

AJANTA PHARMA

RESULT UPDATE

KEY DATA

Rating	BUY
Sector relative	Outperformer
Price (INR)	2,539
12 month price target (INR)	3,250
52 Week High/Low	3,148/2,022
Market cap (INR bn/USD bn)	317/3.6
Free float (%)	33.8
Avg. daily value traded (INR mn)	261.5

SHAREHOLDING PATTERN

	Sep-25	Jun-25	Mar-25
Promoter	66.23%	66.23%	66.26%
FII	8.53%	8.85%	8.86%
DII	17.90%	17.49%	17.48%
Pledge	15.28%	14.12%	12.61%

FINANCIALS

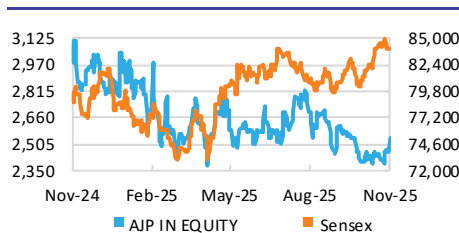
(INR mn)

Year to March	FY24A	FY25A	FY26E	FY27E
Revenue	42,087	46,481	53,204	60,089
EBITDA	11,719	12,595	14,068	17,285
Adjusted profit	7,775	9,010	10,368	12,716
Diluted EPS (INR)	61.7	71.6	82.3	101.0
EPS growth (%)	47.2	15.9	15.1	22.6
RoAE (%)	23.5	25.0	25.0	25.5
P/E (x)	41.1	35.5	30.8	25.1
EV/EBITDA (x)	27.0	25.1	22.2	17.7
Dividend yield (%)	2.0	1.1	1.0	1.0

CHANGE IN ESTIMATES

	Revised estimates		% Revision	
Year to March	FY26E	FY27E	FY26E	FY27E
Revenue	53,204	60,089	1.7%	1.7%
EBITDA	14,068	17,285	-2.0%	1.2%
Adjusted profit	10,368	12,716	1.0%	3.8%
Diluted EPS (INR)	82.3	101.0	1.0%	3.8%

PRICE PERFORMANCE



Margins outperform despite mix change

Ajanta Pharma's Q2FY26 revenue/adjusted EBITDA/adjusted PAT beat consensus by 2%/3%/2% while adjusted EBITDA margin is 42bp ahead of consensus. The company reported a forex loss of INR0.4bn.

AJP's India performance is in-line, but Asia business missed our expectation by 6% due to deferral of orders to H2FY26E. Management expects Asia branded business to grow in double digit in FY26E. The US business is already on a strong footing for FY26E and FY27E due to launches. We like AJP's organic growth story and raise FY27E EPS by 4%. With larger generic companies likely to run into a growth challenge in the US in FY27E, Ajanta is a good idea due to its potential growth across branded markets. Retain 'BUY' with a TP of INR3,250.

A better-than-expected quarter

Revenue grew 14% YoY/4% QoQ to INR13.5bn (2% beat on consensus). Gross margin contracted from 77.9%/78.8% in Q2FY25/Q1FY26 to 76.6% in Q2FY26 as branded business contributed 71.9% in Q2FY26 as against 76.5%/73% in Q2FY25/Q1FY26. While reported EBITDA missed consensus, adjusted for forex loss of INR0.4bn, EBITDA grew 10% YoY/-2% QoQ to INR3.7bn beating consensus by 3%. Adjusted EBITDA margin was at 27.2%, 42bp ahead of consensus. Adjusted PAT grew 14% YoY/-4% QoQ to INR2.62bn. (2% beat).

India growth satisfactory and US strong; Africa growth upgraded

India business grew 12% YoY to INR4.3bn, in-line with our estimates. Cardiac therapy growth remains weak (6% YoY), but other key therapies performed satisfactorily or better. We expect continued double-digit growth this year, with further improvement in FY27E with productivity gains likely from an expanded sales force. In the EM branded business, Asia grew 5% YoY, but missed expectations due to orders deferred to H2FY26E; management is confident of growing this business by low-teens in FY26E. Africa branded growth guidance is upgraded to double-digit for FY26E driven by launches. US revenue surged 48% YoY exceeding expectations. AJP anticipates further high teens growth in FY27E.

