

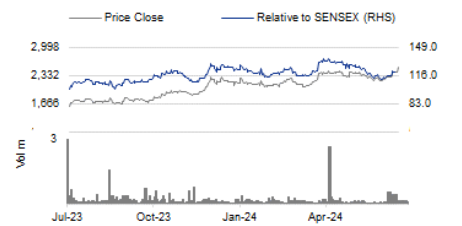
India

ADD (no change)

Consensus ratings*: Buy 10 Hold 1 Sell 2	
Current price:	Rs2,531
Target price: ▲	Rs2,800
Previous target:	Rs2,556
Up/downside:	10.6%
InCred Research / Consensus:	14.5%
Reuters:	
Bloomberg:	AJP IN
Market cap:	US\$4,388m Rs318,638m
Average daily turnover:	US\$4.5m Rs326.7m
Current shares o/s:	128.1m
Free float:	33.8%
*Source: Bloomberg	

Key changes in this note

- Target price raised to Rs2,800 (Rs2,556 earlier).
- Raise EPS estimates by 5%/8% for FY25F/26F.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	10.6	14.2	58.0
Relative (%)	7.3	4.4	29.0

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

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Ajanta Pharma Ltd

Yet another quarter of strong delivery

- 1Q started on a strong note, with 4%/8% EBITDA beat on our/consensus estimates. Margin at 28.9% was up ~250bp QoQ & 80bp above our estimate.
- African branded business rebounded sharply, with a 45% YoY growth. The guidance of mid-teen growth in Asia/Africa has been retained.
- We raise FY25F/26F estimates by 5%/8% and increase the target price to Rs2,800 (Rs2,556 earlier). Retain ADD rating on the stock.

Strong 1QFY25 performance

The 1QFY25 performance of Ajanta Pharma was strong, with revenue/EBITDA growth of 12%/22% YoY, respectively, being around 2-4% above our expectations. Margins were healthy at 28.9% (our estimate: 28.1%, consensus: 27.1%), led by strong performance across branded markets and a better gross margin (+170bp QoQ, led by a better geographical mix). This was despite a one-off expense of Rs300m due to a change in the gratuity policy. Management has given FY25F margin guidance of 29% conservatively (with a 100bp possible variation on either side) – baking in a likely rise in manpower costs (field force addition) & freight costs (~Rs300m annual increase) in FY25F. We build in just a 29% margin in FY25F led by lower API prices and stable price erosion in the US market.

Africa branded business recovers sharply

India business posted strong growth at 11% YoY, driven by the cardiology segment (15% growth vs. 12% for IPM) while trade generics saw a revenue of Rs410m (up 14% YoY). The impact of NLEM-linked price cuts in Met XL is now in the base. Africa institutional business fell, as expected, due to preponed supplies in 4QFY24. The US business declined by 13% QoQ, as per guidance, with most of the launches being back-ended. The company has given guidance of mid-single digit growth in the US market in FY25F and double-digit growth in FY26F. Ajanta Pharma reaffirmed its FY25F guidance: low-teen growth driven by India (10-12%) & mid-teen growth in Asia/Africa branded businesses. Africa branded business benefitted from deferred 4QFY24 sales and should normalize ahead.

Other highlights

- a) Ajanta Pharma won't be adding more medical representatives or MRs in India in FY25F and the focus is to improve productivity - pcpm has improved from Rs0.35m to Rs0.4m in the last one quarter. Other branded businesses might see an 8-10% increase in the number of MRs.
- b) Capex guidance is at Rs1.75bn while the tax rate will be around 24% in FY25F.
- c) Gross margin should sustain at around 75-76%.

Retain ADD rating with a higher target price of Rs2,800

Our FY25F/26F earnings estimates have been increased by 5%/8%, 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 a higher target price of Rs2,800 (Rs2,556 earlier). 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	47,075	52,914
Operating EBITDA (Rsm)	9,294	7,833	11,720	13,575	16,016
Net Profit (Rsm)	7,128	5,880	8,163	9,941	11,678
Core EPS (Rs)	55.6	45.9	63.7	77.6	91.2
Core EPS Growth	9.0%	(17.5%)	38.8%	21.8%	17.5%
FD Core P/E (x)	45.48	55.13	39.71	32.61	27.76
DPS (Rs)	6.3	6.7	51.0	50.0	50.0
Dividend Yield	0.25%	0.26%	2.02%	1.98%	1.98%
EV/EBITDA (x)	34.49	40.26	27.22	23.61	19.81
P/FCFE (x)	32.62	22.85	22.65	20.72	17.31
Net Gearing	(10.2%)	(25.3%)	(13.8%)	(9.7%)	(16.1%)
P/BV (x)	9.93	9.57	9.09	8.95	7.82
ROE	22.8%	17.7%	23.5%	27.7%	30.1%
% Change In Core EPS Estimates				4.61%	8.13%
InCred Research/Consensus EPS (x)					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 1: Financial Summary

