HOLD
TP: Rs 3,898 | ⮝ 11%

AJANTA PHARMA

| Pharmaceuticals | 31 October 2026

Growth momentum to continue across branded markets

- **Sales/EBITDA/PAT were 11.7%/38%/20.8% above our estimates. EBITDA Margin reported 581 bps above our estimates**
- **Domestic branded business PCPM increased to Rs 450K per MR in H1FY27; However, EM PCPM is at Rs 800k per MR**
- **We continue to ascribe a PE of 30x and roll forward to Sep'28 EPS to arrive at a PT of Rs 3898 (earlier Rs 3,787)**

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Earnings above estimates - Sales grew by 32.5% YoY to Rs 17.94bn, driven by 16.7% YoY growth in domestic sales, 69% YoY growth in the Africa business (both branded and institution), 18% YoY growth in the Asia business and 41% YoY growth in the US region. Raw material cost grew by 21.6% YoY to Rs 3.8bn, leading to 21.5% YoY growth in gross profit to Rs 8.6bn. Employee cost grew by 21% YoY (due to the hiring of MRs), R&D grew by 14.3% YoY and SG&A (excluding R&D) grew by 23.3% YoY, leading to 67% YoY growth in EBITDA to Rs 5.5bn. There was no forex loss in the quarter, so EBITDA margin increased by 630 bps YoY to 30.5% (581 bps above our estimate of 24.7%). Subsequently, PAT grew by 49.2% YoY to Rs 3.8bn.

Domestic sales continue to grow above the IPM – Ajanta's domestic sales grew by 16.7% YoY to Rs 5bn. The growth was driven by 5.8% volume growth vs IPM volume growth of 4.9%, 5% price growth in line with the IPM, and 5.9% growth from new launches vs IPM new launches growth of 3.5%. Therapeutically, the company outperformed the IPM in Ophthalmology, Derma and Pain Management. Ajanta's domestic business PCPM improved to Rs 450k/MR in H1FY27 vs Rs 370k in FY26. We expect the company to continue outperforming the market, and thus expect domestic sales to grow at a CAGR of 16% over FY26-29E to Rs 25.5bn in FY29E.

Valuation - As earnings were above our estimates, we increase our EPS estimates by 3% for FY27E to Rs 100.8 per share, by 5% for FY28E to Rs 119.8 per share and by 9% for FY29E to Rs 140 per share. Thus, we arrive at a Sales/EBITDA/PAT CAGR of 15%/20%/18% over FY26-29E. At the CMP, on a roll-forward to Sep'28 EPS of Rs 130 per share, the stock is trading at a PE of 27x, and we continue to ascribe a PE of 30x to arrive at a PT of Rs 3,898 (earlier PT of Rs 3,787), implying 11% upside. We therefore maintain HOLD on the stock.

Key changes

Target	Rating
▲	◀ ▶

Ticker/Price	AJP IN/Rs 3,509
Market cap	US$ 4.7bn
Free float	31%
3M ADV	US$ 3.8mn
52wk high/low	Rs 3,796/Rs 2,446
Promoter/FPI/DII	66%/10%/15%

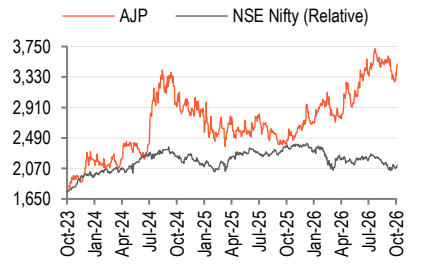
Source: NSE | Price as of 30 Oct 2026

Key financials

Y/E 31 Mar	FY26A	FY27E	FY28E
Total revenue (Rs mn)	54,529	63,378	72,450
EBITDA (Rs mn)	13,948	17,285	20,684
Adj. net profit (Rs mn)	10,560	12,633	15,016
Adj. EPS (Rs)	83.6	100.0	118.8
Consensus EPS (Rs)	83.6	96.9	111.2
Adj. ROAE (%)	25.8	25.5	24.7
Adj. P/E (x)	42.0	35.1	29.5
EV/EBITDA (x)	31.8	25.6	21.4
Adj. EPS growth (%)	14.7	19.6	18.9

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

Africa sales growth driven by deferred shipments – Ajanta's Africa branded business reported growth of 41% YoY to Rs 3.1bn, driven by an increase in the productivity of MRs added over the years, an increase in market share in existing products and new launches. The company believes the growth will be sustained in the high double digits; hence, we expect the business to report a sales CAGR of 22% over FY26-29E to Rs 15bn in FY29E.