Promising organic growth story with better capital efficiency

We like AJP due to: i) India growth driven by ~20% MR expansion and foray in new therapies, ii) double-digit growth in EM branded markets due to strong execution, new launches and MR expansion; iii) US benefitting from low base and new launches; and iv) addition of liquid manufacturing block at Pithampur. We build in a revenue/EBITDA/PAT CAGR of 14%/17%/18% over FY25-FY27E with an RoCE and RoIC of >30% each in FY27E. Retain 'BUY' with a TP of INR3,250 (earlier INR3,210).

Financials

Year to March	Q2FY26	Q2FY25	% Change	Q1FY26	% Change
Net Revenue	13,537	11,866	14.1	13,027	3.9
EBITDA	3,278	3,112	5.4	3,514	(6.7)
Adjusted Profit	2,615	2,300	13.7	2,711	(3.5)
Diluted EPS (INR)	20.8	18.3	13.7	21.5	(3.5)

Financial Statements

Income Statement (INR mn)

Year to March	FY24A	FY25A	FY26E	FY27E
Total operating income	42,087	46,481	53,204	60,089
Gross profit	31,421	35,773	41,150	46,269
Employee costs	9,003	10,897	12,260	13,890
R&D cost	2,080	2,240	2,655	3,305
Other expenses	8,619	10,042	12,167	11,790
EBITDA	11,719	12,595	14,068	17,285
Depreciation	1,354	1,441	1,696	1,838
Less: Interest expense	72	207	237	280
Add: Other income	846	945	1,377	1,514
Profit before tax	11,139	11,892	13,512	16,681
Prov for tax	2,978	2,688	3,144	3,965
Less: Exceptional item	0	0	0	0
Reported profit	8,162	9,204	10,368	12,716
Adjusted profit	7,775	9,010	10,368	12,716
Diluted shares o/s	126	126	126	126
Adjusted diluted EPS	61.7	71.6	82.3	101.0
DPS (INR)	51.0	27.7	25.0	25.0
Tax rate (%)	26.7	22.6	23.3	23.8

Important Ratios (%)

Year to March	FY24A	FY25A	FY26E	FY27E
Gross margin	0.7	0.8	0.8	0.8
R&D as a % of sales	0	0	0	0.1
Net Debt/EBITDA	(0.1)	(0.1)	(0.3)	(0.6)
EBITDA margin (%)	27.8	27.1	26.4	28.8
Net profit margin (%)	18.5	19.4	19.5	21.2
Revenue growth (% YoY)	12.5	10.4	14.5	12.9
EBITDA growth (% YoY)	49.6	7.5	11.7	22.9
Adj. profit growth (%)	47.2	15.9	15.1	22.6

Assumptions (%)

Year to March	FY24A	FY25A	FY26E	FY27E
GDP (YoY %)	6.7	6.0	6.2	6.2
Repo rate (%)	6.5	6.0	5.0	5.0
USD/INR (average)	82.8	84.0	85.0	85.0
India growth (%)	0.1	0.1	0.1	0.1
US generics (USD mn)	116.6	124.3	153.9	174.3
Asia sales growth (%)	0.1	0.1	0.1	0.1
Africa branded sales growth (%)	0	0.2	0.1	0.1
Capex (USD mn)	16.8	37.7	41.8	24.9

Valuation Metrics

Year to March	FY24A	FY25A	FY26E	FY27E
Diluted P/E (x)	41.1	35.5	30.8	25.1
Price/BV (x)	9.0	8.4	7.1	5.8
EV/EBITDA (x)	27.0	25.1	22.2	17.7
Dividend yield (%)	2.0	1.1	1.0	1.0

Source: Company and Nuvama estimates

Balance Sheet (INR mn)