(Rs m)	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	Y-o-Y (%)	Q-o-Q (%)
Revenue	9,381	9,718	8,818	10,210	10,284	11,052	10,541	11,449	12%	9%
Consumption of raw materials	2,598	2,693	2,409	2,519	2,561	2,941	2,644	2,679	6%	1%
as % of sales	27.7%	27.7%	27.3%	24.7%	24.9%	26.6%	25.1%	23.4%		
Employee costs	1,861	1,924	2,237	2,132	2,223	2,314	2,335	2,838	33%	22%
as % of sales	19.8%	19.8%	25.4%	20.9%	21.6%	20.9%	22.2%	24.8%		
Other expenditure	2369	2425	2049	2296	2094	2136	2279	2119	-8%	-7%
as % of sales	25.2%	25.0%	23.2%	22.5%	20.4%	19.3%	21.6%	18.5%		
EBITDA	1,963	2,065	1,494	2,713	2,907	3,142	2,783	3,304	22%	19%
Margins (%)	20.9%	21.3%	16.9%	26.6%	28.3%	28.4%	26.4%	28.9%		
Depreciation	327	333	330	332	337	343	343	340		
Other income	404	-21	368	318	213	136	355	265		
Interest	10	28	11	9	23	25	15	7		
PBT	2,030	1,683	1,520	2,690	2,759	2,910	2,780	3,221	20%	16%
Total tax	464	338	298	609	806	809	753	764		
Tax rate (%)	22.9%	20.1%	19.6%	22.6%	29.2%	27.8%	27.1%	23.7%		
PAT before MI	1,566	1,345	1,222	2,081	1,953	2,101	2,027	2,458	18%	21%
Minority interest (MI)	0	0	0	0	0	0	0	0		
Adj. PAT before extraordinary items	1,566	1,345	1,222	2,081	1,953	2,101	2,027	2,458	18%	21%
Extraordinary expenses	0	0	0	0	0	0	0	0		
Reported PAT	1,566	1,345	1,222	2,081	1,953	2,101	2,027	2,458	18%	21%
No. of shares	128.1	128.1	128.1	125.9	125.9	125.9	125.9	125.9		
EPS	12.2	10.5	9.5	16.5	15.5	16.6	16.0	19.5		

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 2: Margin profile

	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	Y-o-Y (bp)	Q-o-Q (bp)
Gross	72%	72%	73%	75%	75%	73%	75%	77%	128	169
EBITDA	21%	21%	17%	27%	28%	28%	26%	29%	228	245
Adj. PAT	17%	14%	14%	20%	19%	19%	19%	21%	108	223
Effective tax rate	23%	20%	20%	23%	29%	28%	27%	24%	106	-339

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 3: Revenue summary

(Rs m)	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	Y-o-Y (%)	Q-o-Q (%)
US formulations INR	1,850	2,660	1,970	2,130	2,370	2,520	2,610	2,280	7%	-13%
% total revenue	19.7%	27.4%	22.3%	20.9%	23.0%	22.8%	24.8%	19.9%		
Africa institutional	330	310	490	650	370	860	610	420	-35%	-31%
% total revenue	3.5%	3.2%	5.6%	6.4%	3.6%	7.8%	5.8%	3.7%		
Africa total / branded	1,460	1,450	1,000	1,590	1,570	1,550	1,130	2,300	45%	104%
% total revenue	15.6%	14.9%	11.3%	15.6%	15.3%	14.0%	10.7%	20.1%		
Asia	2,510	2,280	2,380	2,540	2,510	2,920	2,810	2,770	9%	-1%
% total revenue	26.8%	23.5%	27.0%	24.9%	24.4%	26.4%	26.7%	24.2%		
India	3,140	2,940	2,870	3,190	3,550	3,080	3,260	3,530	11%	8%
% total revenue	33.5%	30.3%	32.5%	31.2%	34.5%	27.9%	30.9%	30.8%		
Total revenue	9,381	9,718	8,818	10,210	10,284	11,052	10,541	11,449	12%	9%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 4: Actuals vs. estimates

(Rs m)	Actuals	Incred Est.	Variance (%)	Bloomberg Est.	Variance (%)
Revenue	11,449	11,297	1.3	11,252	1.8
EBITDA	3,304	3,173	4.1	3,047	8.4
Margin (%)	28.9	28.1		27.1	
PAT	2,458	2,199	11.7	2,140	14.8

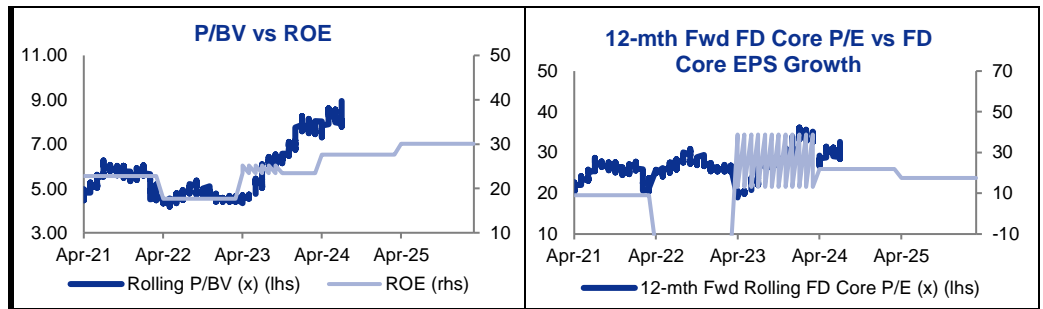
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 5: Changes in our earnings estimates

