Ajanta Pharma (AJAPHA)

ICICI Direct

CMP: ₹3440 | Target ₹ 3960 (+15%) | Target Period: 12 months | **BUY**

August 3, 2026

Growth in braded business still strong; US growth to moderate…

About the stock: Ajanta Pharma is a focused player in branded generics, which constitutes ~71% of overall sales, spread across geographies including India.

- As of Q1FY27, overall exports: domestic formulations ratio was at 69:31.
- Among exports, Asia accounts for ~23% of export formulations, Africa ~33% and the US ~44%. The company also participates in anti-malarial tenders in Africa (included in Africa)

Result Performance & Investment Rationale:

- **Q1FY27 – Stellar numbers; momentum continues in branded business and the US**: Revenues grew ~25% YoY to ~₹ 1626 crore driven by India branded, Africa branded and US which grew ~24% / ~29% and ~57% to ₹ 509 crore, ₹295 crore, and ₹487 crore, respectively. Other businesses such as Asia branded saw 16% de-growth on account of postponement of orders due to middle east crisis, while Africa tender grew ~84% to ₹ 70 crore. On the operational front, EBITDA grew 20.6% YoY to ~₹ 423.6 crore with margins at 26.1% (down 92 bps YoY) as strong GPM performance (up 101 bps YoY to 79.8%) was neutralised by higher other expenditure and forex loss of ₹ 31 crore. PAT during the quarter was at ~₹ 334.2 crore, up 30.9% YoY.

- **Branded generics traction, US momentum key differentiators**: Branded businesses in India and Africa were driven by new launches and market share gains in existing products. Asia business impacted on account of geopolitical issues resulted into deferment of shipments, which the management expects to register in Q2. US performance was exceptional mainly on account of new products launches in recent quarters. However, the momentum is expected to taper down due to price erosion and increased competition (guidance of mid-single digit). The company is expected to launch new products in the US only in Q4. Africa tender continued to remain lumpy, and management expects it to remain lumpy going ahead as well. Strong GPM performance was attributable to strong branded business growth (~65% of sales) and softening of API prices. Going forward management expects revenues growth in high teen, to be driven by branded businesses of India, Africa and Asia, with ~27% EBITDA margins to be driven by high branded momentum.

- **Remains one of the best capital allocators among peers**- The company maintains its position as one of the most consistent FCF generators driven by braded focus and a calibrated capex. The management is now looking to expand the basket via GLP 1 launches in EMs (filings expected in the coming quarters) besides expansion of domestic basket (planned war chest of ₹ 1000 crore) to plug the portfolio gap. With a moderate capex target of ₹ 400 crore, the FCF momentum is expected to persist in FY27 as well.

Rating and Target Price:

- We maintain our BUY rating with revised TP of ₹3960/share based on 32x FY28E EPS of ₹123.7

ajanta pharma

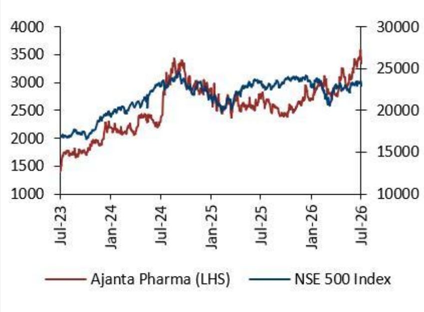
Particulars

Particular	Amount
Market Capitalisation	44032 crore
Debt (FY26)	₹ 212 crore
Cash (FY26)	₹ 103 crore
EV	44141 crore
52-week H/L	3599/2330
Equity capital	₹ 25.1 crore
Face value	₹ 2

Shareholding pattern

	Sep-25	Dec-25	Mar-26	Jun-26
Promoter	66.3	66.3	66.3	63.5
FII	8.5	8.0	8.3	7.7
DII	17.9	18.6	18.4	21.8
Others	7.3	7.2	7.1	7.0

Price Chart



Key risks

(i) Unforeseen pressure on EBITDA margin

(ii)Risk and lumpiness associated with non-branded businesses.

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Result Update

ICICI Securities – Retail Equity Research

Key Financial Summary

Key Financials (₹ Crore)	FY23	FY24	FY25	FY26	3-year CAGR (FY23-26)	FY27E	FY28E	2-year CAGR (FY26-28E)
Revenues	3742.6	4208.7	4648.1	5452.9	13.4	6241.2	7038.0	13.6
EBITDA	783.3	1154.4	1259.5	1394.8	21.2	1710.8	1974.9	19.0
EBITDA Margins (%)	20.9	27.4	27.1	25.6		27.4	28.1	
Net Profit	588.0	816.2	922.2	1056.0	21.6	1335.4	1545.5	21.0
Adjusted EPS (₹)	46.5	64.6	73.8	84.5		106.9	123.7	
PE (x)	74.0	53.3	46.6	40.7		32.2	27.8	
EV/EBITDA (x)	55.1	37.7	34.5	31.2		25.1	21.4	
RoCE (%)	21.3	31.1	31.5	29.3		32.1	31.8	
RoE (%)	17.4	22.9	24.3	23.3		24.9	24.6	

Source: Company, ICICI Direct Research

Recent earnings call highlights

India -

- Company launched 8 products in Q1FY27.
- Management has guided for mid-teen growth for FY27.
- Trade Generics accounted ₹48 crore for the quarter.
- New therapies accounted for 2% of India revenue.