Year to March	FY24A	FY25A	FY26E	FY27E
Share capital	253	251	251	251
Reserves	35,421	37,652	44,873	54,440
Shareholders funds	35,674	37,903	45,123	54,691
Minority interest	0	0	0	0
Borrowings	353	474	508	554
Trade payables	4,632	4,542	5,248	5,927
Other liabs & prov	5,293	6,397	6,397	6,397
Total liabilities	46,384	50,150	58,109	68,402
Net block	14,645	17,155	18,753	18,799
Intangible assets	147	465	721	957
Capital WIP	2,565	1,763	1,763	1,763
Total fixed assets	17,356	19,383	21,237	21,519
Non current inv	186	252	252	252
Cash/cash equivalent	1,308	1,762	4,814	11,655
Sundry debtors	12,468	11,827	13,848	15,475
Loans & advances	0	0	0	0
Other assets	13,533	14,841	15,875	17,417
Total assets	46,384	50,150	58,109	68,402

Free Cash Flow (INR mn)

Year to March	FY24A	FY25A	FY26E	FY27E
Reported profit	8,162	9,204	10,368	12,716
Add: Depreciation	1,354	1,441	1,696	1,838
Interest (net of tax)	72	207	237	280
Others	2,382	2,160	3,144	3,965
Less: Changes in WC	(998)	1,789	(2,480)	(1,939)
Operating cash flow	7,851	11,572	9,821	12,894
Less: Capex	(1,524)	(3,179)	(3,550)	(2,120)
Free cash flow	6,327	8,393	6,271	10,774

Key Ratios

Year to March	FY24A	FY25A	FY26E	FY27E
RoE (%)	23.5	25.0	25.0	25.5
RoCE (%)	31.9	32.5	32.7	33.6
Inventory days	281	295	291	283
Receivable days	100	95	88	89
Payable days	152	156	148	148
Working cap (% sales)	40.8	36.2	36.1	36.1
Gross debt/equity (x)	0	0	0	0
Net debt/equity (x)	0	0	(0.1)	(0.2)
Interest coverage (x)	143.8	53.8	52.3	55.2

Valuation Drivers

Year to March	FY24A	FY25A	FY26E	FY27E
EPS growth (%)	47.2	15.9	15.1	22.6
RoE (%)	23.5	25.0	25.0	25.5
EBITDA growth (%)	49.6	7.5	11.7	22.9
Payout ratio (%)	78.7	38.0	30.4	24.8

Q2FY26 conference call highlights

Financial and guidance

- **FY26E gross margin:** 78% (+1/-1%).
- **FY26E EBITDA margin:** 27% (+1/-1%); factored in investments in branded portfolio and incremental exp.
- Inventory days expected to approach 70 but likely to remain below that level.
- AJP continues to make strategic investments in products and people across branded portfolio; expects other exp. to remain in line within the range of H1FY26.
- Management guided that appropriate way to assess AJP's performance would be **year on year top-line and bottom-line growth** instead of focusing on margin expansion (i.e ~30%).
- **New launches:** AJP has been strategic and will not launch brands wherein it is not confident of growth.
- **ETR:** FY26E – 23%.
- **Capex H1FY26:** INR1.45bn; FY26E: INR3bn.
- **Forex & Hedging:** Due to a sharp increase in EUR in H1FY26, losses were booked. **INR/EUR:** 98 **INR/USD:** 86; overall 50% is hedged.
- **Receivables factoring:** AJP used to do receivables factoring, but switched to interest cost on working capital, as it was better. AJP is benefiting 2–3% due to the switch from factoring (Neutral to P&L as similar amount of investment is made with same interest cost).
- Employee cost increased due to MR addition in H2FY25.
- **MR force:** As on H1FY26, AJP has 5,680 MRs in all branded markets.
- **Inventory days:** 56 days H1FY26 vs 72 days in FY25.
- **RoCE:** 33%; **ROW;** 25%.

