125.9	125.9	125.9	125.9	125.9		
EPS	9.5	16.5	15.5	16.6	16.0	19.5	17.3	18.6	18.0		

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 2: Margin profile

(Rs m)	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	Y-o-Y (bp)	Q-o-Q (bp)
Margins (%)											
Gross	73%	75%	75%	73%	75%	77%	78%	78%	76%	87	-172
EBITDA	17%	27%	28%	28%	26%	29%	26%	28%	25%	-102	-260
Adj. PAT	14%	20%	19%	19%	19%	21%	18%	20%	19%	1	-107
Effective tax rate	20%	23%	29%	28%	27%	24%	25%	24%	16%	-1070	-785

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 3: Revenue summary

(Rs m)	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	Y-o-Y (%)	Q-o-Q (%)
US formulations INR	1,970	2,130	2,370	2,520	2,610	2,280	2,320	2,630	3,250	25%	24%
% total revenue	22.3%	20.9%	23.0%	22.8%	24.8%	19.9%	19.6%	22.9%	27.8%		
Africa institutional	490	650	370	860	610	420	430	330	280	-54%	-15%
% total revenue	5.6%	6.4%	3.6%	7.8%	5.8%	3.7%	3.6%	2.9%	2.4%		
Africa total / branded	1,000	1,590	1,570	1,550	1,130	2,300	2,130	1,730	1,330	18%	-23%
% total revenue	11.3%	15.6%	15.3%	14.0%	10.7%	20.1%	17.9%	15.1%	11.4%		
Asia	2,380	2,540	2,510	2,920	2,810	2,770	2,960	3,160	3,030	8%	-4%
% total revenue	27.0%	24.9%	24.4%	26.4%	26.7%	24.2%	24.9%	27.6%	25.9%		
India	2,870	3,190	3,550	3,080	3,260	3,530	3,860	3,450	3,690	13%	7%
% total revenue	32.5%	31.2%	34.5%	27.9%	30.9%	30.8%	32.5%	30.1%	31.5%		
Total revenue	8,818	10,210	10,284	11,052	10,541	11,449	11,866	11,461	11,704	11%	2%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 4: Actuals versus estimates

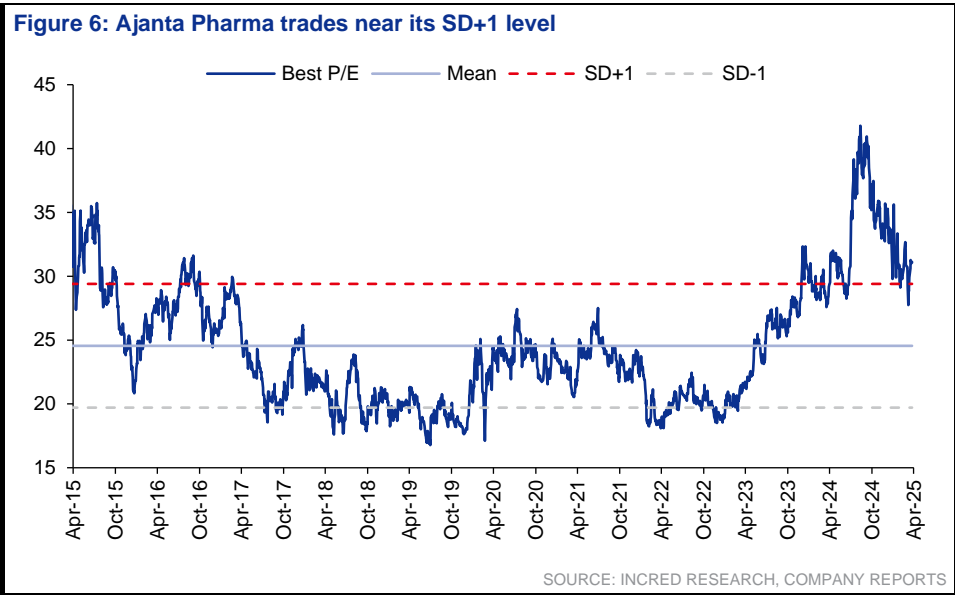
	Actuals	IncRed Estimates	Variance (%)	Bloomberg Estimates	Variance (%)
Revenue	11,704	11,552	1.3	11,402	2.6
EBITDA	2,972	3,200	-7.1	3,187	-6.8
Margin (%)	25.4	27.7		28.0	
PAT	2,253	2,274	-0.9	2,289	-1.6