Asia sales growth driven by restructuring initiative – Due to the ongoing geopolitical uncertainties, the company chose an alternative shipping route, which helped recover sales in the Middle East in 2QFY27 and enabled the shipment of sales deferred from the last quarter. We expect this region to grow at a CAGR of 15% over FY26-29E to Rs 18bn in FY29E.

US sales growth driven by new launches – US sales grew by 41% YoY to Rs 4.8bn. On a constant-currency (cc) basis, sales grew by 30% YoY. Going forward, the company expects competition in its high-value product, which was launched in FY26; hence, we expect sales from this segment to grow at a CAGR of 8% over FY27-29E.

Margins to sustain at 27% - The company reported an EBITDA margin of 30.5% in 2QFY27, driven by a healthy gross margin of 79%, which was supported by favorable forex movement. The company is also witnessing an improvement in productivity in the domestic market; however, it has guided for lower margins in H2FY27 due to a slowdown in the US business. Thus, we expect the company to report an EBITDA margin of 27%/29%/30% for FY27E/FY28E/FY29E, respectively.

Financial Highlights

Fig 1 – Quarterly highlights

(Rs mn)	Q2FY27	Q2FY26	YoY (%)	Q1FY27	QoQ (%)	Q2FY27	Var. (%)
Net Sales	17,942	13,537	32.5	16,260	10.3	16,060	11.7
Total Expenses	12,466	10,259	21.5	12,024	3.7	12,093	3.1
(%) of net sales	69.5	75.8		73.9		75.3	(7.7)
Raw material consumed	3,851	3,168	21.6	3,279	17.5	3,373	14.2
(%) of net sales	21.5	23.4		20.2		21.0	2.2
Gross Profit	8,614.9	7,090.9	21.5	8,745.3		8,720.2	(1.2)
Staff cost	3,837	3,170	21.0	3,811	0.7	3,854	(0.5)
(%) of net sales	21.4	23.4		23.4		24.0	(10.9)
R&D cost	720	630	14.3	660	9.1	690	4.3
(%) of net sales	4.0	4.7		4.1		4.3	(6.6)
SG&A ex of R&D	4,058	3,291	23.3	4,274	(5.1)	4,176	(2.8)
(%) of net sales	22.6	24.3		26.3		26.0	(13.0)
EBITDA	5,476	3,278	67.0	4,236	29.3	3,968	38.0
Depreciation	476	430	10.7	445	6.9	442	7.7
EBIT	5,000	2,849	75.5	3,791	31.9	3,526	41.8
Interest	22	34	(33.9)	32	(29.6)	32	(30.3)
Other Income	374	593	(37.0)	709	(47.3)	800	(53.3)
PBT	5,352	3,408	57.0	4,468	19.8	4,294	24.6
Less: Taxation	1,470	806	82.3	1,126	30.6	1,081	36.0
Less: Minority Interest							
Recurring PAT	3,881	2,602	49.2	3,342	16.1	3,213	20.8
Exceptional items	-	-		-		-	
Reported PAT	3,881	2,602	49.2	3,342	16.1	3,213	20.8
Key Ratios (%)			Bps		Bps		
Gross Margin	78.5	76.6	194bps	79.8	(130bps)	79.0	(46.5)
EBITDA Margin	30.5	24.2	630bps	26.1	447bps	24.7	581.5
Tax / PBT	27.5	23.7	382bps	25.2	227bps	25.2	230.1
NPM	21.6	19.2	241bps	20.6	108bps	20.0	162.8
EPS (Rs)	31.0	20.8	49.2	26.7	16.1	25.6	