Change in earnings estimates	FY25F			FY26F		
	Old	New	% change	Old	New	% change
Revenue	46,948	47,075	0.3	52,215	52,914	1.3
EBITDA	13,513	13,575	0.5	15,240	16,016	5.1
Margins	28.8	28.8		29.2	30.3	
PAT	9,503	9,941	4.6	10,800	11,678	8.1
EPS	75.2	78.7		85.5	92.4	

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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	47,075	52,914
Gross Profit	25,088	26,922	31,422	35,777	40,214
Operating EBITDA	9,294	7,833	11,720	13,575	16,016
Depreciation And Amortisation	(1,253)	(1,308)	(1,354)	(1,400)	(1,450)
Operating EBIT	8,041	6,525	10,366	12,175	14,566
Financial Income/(Expense)	(102)	(58)	(72)	(45)	(45)
Pretax Income/(Loss) from Assoc.					
Non-Operating Income/(Expense)	1,157	986	846	950	1,050
Profit Before Tax (pre-EI)	9,096	7,453	11,140	13,080	15,571
Exceptional Items					
Pre-tax Profit	9,096	7,453	11,140	13,080	15,571
Taxation	(1,968)	(1,573)	(2,978)	(3,139)	(3,893)
Exceptional Income - post-tax					
Profit After Tax	7,128	5,880	8,163	9,941	11,678
Minority Interests					
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	7,128	5,880	8,163	9,941	11,678
Recurring Net Profit	7,128	5,880	8,163	9,941	11,678
Fully Diluted Recurring Net Profit	7,128	5,880	8,163	9,941	11,678

Cash Flow

(Rs mn)	Mar-22A	Mar-23A	Mar-24A	Mar-25F	Mar-26F
EBITDA	9,294	7,833	11,720	13,575	16,016
Cash Flow from Invt. & Assoc.					
Change In Working Capital	(2,004)	575	(998)	(1,865)	(2,013)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense					
Other Operating Cashflow	(1,670)	(490)	(2,872)	(3,139)	(3,893)
Net Interest (Paid)/Received	(102)	(58)	(72)	(45)	(45)
Tax Paid	(2,724)	(1,418)	(3,645)	(4,044)	(4,898)
Cashflow From Operations	5,620	7,918	7,851	8,571	10,111
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	7,071	8,611
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)	(1,945)	1,005
Cash Flow From Financing	(3,134)	(5,025)	(8,466)	(8,479)	(5,453)
Total Cash Generated	1,182	1,243	(2,006)	(1,408)	3,158
Free Cashflow To Equity	9,936	14,186	14,311	15,642	18,722
Free Cashflow To Firm	10,038	14,245	14,383	15,687	18,767

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	3,540	6,698
Total Debtors	10,198	10,569	12,468	14,123	15,874
Inventories	7,911	8,156	8,284	10,357	11,641
Total Other Current Assets	1,199	1,029	1,609	1,412	1,587
Total Current Assets	22,645	28,340	27,309	29,431	35,800
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	4,366	4,859
Other Current Liabilities	3,199	7,163	4,306	6,237	6,942
Total Current Liabilities	6,474	11,393	8,953	10,618	11,816
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	12,375	13,574
Shareholders Equity	32,644	33,880	35,674	36,230	41,451
Minority Interests					
Total Equity	32,644	33,880	35,674	36,230	41,451

Key Ratios					
	Mar-22A	Mar-23A	Mar-24A	Mar-25F	Mar-26F
Revenue Growth	15.6%	12.0%	12.5%	11.9%	12.4%
Operating EBITDA Growth	(6.9%)	(15.7%)	49.6%	15.8%	18.0%
Operating EBITDA Margin	27.8%	20.9%	27.8%	28.8%	30.3%
Net Cash Per Share (Rs)	25.90	66.91	38.51	27.52	52.17
BVPS (Rs)	254.83	264.48	278.48	282.83	323.58
Gross Interest Cover	78.83	111.72	143.78	270.56	323.70
Effective Tax Rate	21.6%	21.1%	26.7%	24.0%	25.0%
Net Dividend Payout Ratio					
Accounts Receivables Days	96.04	101.27	99.89	103.09	103.46
Inventory Days	341.57	279.15	281.32	301.10	316.12
Accounts Payables Days	153.73	130.30	151.60	145.34	132.57
ROIC (%)	19.7%	18.4%	24.0%	26.6%	30.0%
ROCE (%)	25.7%	19.6%	29.8%	33.9%	37.5%
Return On Average Assets	18.4%	13.6%	17.6%	21.0%	22.6%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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