US -

- Company launched 2 new products during quarter which another 1-2 products are planned in Q4FY27.
- Management has guided for mid-single digit growth in FY27.

Asia and Africa –

- In Asia management has retained its High Teen Growth while in Africa branded momentum is expected to sustain.
- Asia business was affected due to geopolitical issue which also differed shipments to Q2. The management expects to cover recovery in coming quarter.

Other Aspects -

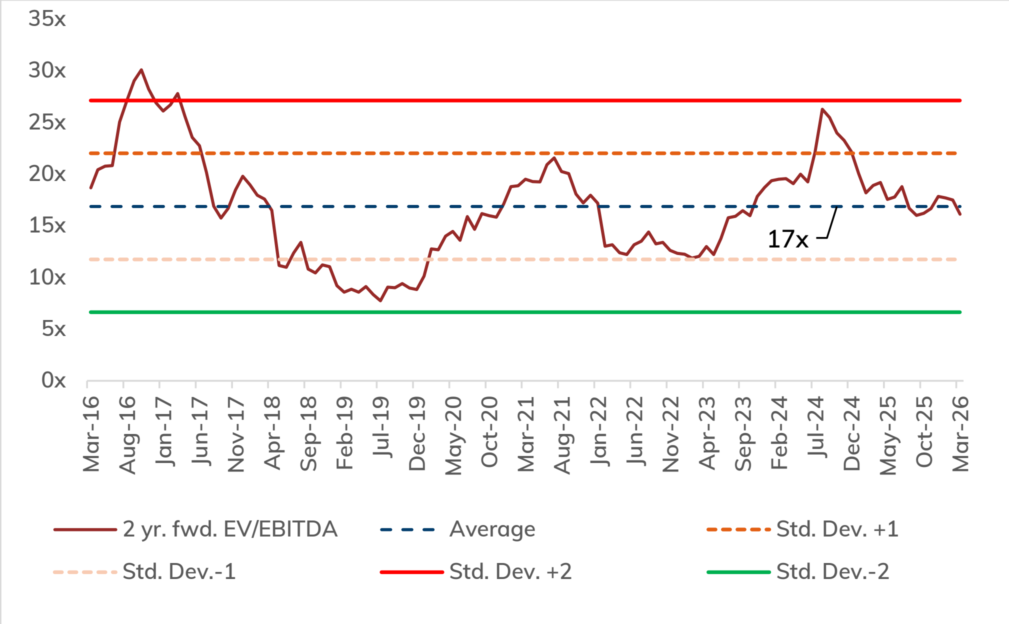
- Management has guided for High teen Growth for FY27 with GPM of 77-79% and EBITDA Margin of ~27%.
- Raw material cost has escalated due to geopolitical issues however company had sufficient Inventory which protected margins.
- Capex guidance is ~₹400 crore for FY27 of which ~₹300 crore is expected for Pithampur while ₹100 crore towards maintenance.
- ETR is expected to be ~26%.
- R&D is expected to be ~5% of Sales.

Exhibit 1: Quarterly Summary (₹ crore)

