

November 4, 2025

Another steady quarter; Branded generics focus remains the key...

About the stock: Ajanta Pharma is a focused player in branded generics, which constitutes ~70% of overall sales, spread across geographies including India.

- As of Q2FY26, overall exports: domestic formulations ratio was at 68:32
- Among exports, Asia accounts for ~34% of export formulations, Africa ~28% and the US ~38%. The company also participates in anti-malarial tenders in Africa (included in Africa)

Result performance & Investment Rationale:

- Q2FY26- Momentum driven by US and India Business** - Revenues grew ~14% YoY to ₹ 1354 crore driven by US and India branded business which grew ~48% / ~12% to ₹ 344 crore and ₹ 432 crore, respectively. Other branded businesses such as Asia and Africa witnessed the growth of 5% / 4% (on higher base) to ₹ 310 crore and ₹ 221 crore, respectively. On the operational front, EBITDA grew 5.4% YoY to ~₹328 crore (excluding forex losses of ₹ 41 crore, 9 % growth to ~₹369 crore) with margins at 24.2% (down 200 bps YoY). PAT during the quarter was at ~₹ 260 crore, up 20%.
- Guidance more or less maintained with consistency in Branded portfolio- Branded businesses in India were driven by new launches and market share gains in existing products. US also maintained the growth tempo on account of 4-5 products launched in Q2FY26 and gain in market share of the existing products. Africa tender continued to remain lumpy and management expects it to remain lumpy going ahead as well. Management has maintained double digit revenues growth guidance, GPM margin guidance of ~78% and EBITDA margin guidance of ~27%.
- Robust CFO generation continues; remains one of the best capital allocators among peers- With ~70% contribution coming from the branded generics, Ajanta continues to deliver robust CFO. Add to this, the yearly capex run rate is slated to stay at just ₹ 200-300 crore as the company has ample capacities sufficient to cater to the requirements of the next 2-3 years. Thus, the company remains a strong FCF generator. Four buybacks in three years and liberal dividend pay-outs is a testimony that the company does not want to indulge into an aggressive capex there by compromising margins and return ratios and just happy to return access cash to the shareholders.

Rating and Target price

- Our target price is ₹ 3000 based on 30x FY27E EPS of 100, We believe the premium valuation is justified given the consistency in earnings and FCF.



ajanta pharma

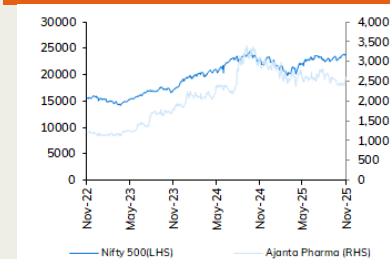
Particulars

Particular	Amount
Market Capitalisation	₹ 32640 crore
Debt (FY25)	₹ 3 crore
Cash (FY25)	₹ 175 crore
EV	₹ 32467 crore
52 week H/L	3147/2327
Equity capital	₹ 25.1 crore
Face value	₹ 2

Shareholding pattern

(in %)	Dec-24	Mar-25	Jun-25	Sep-25
Promoter	66.3	66.3	66.3	66.3
FII	9.3	8.9	8.9	8.5
DII	17.0	17.5	17.5	17.9
Others	7.5	7.4	7.4	7.3

Price Chart



Key risks

- (i) Unforeseen pressure on EBITDA margins (ii) Risk and lumpiness associated with non-branded businesses.

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Key Financial Summary

Key Financials (₹ Crore)	FY23	FY24	FY25	2 year CAGR (FY23-25)	FY26E	FY27E	2 year CAGR (FY25-27E)
Revenues	3742.6	4208.7	4648.1	11.4	5230.3	5855.3	12.2
EBITDA	783.3	1154.4	1259.5	26.8	1363.4	1615.0	13.2
EBITDA margins (%)	20.9	27.4	27.1		26.1	27.6	
Net Profit	588.0	816.2	922.2	25.2	1049.6	1250.0	16.4
EPS (₹)	46.5	64.6	73.8		84.0	100.1	
PE (x)	54.8	39.5	34.5		30.3	25.5	
EV to EBITDA (x)	40.6	27.9	25.4		23.4	18.9	
RoCE (%)	21.3	31.1	31.5		30.7	30.5	
ROE (%)	17.4	22.9	24.3		24.3	24.1	