India

- India branded generic performance exceeded IPM growth; AJP remains confident of sustaining the current momentum
- India business includes Trade generics business as well which contributed INR530mn versus INR460mn in Q2FY25.
- Gynecology and Nephrology are taking good shape and would contribute meaningfully to revenue in coming years.
- **MR force:** As on H1FY26, AJP has ~3,600 MRs in India and it expects to add 200 more people over the next two years.
- **Cardiac – IQVIA** vs AJP growth rates has anomalies; the company is currently having discussions with IQVIA to resolve this. Reporting issue is on IQVIA side.

EM branded and Institutional business

- **Asia** – Few orders were pushed to H2FY26 (affecting growth for H1). AJP is confident of achieving low teens growth for the year. Three new chronic products were launched in Q2FY26.
- **Africa** – AJP is confident of achieving double-digit growth against earlier expectation of single-digit growth guided earlier for FY26E. Four new products were launched in Q2FY26, taking the total tally to six for H1FY26.
- **Africa institutional** – Outlook remains cautious due to its unpredictability.
- **MR force:** As on H1FY26, AJP has ~2,080 MRs in EM branded markets and it expects to expand this by ~10% in FY26E and 7-8% in FY27E.

US business

- Growth should be in high-teens next year.
- The company achieved high growth due to eight new launches over the past 12 months and gain in market share of these products.
- US has contributed to gross and EBITDA margins during Q2FY26.

Exhibit 1: Segmental performance (INR mn)

Year to March	Q2FY26	Q2FY25	YoY (%)	Q1FY26	QoQ (%)	Nuvama estimates	Deviation (%)
India	4,320	3,860	11.9	4,090	5.6	4,325	(0)
Emerging Markets	5,630	5,520	2.0	5,700	(1.2)	5,880	(4)
Africa branded	2,210	2,130	3.8	2,280	(3.1)	2,173	2
Africa Institution	320	430	(25.6)	380	(15.8)	421	(24)
Asia branded	3,100	2,960	4.7	3,040	2.0	3,286	(6)
US	3,440	2,320	48.3	3,100	11.0	3,201	7
Total	13,390	11,700	14.4	12,890	3.9	13,405	(0.1)

Source: Company, Nuvama Research

Exhibit 2: Actual versus estimates (INR mn)

Year to March	Q2FY26	Q2FY25	YoY (%)	Q1FY26	QoQ (%)	Nuvama estimates	Deviation (%)	Consensus	Deviation (%)
Net revenue	13,537	11,866	14.1	13,027	3.9	13,525	0.1	13,304	1.8
Raw material costs	3,168	2,617	21.1	2,759	14.8	3,111	1.8		
Gross profit	10,369	9,250	12.1	10,268	1.0	10,414	(0.4)		
Gross Margin (%)	76.6	77.9	(135)	78.8	(222)	77.0	(40)		
Employee costs	3,170	2,610	21.5	3,029	4.7	2,975	6.5		
R&D cost	630	570	10.5	560	12.5	744	(15.3)		
Other expenses	3,921	3,528	11.1	3,725	5.3	3,650	7.4		
EBITDA	3,278	3,112	5.4	3,514	(6.7)	3,789	(13.5)	3,569	(8.1)
EBITDA margin (%)	24.2	26.2	(201)	27.0	(276)	28.0	(380)	26.8	(261)
EBITDA (adj)	3,688	3,368	9.5	3,765	(2.1)	3,789	(2.7)	3,569	3.3
Adj. EBITDA margin (%)	27.2	28.4		28.9		28.0		26.8	
Net finance expense (income)	34	60	(43.7)	53	(35.6)	50	(32.2)		
Depreciation	430	344	24.9	413	4.1	418	2.8		
Other income	593	195	204.6	263	125.4	200	196.7		
PBT	3,408	2,902	17.4	3,311	2.9	3,521	(3.2)		
Exceptionals	0	0		0					
Income tax expense	806	738	9.3	758	6.4	845	(4.6)		
Tax rate (%)	24	25		23		24			
Reported Net profit	2,602	2,165	20.2	2,553	1.9	2,676	(2.8)	2,573	1.1
Adjusted Profit after tax	2,615	2,300	13.7	2,711	(3.5)	2,676	(2.3)	2,573	1.6
EPS	20.7	17.2	20.2	20.3	1.9	21.3			