(₹ crore)	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26	Q3FY26	Q4FY26	Q1FY27	YoY (%)	QoQ (%)
Total Operating Income	1054.1	1144.9	1186.6	1146.1	1170.4	1302.7	1353.7	1374.8	1421.6	1626.0	24.8	14.4
Raw Material Expenses	264.4	267.9	261.7	257.8	283.4	275.9	316.8	286.3	304.8	327.9	18.8	7.6
% of Revenue	25.1	23.4	22.1	22.5	24.2	21.2	23.4	20.8	21.4	20.2	-101 bps	-128 bps
Gross Profit	789.7	877.1	924.9	888.3	887.0	1026.8	1036.9	1088.6	1116.8	1298.1	26.4	16.2
GPM (%)	74.9	76.6	77.9	77.5	75.8	78.8	76.6	79.2	78.6	79.8	101 bps	128 bps
Employee Expenses	233.5	283.8	261.0	265.2	279.8	302.9	317.0	330.5	340.7	381.1	25.8	11.9
% of Revenue	22.2	24.8	22.0	23.1	23.9	23.3	23.4	24.0	24.0	23.4	19 bps	-53 bps
Other Expenditure	277.9	262.9	352.8	302.3	310.1	372.5	392.1	375.8	442.7	493.4	32.5	11.5
% of Revenue	26.4	23.0	29.7	26.4	26.5	28.6	29.0	27.3	31.1	30.3	175 bps	-79 bps
Total Expenditure	775.8	814.6	875.5	825.3	873.3	951.3	1025.9	992.6	1088.2	1202.4	26.4	10.5
% of Revenue	73.6	71.1	73.8	72.0	74.6	73.0	75.8	72.2	76.5	73.9	92 bps	-260 bps
EBITDA	278.3	330.4	311.1	320.8	297.1	351.4	327.8	382.2	333.4	423.6	20.6	27.0
EBITDA Margin (%)	26.4	28.9	26.2	28.0	25.4	27.0	24.2	27.8	23.5	26.1	-92 bps	260 bps
Other Income	35.5	26.5	19.5	30.4	18.1	26.3	59.3	25.0	61.4	70.9	169.3	15.4
Interest	1.5	0.7	6.0	6.0	6.1	5.3	3.4	5.1	2.4	3.2	-39.5	34.7
Depreciation	34.3	34.0	34.4	36.0	39.8	41.3	43.0	43.5	45.4	44.5	7.8	-1.9
PBT	278.0	322.1	290.2	309.3	269.4	331.1	340.8	358.6	347.1	446.8	34.9	28.7
Total Tax	75.3	76.4	73.8	74.5	44.2	75.8	80.6	84.8	80.4	112.6	48.5	40.0
Tax rate (%)	27.1	23.7	25.4	24.1	16.4	22.9	23.7	23.7	23.2	25.2	231 bps	203 bps
PAT	202.7	245.8	216.4	234.8	225.3	255.3	260.2	273.8	266.7	334.2	30.9	25.3
PAT Margin (%)	19.2	21.5	18.2	20.5	19.2	19.6	19.2	19.9	18.8	20.6	95 bps	180 bps

Source: Company, ICICI Direct Research

Exhibit 2: 2 Year Forward EV/EBITDA Band



Source: Company, ICICI Direct Research

Financial summary

Exhibit 3: Profit and loss statement ₹ crore

(₹Crore)	FY25	FY26	FY27E	FY28E
Total Operating Income	4,648.1	5,452.9	6,241.2	7,038.0
Growth (%)	10.4	17.3	14.5	12.8
Raw Material Expenses	1,070.8	1,183.8	1,404.8	1,618.7
Gross Profit	3,577.3	4,269.1	4,836.4	5,419.3
Gross Profit Margins (%)	77.0	78.3	77.5	77.0
Employee Expenses	1,089.7	1,291.2	1,462.9	1,649.6
Other Expenditure	1,228.2	1,583.1	1,662.7	1,794.7
Total Operating Expenditure	3,388.6	4,058.0	4,530.4	5,063.1
EBITDA	**1,259.5**	**1,394.8**	**1,710.8**	**1,974.9**
Growth (%)	9.1	10.7	22.7	15.4
Interest	18.8	16.1	12.7	12.7
Depreciation	144.1	173.1	185.0	203.1
Other Income	94.5	172.1	272.1	306.9
PBT before Exep. Items	**1,191.0**	**1,377.7**	**1,785.2**	**2,066.0**
Less: Exceptional Items	0.0	0.0	0.0	0.0
PBT after Exceptional Items	1,191.0	1,377.7	1,785.2	2,066.0
Total Tax	268.8	321.7	449.8	520.6
PAT before MI	922.2	1,056.0	1,335.4	1,545.5
PAT	**922.2**	**1,056.0**	**1,335.4**	**1,545.5**
Growth (%)	13.0	14.5	26.5	15.7
EPS (Adjusted)	**73.8**	**84.5**	**106.9**	**123.7**