Source: Company, ICICI Direct Research

Exhibit 1: Quarterly Summary

(₹ crore)	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26	YoY (%)	QoQ (%)
Total Operating Income	938.1	971.8	881.8	1021.0	1028.4	1105.2	1054.1	1144.9	1186.6	1146.1	1170.4	1302.7	1353.7	14.1	3.9
Raw Material Expense	259.8	269.3	240.9	251.9	256.1	294.2	264.4	267.9	261.7	257.8	283.4	275.9	316.8	21.1	14.8
% of Revenue	27.7	27.7	27.3	24.7	24.9	26.6	25.1	23.4	22.1	22.5	24.2	21.2	23.4	135 bps	222 bps
Gross Profit	678.4	702.4	640.9	769.1	772.3	811.0	789.7	877.1	924.9	888.3	887.0	1026.8	1036.9	12.1	1.0
GPM (%)	72.3	72.3	72.7	75.3	75.1	73.4	74.9	76.6	77.9	77.5	75.8	78.8	76.6	-135 bps	-222 bps
Employee Expenses	186.1	192.4	223.6	213.2	222.3	231.4	233.5	283.8	261.0	265.2	279.8	302.9	317.0	21.5	4.7
% of Revenue	19.8	19.8	25.4	20.9	21.6	20.9	22.2	24.8	22.0	23.1	23.9	23.3	23.4	143 bps	16 bps
Other Expenditure	295.9	340.5	267.9	284.6	259.4	265.6	277.9	262.9	352.8	302.3	310.1	372.5	392.1	11.1	5.3
% of Revenue	31.5	35.0	30.4	27.9	25.2	24.0	26.4	23.0	29.7	26.4	26.5	28.6	29.0	-77 bps	37 bps
Total Expenditure	741.8	802.2	732.5	749.7	737.8	791.1	775.8	814.6	875.5	825.3	873.3	951.3	1025.9	17.2	7.8
% of Revenue	79.1	82.6	83.1	73.4	71.7	71.6	73.6	71.1	73.8	72.0	74.6	73.0	75.8	200 bps	276 bps
EBITDA	196.3	169.6	149.4	271.3	290.7	314.1	278.3	330.4	311.1	320.8	297.1	351.4	327.8	5.4	-6.7
EBITDA Margin (%)	20.9	17.4	16.9	26.6	28.3	28.4	26.4	28.9	26.2	28.0	25.4	27.0	24.2	-200 bps	-276 bps
Other Income	40.4	34.9	36.8	31.8	21.3	13.6	35.5	26.5	19.5	30.4	18.1	26.3	59.3	204.6	125.4
Interest	1.0	2.8	1.1	0.9	2.3	2.5	1.5	0.7	6.0	6.0	6.1	5.3	3.4	-43.7	-35.6
Depreciation	32.7	33.3	33.0	33.2	33.7	34.3	34.3	34.0	34.4	36.0	39.8	41.3	43.0	24.9	4.1
PBT	203.0	168.3	152.1	269.0	275.9	290.9	278.0	322.1	290.2	309.3	269.4	331.1	340.8	17.4	2.9
Total Tax	46.4	33.8	29.8	60.9	80.6	80.9	75.3	76.4	73.8	74.5	44.2	75.8	80.6	9.3	6.4
Tax rate (%)	22.9	20.1	19.6	22.6	29.2	27.8	27.1	23.7	25.4	24.1	16.4	22.9	23.7	-176 bps	77 bps
PAT	156.6	134.5	122.3	208.1	195.3	210.0	202.7	245.8	216.4	234.8	225.3	255.3	260.2	20.2	1.9
PAT Margin (%)	16.7	13.8	13.9	20.4	19.0	19.0	19.2	21.5	18.2	20.5	19.2	19.6	19.2	98 bps	-38 bps

Source: Company, ICICI Direct Research

Q2FY26 Conference call highlights

International business

- US growth guidance remains at high teens in FY27 and Management is confident of sustaining its current quarterly run-rate in US for next couple of quarters.
- US business growth was driven by new launches and gain in volume share of existing products.
- Management has guided for double digit growth in Africa branded business during FY26 and FY27.
- Management has given cautious outlook for Africa Tender business.
- Growth in the Asia for first half was slower as few shipments have spilled over to second half.
- For Asia Business management has guided for low teens growth in FY26.
- Ajanta has 2,080 MRs in export business and may look to increase it by 10% in FY26 and by 7-8% in FY27.