Source: Company, BOBCAPS Research

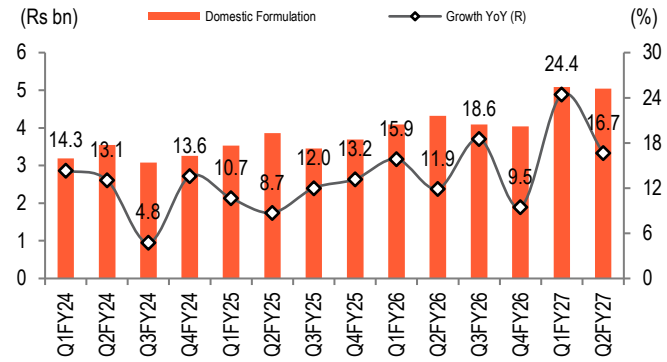
Fig 2 – Segmental Mix

(Rs mn)	Q2FY27	Q2FY26	YoY (%)	Q1FY27	QoQ (%)	Q2FY27	Var. (%)
Domestic Formulation	5,040	4,320	16.7	5,090	(1.0)	5,270	(4.4)
Exports Formulation	12,780	9,070	40.9	11,070	15.4	10,790	18.4
Africa	4,280	2,530	69.2	3,650	17.3	3,252	31.6
Asia	3,660	3,100	18.1	2,550	43.5	3,410	7.3
US	4,840	3,440	40.7	4,870	(0.6)	4,128	17.2
Other op Income	100	147	(32.4)	100	-		#DIV/0!
Revenues	17,920	13,537	32.4	16,260	10.2	16,060	11.6

Source: Company, BOBCAPS Research

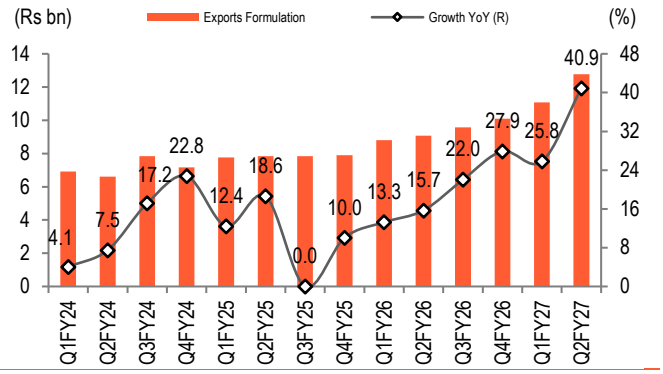
Financial Charts

Fig 3 – Domestic sales growth driven across all levers of volume , price and new product launches



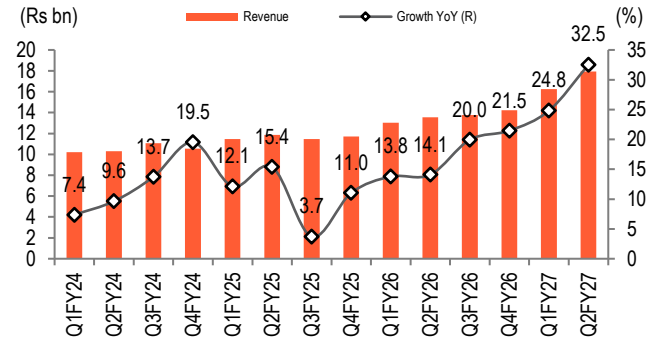
Source: Company, BOBCAPS Research

Fig 4 – Exports reported highest ever due to higher traction in all US, Africa and ASIA REGION