Source: Company, ICICI Direct Research

Exhibit 4: Cash flow statement ₹ crore

(₹Crore)	FY25	FY26	FY27E	FY28E
Profit/(Loss) after taxation	866.2	1,018.7	1,335.4	1,545.5
Add: Depreciation & Amortization	144.1	173.1	185.0	203.1
Net Increase in Current Assets	128.3	-621.8	-121.4	-378.2
Net Increase in Current Liabilities	-8.5	68.4	104.0	88.0
Others	27.1	-109.2	12.7	12.7
CF from Operating activities	**1,157.2**	**529.2**	**1,515.6**	**1,471.0**
(Purchase)/Sale of Fixed Assets	-316.8	-359.8	-400.0	-200.0
Investments	-59.7	-69.2	0.0	0.0
Others	0.0	0.0	4.1	4.2
CF from Investing activities	**-376.5**	**-428.9**	**-395.9**	**-195.8**
(inc)/Dec in Loan	1.1	209.4	0.0	0.0
Dividend & Dividend tax	-349.4	-349.7	-499.6	-624.5
Other	-385.1	-27.6	-12.7	-12.7
CF from Financing activities	-733.4	-167.9	-512.3	-637.2
Net Cash Flow	**47.3**	**-67.6**	**607.4**	**637.9**
Cash and Cash Equivalent	129.5	175.1	103.3	710.7
Cash	**176.8**	**107.5**	**710.7**	**1,348.6**
Free Cash Flow	**840.5**	**169.4**	**1,115.6**	**1,271.0**
FCF Yield	2%	0%	3%	3%

Source: Company, ICICI Direct Research

Exhibit 5: Balance sheet ₹ crore

(₹ Crore)	FY25	FY26	FY27E	FY28E
Equity Capital	25.1	25.1	25.1	25.1
Reserve and Surplus	3,765.2	4,502.0	5,337.8	6,258.7
Total Shareholders funds	3,790.3	4,527.1	5,362.9	6,283.8
Total Debt	2.6	212.0	212.0	212.0
Deferred Tax Liability	110.5	117.9	120.3	122.7
Long-Term Provisions	80.3	51.2	52.2	53.2
Other Non Current Liabilities	37.8	42.9	43.8	44.6
Source of Funds	**4,021.4**	**4,951.1**	**5,791.1**	**6,716.4**
Gross Block - Fixed Assets	2,878.1	3,156.2	3,506.2	3,656.2
Accumulated Depreciation	1,116.1	1,289.3	1,474.3	1,677.3
Net Block	1,762.0	1,867.0	2,031.9	1,978.9
Capital WIP	176.3	258.1	308.1	358.1
Fixed Assets	1,938.3	2,125.0	2,340.0	2,336.9
Investments	464.0	588.4	588.4	588.4
Other non-Current Assets	199.1	196.2	196.3	196.5
Inventory	903.9	938.5	1,026.0	1,156.9
Debtors	1,182.7	1,853.9	1,880.9	2,121.0
Other Current Assets	151.9	349.7	356.7	363.8
Cash	175.1	103.3	710.7	1,348.6
Total Current Assets	2,413.6	3,245.3	3,974.2	4,990.3
Creditors	454.2	544.3	635.1	709.6
Provisions	23.4	30.4	31.0	31.6
Other Current Liabilities	516.0	629.1	641.7	654.5
Total Current Liabilities	993.5	1,203.8	1,307.7	1,395.7
Net Current Assets	1,420.1	2,041.6	2,666.5	3,594.6
Application of Funds	**4,021.4**	**4,951.1**	**5,791.1**	**6,716.4**
Equity Capital	25.1	25.1	25.1	25.1
Reserve and Surplus	3,765.2	4,502.0	5,337.8	6,258.7

Source: Company, ICICI Direct Research

Exhibit 6: Key ratios

(Year-end March)	FY25	FY26	FY27E	FY28E
Per share data (₹)				
Reported EPS	73.8	84.5	106.9	123.7
Cash EPS	57.4	68.4	81.7	90.0
BV per share	303.5	362.5	429.4	503.1
Cash per Share	14.0	8.3	56.9	108.0
Dividend per share	28.0	30.0	40.0	50.0
Operating Ratios (%)				
Gross Profit Margins	77.0	78.3	77.5	77.0
EBITDA margins	27.1	25.6	27.4	28.1
PAT Margins	19.8	19.4	21.4	22.0
Cash Conversion Cycle	246	246	212	211
Fixed Asset Turnover	2.4	2.6	2.7	3.0
EBITDA conversion Rate	91.9	37.9	88.6	74.5
Return Ratios (%)				
RoE	24.3	23.3	24.9	24.6
RoCE	31.5	29.3	32.1	31.8
RoIC	36.6	31.8	37.9	41.6
Valuation Ratios (x)				
P/E	46.6	40.7	32.2	27.8
EV / EBITDA	34.5	31.2	25.1	21.4
EV / Net Sales	9.3	8.0	6.9	6.0
Market Cap / Sales	9.5	8.1	7.1	6.3
Price to Book Value	11.3	9.5	8.0	6.8
Solvency Ratios				
Debt / EBITDA	0.0	0.2	0.1	0.1
Debt / Equity	0.0	0.0	0.0	0.0
Current Ratio	2.3	2.6	2.5	2.6
Quick Ratio	**1.3**	**1.8**	1.7	1.8
Inventory days	308	289	267	261
Debtor days	93	124	110	110
Creditor days	155	168	165	160

Source: Company, ICICI Direct Research

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Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%

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