India Business

- Ajanta has 3600 MRs in India and may add 100 MR's each year for the next two years.
- New therapies of gynaecology and nephrology are expected to contribute decently in coming years.
- Ajanta has launched 10 new products in First Half i.e. H1FY26
- During the quarter the revenue from Trade generics stood at ₹53 crore against ₹47 crore last year.
- Management is confident of sustaining momentum in its India business in coming years

Other

- Company expects GPM to stay around 78% for FY26.
- R&D expenses to remain 5% of the total revenues
- Other expenses include forex loss towards mark-to-market of hedges of ₹ 41 crore in Q2
- Employee cost to remain elevated due to MRs addition
- Company expects the EBITDA to be around 28% range plus-minus 1% for whole of the FY2026.
- Company expects Tax rate to be around 23% for FY25.
- Capex, including maintenance capex for FY 2026 is estimated to be around ₹ 300 crore.

Exhibit 2: Top 10 brands MAT performance (in ₹ crore)

Brand	Therapy	MAT SEP'22	MAT SEP'23	MAT SEP'24	MAT SEP'25	CAGR 22-25	YoY
MET XL	CARDIAC	161.0	164.8	166.5	171.5	2.1%	3.0%
MELACARE	DERMA	70.5	78.5	81.5	72.1	0.8%	-11.5%
FEBURIC	PAIN / ANALGESICS	63.0	76.7	83.5	93.4	14.0%	11.9%
ATORFIT-CV	CARDIAC	64.9	70.4	77.4	76.2	5.5%	-1.6%
CINOD	CARDIAC	35.3	41.3	51.0	54.9	15.9%	7.6%
MET XL AM	CARDIAC	34.8	38.1	40.6	40.7	5.4%	0.2%
MET XL TRIO	CARDIAC	30.0	35.6	44.9	50.9	19.3%	13.4%
ROSUFIT-CV	CARDIAC	31.2	34.4	37.0	37.9	6.7%	2.4%
IVREA	DERMA	18.5	22.1	29.5	32.4	20.5%	9.8%
MET XL RD	CARDIAC	21.5	23.6	27.0	31.2	13.2%	15.6%
Top 10 brands		530.7	585.5	638.9	661.2	7.6%	3.5%
% of IQVIA sales		38.1%	36.7%	36.5%	34.2%		

Source: Company, ICICI Direct Research

Financial Tables

Exhibit 3: Profit and loss statement ₹ crore

(Year-end March)	FY24	FY25	FY26E	FY27E
Total Operating Income	4,208.7	4,648.1	5,230.3	5,855.3
Growth (%)	12.5	10.4	12.5	11.9
Raw Material Expenses	1,066.6	1,070.8	1,236.2	1,463.8
Gross Profit	3,142.1	3,577.3	3,994.2	4,391.5
Gross Profit Margins (%)	74.7	77.0	76.4	75.0
Employee Expenses	900.3	1,089.7	1,222.7	1,371.2
Other Expenditure	1,087.4	1,228.2	1,408.1	1,405.3
Total Operating Expenditure	3,054.3	3,388.6	3,866.9	4,240.2
EBITDA	1,154.4	1,259.5	1,363.4	1,615.0
Growth (%)	47.4	9.1	8.3	18.5
Interest	7.2	18.8	15.4	13.6
Depreciation	135.4	144.1	174.9	190.3
Other Income	102.2	94.5	198.5	222.2
PBT before Exceptional Items	1,113.9	1,191.0	1,371.5	1,633.4
Less: Exceptional Items	0.0	0.0	0.0	0.0
PBT after Exceptional Items	1,113.9	1,191.0	1,371.5	1,633.4
Total Tax	297.8	268.8	321.9	383.4
PAT before MI	816.2	922.2	1,049.6	1,250.0
PAT	816.2	922.2	1,049.6	1,250.0
Growth (%)	38.8	13.0	13.8	19.1
EPS (Adjusted)	64.6	73.8	84.0	100.1
Other income as % of (Cash)	21%	15%	22%	10%