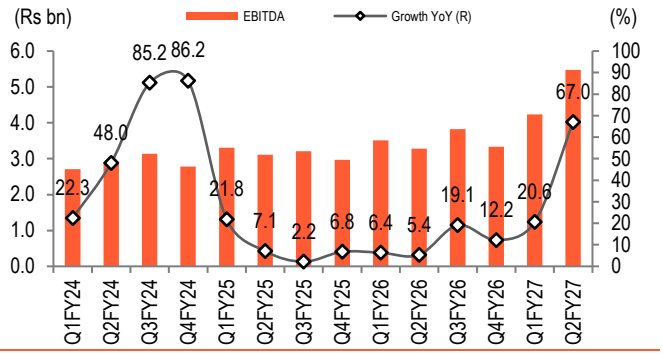
Source: Company, BOBCAPS Research

Fig 5 – Growth across geographies led to higher sales growth



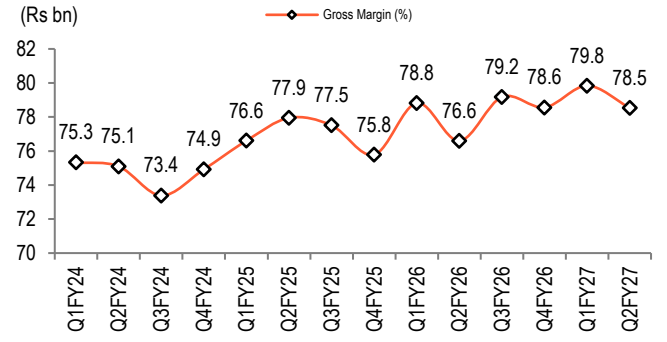
Source: Company, BOBCAPS Research

Fig 6 – Healthy business mix led to healthy operational profit



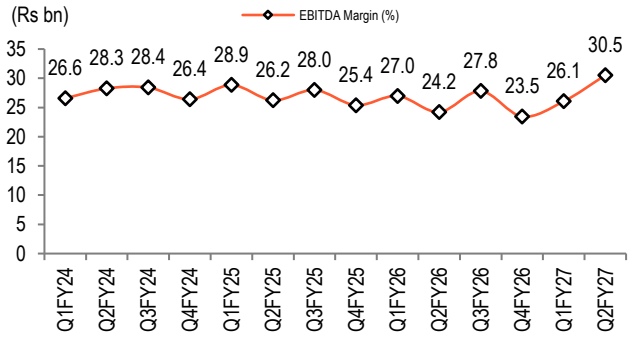
Source: Company, BOBCAPS Research

Fig 7 – Helathy product mix led to higher gross margin



Source: Company, BOBCAPS Research

Fig 8 – Increase in productivity led to healthy EBITDA margin



Source: Company, BOBCAPS Research

Earnings call highlights

Business segments

India (28% of revenue)

- **Sales:** Q2 was ₹504 cr (vs ₹432 cr, +16%). H1 was ₹1,013 cr (vs ₹841 cr, +20%).
- **Market position:** Ranking improved to 23rd in September 2026 from 24th in March 2026 (IQVIA MAT September 2026).
- **IQVIA growth:** Ajanta grew 17% against 13% for the market. Volume growth was 18% ahead of the market, and growth from new launches exceeded the market by 70%.
- **Rankings and growth:** The company is in the top 10 in all core segments and is ranked No. 1 in ophthalmology. Growth is ahead of segment averages in most therapies. In cardiology it is in line with or marginally better than the market, and management says an anomaly in the IQVIA numbers is being sorted out.
- **Productivity:** PCPM (per-capita productivity per month) was Rs 450K in H1 (vs ₹3.7 lakh in FY26).
- **Trade generics:** ₹56 cr in Q2 and ₹104 cr in H1.
- **New therapies:** Gynaecology (entered last year) is gaining momentum, and nephrology is also progressing. Both are on a small base and are seen as a 3–5 year build. Management does not share MR splits by specialty.
- **IPM drivers:** Management cited more hospital penetration and an improving beds-to-patient ratio, government schemes, better insurance coverage, new launches, and a slowdown in unbranded generics.
- **Guidance:** Management has always aimed to grow 20–25% faster than the IPM, and the current run rate is marginally better. A clearer view will come after Q3.
- **NLEM/NPPA:** The products under NLEM are in oncology, where Ajanta does not operate, so the impact is zero. On cardiology, management says there is no immediate threat and that it cannot analyse without a specific product list and pricing.