Source: Company, Nuvama Research

Exhibit 3: Quarterly snapshot (INR mn)

Year to March	Q2FY26	Q2FY25	% change	Q1FY26	% change	FY25	FY26E	FY27E
Net Revenue	13,537	11,866	14.1	13,027	3.9	46,481	53,204	60,089
Cost of revenue	3,168	2,617	21.1	2,759	14.8	10,708	12,054	13,820
Gross profit	10,369	9,250	12.1	10,268	1.0	35,773	41,150	46,269
Employee cost	3,170	2,610	21.5	3,029	4.7	10,897	12,260	13,890
R&D	630	570	10.5	560	12.5	2,240	2,655	3,305
Other expenses	3,921	3,528	11.1	3,725	5.3	12,282	14,822	15,094
EBITDA	3,278	3,112	5.4	3,514	(6.7)	12,595	14,068	17,285
EBITDA margin (%)	24.2	26	(200.6)	27	(275.5)	27	26	29
Depreciation	430	344	24.9	413	4.1	1,441	1,696	1,838
EBIT	2,849	2,768	2.9	3,101	(8.1)	11,154	12,372	15,446
Less: Interest Expense	34	60	(43.7)	53	(35.6)	207	237	280
Add: Other income	593	195	204.6	263	125.4	945	1,377	1,514
Add: Exceptional items	0	0		0		0	0	0
Profit before tax	3,408	2,902	17.4	3,311	2.9	11,892	13,512	16,681
Less: Provision for Tax	806	738	9.3	758	6.4	2,688	3,144	3,965
Reported Profit	2,602	2,165	20.2	2,553	1.9	9,204	10,368	12,716
Adjusted Profit	2,615	2,300	13.7	2,711	(3.5)	9,204	10,368	12,716
No. of Diluted shares outstanding	126	126		126		126	126	126
EPS	20.7	17.2	20.2	20.3	1.9	73.1	82.3	101.0
as % of revenues								
Cost of revenue	23.4	22.1		21.2		23.0	22.7	23.0
Employee cost	23.4	22.0		23.3		23.4	23.0	23.1
R&D	4.7	4.8		4.3		4.8	5.0	5.5
Total operating expenses	75.8	73.8		73.0		72.9	73.6	71.2
Gross profit	76.6	77.9		78.8		77.0	77.3	77.0
Operating profit	21.0	23.3		23.8		24.0	23.3	25.7
Net profit	19.2	18.2		19.6		19.8	19.5	21.2
Tax rate	23.7	25.4		22.9		22.6	23.3	23.8

Source: Company, Nuvama Research

Company Description

Ajanta Pharma (Ajanta), a Mumbai-based mid-sized specialty pharma company, is a play on branded generics with strong focus on branded formulation business in India and other emerging markets. India contributes ~30% to overall revenue with focus on ophthalmology, dermatology, pain management and cardiology segments. In Asia and Africa (~60% of overall revenue), the company has a strong branded presence with front ends in markets where it is present and also participates in the anti-malaria tender business in Africa. The company has also invested in the US market, which is expected to generate meaningful revenue over the next few years. Management has ramped up filings and has several pending approvals. Revenue, EBITDA and PAT have posted strong growth in recent years driven by higher focus on branded formulation and vertical integration in API/formulation.

Investment Theme

AJP has a de-risked business model with presence across branded markets in India, Africa & Asia and generics in the US. The company's branded business, which accounts for 75% of revenue, imparts visibility and sustainability to earnings growth.