Source: Company, ICICI Direct Research

Exhibit 4: Cash flow statement ₹ crore

(Year-end March)	FY24	FY25	FY26E	FY27E
Profit/(Loss) after taxation	801.8	866.2	1,049.6	1,250.0
Add: Depreciation & Amorti:	135.4	144.1	174.9	190.3
Net Increase in Current Ass	-229.4	128.3	-224.2	407.8
Net Increase in Current Liab	129.6	-8.5	-35.4	89.8
Others	-52.4	27.1	15.4	13.6
CF from Operating activiti	785.1	1,157.2	980.4	1,951.5
(Purchase)/Sale of Fixed As	-139.0	-316.8	-305.6	-150.0
Investments	204.4	-59.7	-410.3	0.0
Others	0.2	0.0	-58.7	3.4
CF from Investing activities	65.6	-376.5	-774.6	-146.6
(inc)/Dec in Loan	0.1	1.1	199.1	0.0
Dividend & Dividend tax	-642.2	-349.4	-374.7	-374.7
Other	-409.0	-385.1	-15.4	-13.6
CF from Financing activities	-1,051.1	-733.4	-191.0	-388.3
Net Cash Flow	-200.4	47.3	14.9	1,416.6
Cash and Cash Equivalent	329.9	129.5	175.1	39.8
Cash	129.5	176.8	190.0	1,456.4
Free Cash Flow	646.0	840.5	674.8	1,801.5
FCF Yield	2%	3%	2%	6%

Source: Company, ICICI Direct Research

Exhibit 5: Balance Sheet ₹ crore

(Year-end March)	FY24	FY25	FY26E	FY27E
Equity Capital	25.3	25.1	25.1	25.1
Reserve and Surplus	3,542.1	3,765.2	4,289.9	5,165.2
Total Shareholders funds	3,567.4	3,790.3	4,315.0	5,190.3
Total Debt	1.5	2.6	201.7	201.7
Deferred Tax Liability	108.5	110.5	118.8	121.2
Long-Term Provisions	39.5	80.3	38.9	39.7
Other Non Current Liabilities	27.2	37.8	39.9	40.7
Source of Funds	3,744.1	4,021.4	4,714.3	5,593.6
Gross Block - Fixed Assets	2,451.2	2,878.1	3,213.9	3,313.9
Accumulated Depreciation	972.0	1,116.1	1,291.0	1,481.4
Net Block	1,479.2	1,762.0	1,922.8	1,832.5
Capital WIP	256.5	176.3	146.1	196.1
Fixed Assets	1,735.6	1,938.3	2,069.0	2,028.7
Investments	348.6	464.0	874.2	874.2
Other non-Current Assets	143.8	199.1	226.8	227.4
Inventory	828.4	903.9	812.1	227.3
Debtors	1,246.8	1,182.7	1,447.5	1,620.5
Other Current Assets	205.5	151.9	203.0	207.0
Cash	129.5	175.1	39.8	1,456.4
Total Current Assets	2,410.2	2,413.6	2,502.4	3,511.2
Creditors	463.2	454.2	430.1	509.2
Provisions	17.8	23.4	22.9	23.3
Other Current Liabilities	413.3	516.0	505.2	515.3
Total Current Liabilities	894.3	993.5	958.1	1,047.8
Net Current Assets	1,516.0	1,420.1	1,544.3	2,463.3
Application of Funds	3,744.1	4,021.4	4,714.3	5,593.6

Source: Company, ICICI Direct Research

Exhibit 6: Key ratios

(Year-end March)	FY24	FY25	FY26E	FY27E
Per share data (₹)				
Reported EPS	64.6	73.8	84.0	100.1
Cash EPS	24.3	57.4	68.0	85.3
BV per share	282.2	303.5	345.5	415.6
Cash per Share	10.2	14.0	3.2	116.6
Dividend per share	51.0	28.0	30.0	30.0
Operating Ratios (%)				
Gross Profit Margins	74.7	77.0	76.4	75.0
EBITDA margins	27.4	27.1	26.1	27.6
PAT Margins	19.4	19.8	20.1	21.3
Cash Conversion Cycle	21	246	214	31
Fixed Asset Turnover	2.4	2.4	2.5	2.9
EBITDA conversion Rate	68.0	91.9	71.9	120.8
Return Ratios (%)				
RoE	22.9	24.3	24.3	24.1
RoCE	31.1	31.5	30.7	30.5
RoIC	35.2	36.6	34.1	49.2
Valuation Ratios (x)				
P/E	39.5	34.5	30.3	25.5
EV / EBITDA	27.9	25.4	23.4	18.9
EV / Net Sales	7.6	6.9	6.1	5.2
Market Cap / Sales	7.8	7.0	6.2	5.6
Price to Book Value	9.0	8.4	7.4	6.1
Solvency Ratios				
Debt / EBITDA	0.0	0.0	0.1	0.1
Debt / Equity	0.0	0.0	0.0	0.0
Current Ratio	2.6	2.3	2.6	2.0
Quick Ratio	1.6	1.3	1.7	1.7
Inventory days	72	308	240	56.7
Debtor days	108	93	101	101.0
Creditor days	159	155	127	127.0

Source: Company, ICICI Direct Research

ANALYST CERTIFICATION

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