Asia branded generics

- **Sales:** Q2 was ₹366 cr (vs ₹310 cr, +18%). H1 was ₹621 cr (vs ₹614 cr, +1%). Q1 was about ₹255 cr.
- **Q1 weakness:** Q1 was hurt by Middle East geopolitical tensions, supply chain and logistics issues, and some sales pushed out at the last minute. Alternative shipping routes helped Q2 recover.
- **Launches:** 4 new products in H1.
- **Outlook:** Mid-teens growth for the full year, with a catch-up expected in Q3 and Q4.

Africa branded generics

- **Sales:** Q2 was ₹312 cr (vs ₹221 cr, +41%). H1 was ₹607 cr (vs ₹449 cr, +35%).
- **Drivers:** Market share gains, new launches (3 in H1), field force additions over 2–3 years becoming more productive, and favourable currency.
- **Outlook:** Guidance is high double-digit growth. H2 growth could be slightly lower on a high base but should still be robust.

US generics (27% of revenue)

- **Sales:** Q2 was ₹484 cr (vs ₹344 cr, +41%). H1 was ₹971 cr (vs ₹653 cr, +49%).
- **Constant currency:** About 30–35% growth for Q2 and H1.
- **Driver:** A limited-competition product since H2 FY26, plus a lower base. New competitors have now entered, so market share and sales will normalise in H2.
- **Guidance:** The full-year US growth guidance was revised to high single digits, from mid-single digits at the start of the year.
- **Pipeline:** 3 launches, 4 final approvals and 1 ANDA filed in H1, with 17 ANDAs pending approval. More approvals are expected in the next two quarters. There are no Para IV filings.
- **R&D approach:** More than 50% of products are delayed- or extended-release, working on 15–20 products at a time and targeting 8–10 ANDA filings a year. FY28 guidance will come around Q4.

Africa institution (7% of revenue)

- **Sales:** Q2 was ₹116 cr (vs ₹32 cr, +259%). H1 was ₹187 cr (vs ₹71 cr, +164%).
- **Outlook:** Procurement is unpredictable in timing and value, and H2 will not match H1.

Guidance for FY27 (unchanged)

- Revenue growth in the high teens, with H2 moderating on US competition and normalising institutional sales.
- Gross margin of about 78% (±100 bps).
- EBITDA margin of about 27% (±100 bps). H1 was about 29%, so H2 implies roughly 26%.
- R&D at about 5% of revenue, an effective tax rate of about 26.5%, and capex of about ₹400 cr.
- Working capital: Receivable days may improve slightly, and inventory days should return to around the March level by year end.
- **R&D split:** About 50% US and 50% India and emerging markets.

- **Emerging market field force:**
  - More than 100 people were added in H1, about 5%, taking the force from about 2,400 to about 2,500 MRs.
  - The target is 7–8% growth for the full year.
  - Productivity is cited as around ₹8 lakh and "₹48 lakh plus". The transcript is unclear on the units.
  - Asia and Africa splits are not disclosed.
- **New markets:** Management is looking at Middle East markets where it is not yet present, and some mid-stage markets are still developing.
- **Semaglutide in-licensing (Africa/MENA):**
  - Registration takes about two years and filings have just begun.
  - Sales are likely from FY28 and will trickle in country by country.
  - This will be folded into annual guidance.
- **Emerging markets track record:** Management cites a 13–15% CAGR over three years and says the story should be judged over a three-year horizon, not by quarter. Last year's weakness was mainly geopolitical.
- **Constant-currency effect:** Roughly 4–5% of export growth came from currency gains, and possibly slightly more in the US.
- **Acute/chronic mix:** Described as healthy, but no figures were given. Management said to contact IR.
- **Profitability by geography:** Not disclosed. Management said US profitability was healthy in H1 and flowed through to EBITDA and PAT.