SOURCE: INCRED RESEARCH, COMPANY REPORTS

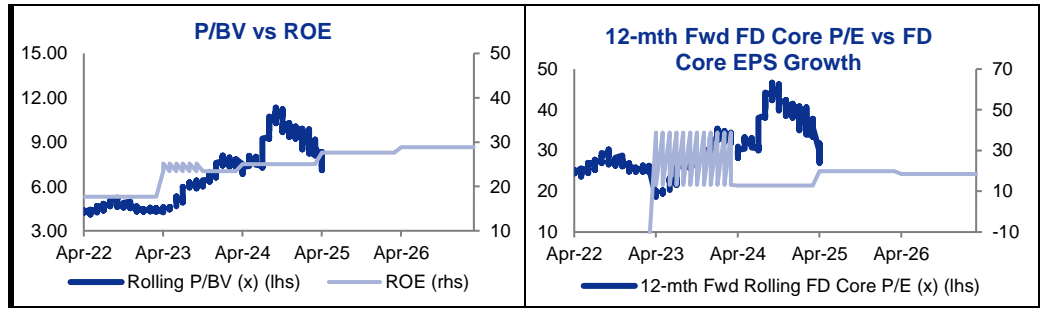
Figure 5: Our revised earnings estimates

	FY26F		
	Old	New	% change
Revenue	52,216	53,044	1.6
EBITDA	15,003	14,957	(0.3)
Margin	30.0	28.2	
PAT	11,537	11,032	(4.4)
EPS	91.3	88.0	

SOURCE: INCRED RESEARCH, COMPANY REPORTS



BY THE NUMBERS



Profit & Loss

(Rs mn)	Mar-23A	Mar-24A	Mar-25A	Mar-26F	Mar-27F
Total Net Revenues	37,426	42,088	46,481	53,044	58,858
Gross Profit	26,922	31,422	35,773	41,003	45,733
Operating EBITDA	7,833	11,720	12,595	14,957	17,582
Depreciation And Amortisation	(1,308)	(1,354)	(1,441)	(1,480)	(1,515)
Operating EBIT	6,525	10,366	11,154	13,477	16,067
Financial Income/(Expense)	(58)	(72)	(207)	(150)	(100)
Pretax Income/(Loss) from Assoc.					
Non-Operating Income/(Expense)	986	846	945	1,000	1,000
Profit Before Tax (pre-EI)	7,453	11,140	11,892	14,327	16,967
Exceptional Items					
Pre-tax Profit	7,453	11,140	11,892	14,327	16,967
Taxation	(1,573)	(2,978)	(2,688)	(3,295)	(3,903)
Exceptional Income - post-tax					
Profit After Tax	5,880	8,163	9,204	11,032	13,065
Minority Interests					
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	5,880	8,163	9,204	11,032	13,065
Recurring Net Profit	5,880	8,163	9,204	11,032	13,065
Fully Diluted Recurring Net Profit	5,880	8,163	9,204	11,032	13,065