Key Risks

- Delay in approval/ regulatory risks
- Currency risk
- USFDA inspection risk

Additional Data

Management

Chairman	Mr. Mannanlal B. Agrawal
Vice Chairman	Mr. Madhusudan B. Agrawal
Managing Director	Mr. Yogesh M. Agrawal
Joint Managing Director	Mr. Rajesh M. Agrawal
Auditor	BSR & Co. LLP

Holdings – Top 10*

	% Holding		% Holding
UTI AMC	3.15	Vanguard	1.37
Nippon Life AMC	2.69	Aditya Birla Su	0.87
Canara Robeco A	1.51	Franklin resour	0.84
Tata AIA	1.45	HDFC AMC	0.82
Kotak AMC	1.43	Blackrock	0.78

*Latest public data

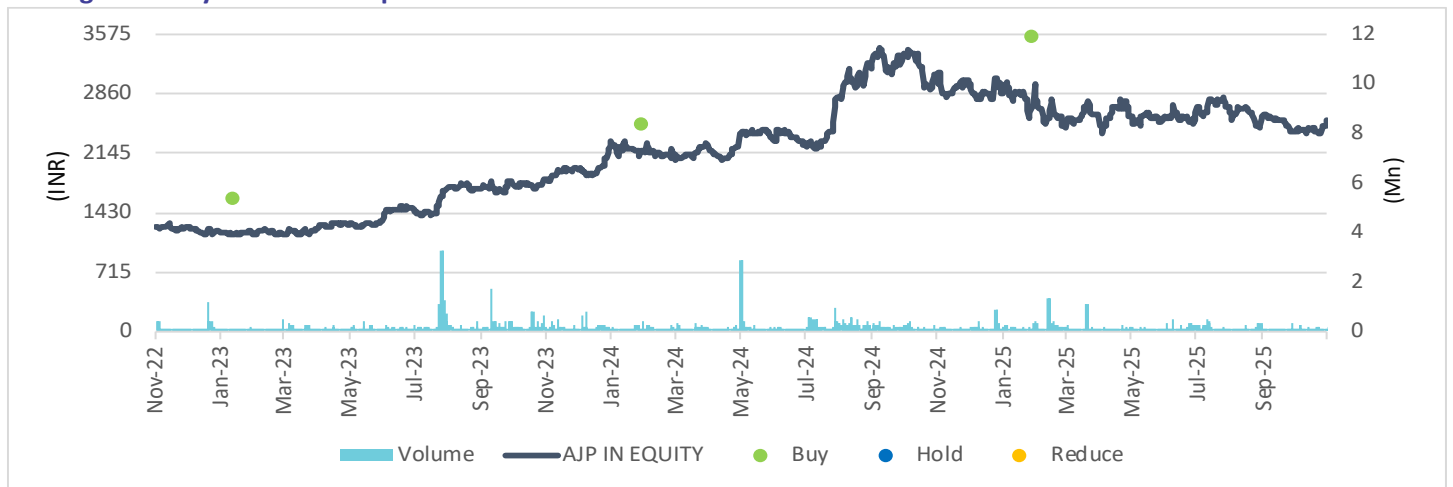
Recent Company Research

Date	Title	Price	Reco
28-Jul-25	Beat on all metrics; momentum holding ; <i>Result Update</i>	2,767	Buy
30-Apr-25	Eyeing US growth; flat gross margins; <i>Result Update</i>	2,706	Buy
30-Jan-25	Branded business gets further boost; <i>Result Update</i>	2,880	Buy

Recent Sector Research

Date	Name of Co./Sector	Title
31-Oct-25	Jubilant Pharmova	Line-3 starts multi-year optimism ; <i>Result Update</i>
30-Oct-25	Cipla	Succession finalised; EBITDA guidance cu; <i>Result Update</i>
25-Oct-25	Dr Reddy's Labs	In-line performance; <i>Result Update</i>

Rating and Daily Volume Interpretation



Rating Rationale & Distribution: Nuvama Research

Rating	Expected absolute returns over 12 months	Rating Distribution
Buy	15%	205
Hold	<15% and >-5%	68
Reduce	<-5%	37

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