Cash Flow

(Rs mn)	Mar-23A	Mar-24A	Mar-25A	Mar-26F	Mar-27F
EBITDA	7,833	11,720	12,595	14,957	17,582
Cash Flow from Invt. & Assoc.					
Change In Working Capital	575	(998)	1,789	923	(1,354)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense					
Other Operating Cashflow	(490)	(2,872)	(2,812)	(3,295)	(3,903)
Net Interest (Paid)/Received	(58)	(72)	(207)	(150)	(100)
Tax Paid	(1,418)	(3,645)	(3,550)	(4,145)	(4,803)
Cashflow From Operations	7,918	7,851	11,572	12,585	12,326
Capex	(1,649)	(1,390)	(3,168)	(3,000)	(2,000)
Disposals Of FAs/subsidiaries					
Acq. Of Subsidiaries/investments					
Other Investing Cashflow					
Cash Flow From Investing	6,268	6,460	8,405	9,585	10,326
Debt Raised/(repaid)					
Proceeds From Issue Of Shares	(14)	(9)			
Shares Repurchased					
Dividends Paid	(897)	(6,422)	(3,494)	(6,995)	(6,268)
Preferred Dividends					
Other Financing Cashflow	(4,114)	(2,036)	(4,438)	850	900
Cash Flow From Financing	(5,025)	(8,466)	(7,932)	(6,145)	(5,368)
Total Cash Generated	1,243	(2,006)	473	3,440	4,958
Free Cashflow To Equity	14,186	14,311	19,977	22,170	22,652
Free Cashflow To Firm	14,245	14,383	20,184	22,320	22,752

SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS...cont'd

Balance Sheet

(Rs mn)	Mar-23A	Mar-24A	Mar-25A	Mar-26F	Mar-27F
Total Cash And Equivalents	8,586	4,948	1,762	5,203	10,161
Total Debtors	10,569	12,468	11,827	13,261	14,126
Inventories	8,156	8,284	9,039	10,609	11,183
Total Other Current Assets	1,029	1,609	5,802	2,652	3,531
Total Current Assets	28,340	27,309	28,430	31,725	39,002
Fixed Assets	16,982	17,210	18,918	20,438	20,923
Total Investments	251	186			
Intangible Assets	78	147	465	465	465
Total Other Non-Current Assets	1,140	1,533	2,336	2,336	2,336
Total Non-current Assets	18,450	19,075	21,719	23,239	23,724
Short-term Debt	2	15	26	26	26
Current Portion of Long-Term Debt					
Total Creditors	4,228	4,632	4,542	4,890	5,584
Other Current Liabilities	7,163	4,306	5,393	5,822	6,092
Total Current Liabilities	11,393	8,953	9,961	10,738	11,703
Total Long-term Debt	13				
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	1,505	1,758	2,286	2,286	2,286
Total Non-current Liabilities	1,518	1,758	2,286	2,286	2,286
Total Provisions					
Total Liabilities	12,910	10,710	12,247	13,024	13,988
Shareholders Equity	33,880	35,674	37,903	41,941	48,738
Minority Interests					
Total Equity	33,880	35,674	37,903	41,941	48,738

Key Ratios

	Mar-23A	Mar-24A	Mar-25A	Mar-26F	Mar-27F
Revenue Growth	12.0%	12.5%	10.4%	14.1%	11.0%
Operating EBITDA Growth	(15.7%)	49.6%	7.5%	18.8%	17.5%
Operating EBITDA Margin	20.9%	27.8%	27.1%	28.2%	29.9%
Net Cash Per Share (Rs)	68.38	39.35	13.85	41.30	80.86
BVPS (Rs)	270.28	284.59	302.38	334.59	388.81
Gross Interest Cover	111.72	143.78	53.81	89.85	160.67
Effective Tax Rate	21.1%	26.7%	22.6%	23.0%	23.0%
Net Dividend Payout Ratio					
Accounts Receivables Days	101.27	99.89	95.39	86.32	84.92
Inventory Days	279.15	281.32	295.24	297.78	303.00
Accounts Payables Days	130.30	151.60	156.36	142.96	145.65
ROIC (%)	18.4%	24.0%	21.7%	25.8%	29.4%
ROCE (%)	19.6%	29.8%	30.3%	33.7%	35.4%
Return On Average Assets	13.6%	17.6%	19.4%	21.2%	22.3%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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Name of the Compliance Officer: Mr. Yogesh Kadam

Email ID: compliance@incredresearch.com, Phone No: +91-22-41611539

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

Name of the Grievance Officer: Mr. Rajarshi Maitra

Phone no. +91-022-41611546

Email ID: rajarshi.maitra@incredresearch.com

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.