Valuation methodology

Earnings were above our estimates on all fronts and the company reported healthy 30% EBITDA Margin driven by increased traction across geographies. The branded generic segment (India, Asia, Africa Branded) grew by 23% YoY and 12% QoQ to Rs 11.8bn (66% contribution). Going forward, the company expects the productivity to improve across branded business as they have hired new MRs (100 MRs added in 2QFY27), new product launches and increasing market share in the existing business.

As earnings were above our estimates, we increase our EPS by 3% for FY27E to Rs 100.8 per share, 5% for FY28E to Rs 119.8 per share and 9% for FY29 to Rs 140 per share. Thus, we arrive at the Sales/EBITDA/PAT CAGR of 15%/20%/18% from FY26-29E.

At CMP, on roll forward to Sep'28 EPS of Rs 130 per share, the stock is trading at a PE of 27x and we continue to ascribe a PE of 30x to arrive at a PT of Rs 3898 (earlier PT of Rs 3787), implying 11% upside, thus maintaining HOLD on the stock.

Fig 9 – Change in estimates table

	New			Old			Variance		
	FY27E	FY28E	FY29E	FY27E	FY28E	FY29E	FY27E	FY28E	FY29E
Revenue	63,378	72,450	82,158	64,169	72,553	80,432	-1%	0%	2.1%
EBITDA	17,285	20,684	24,307	16,916	19,841	22,362	2%	4%	9%
EBITDA M	27%	29%	30%	26%	27%	28%	91.1bps	120.3bps	178.4bps
EPS	100.8	119.8	140.1	97.9	114.5	128.5	3%	5%	9%

Source: Company, BOBCAPS Research

Key risks

Key upside risks to our estimates are:

- No intense competition in the US region
- Sustenance of current momentum in the Africa branded business
- Lower in put cost

Key downside risk to our estimates

- Slowdown in the growth of the branded business
- Intense price erosion pressure in the US
- Higher input cost affecting margins

Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY25A	FY26A	FY27E	FY28E	FY29E
Total revenue	**46,481**	**54,529**	**63,378**	**72,450**	**82,158**
EBITDA	12,595	13,948	17,285	20,684	24,307
Depreciation	1,441	1,731	1,847	2,095	2,343
EBIT	11,154	12,217	15,438	18,589	21,964
Net interest inc./(exp.)	(207)	(161)	(100)	(110)	(120)
Other inc./(exp.)	945	1,721	1,850	1,950	2,050
Exceptional items	0	0	0	0	1
EBT	11,892	13,777	17,188	20,429	23,894
Income taxes	2,688	3,217	4,555	5,414	6,332
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	0	0	0	0	0
Reported net profit	**9,204**	**10,560**	**12,633**	**15,016**	**17,562**
Adjustments	0	0	0	0	0
Adjusted net profit	**9,204**	**10,560**	**12,633**	**15,016**	**17,562**

Balance Sheet

Y/E 31 Mar (Rs mn)	FY25A	FY26A	FY27E	FY28E	FY29E
Accounts payables	4,542	5,443	6,251	7,146	8,103
Other current liabilities	5,089	6,238	4,436	4,347	2,465
Provisions	919	794	923	1,055	1,196
Debt funds	127	2,208	2,208	2,208	2,208
Other liabilities	0	0	0	0	1
Equity capital	251	251	251	251	251
Reserves & surplus	36,893	44,314	54,420	66,433	80,482
Shareholders' fund	37,144	44,564	54,671	66,683	80,733
Total liab. and equities	**47,820**	**59,247**	**68,488**	**81,438**	**94,705**
Cash and cash eq.	1,763	1,048	1,528	2,473	3,172
Accounts receivables	11,827	18,539	20,837	24,811	28,136
Inventories	9,039	9,385	10,418	11,711	12,830
Other current assets	1,635	3,557	5,070	7,607	11,091
Investments	4,640	5,884	7,649	9,943	12,926
Net fixed assets	17,155	18,254	20,407	22,311	23,968
CWIP	1,763	2,581	2,581	2,581	2,581
Intangible assets	0	0	0	0	0
Deferred tax assets, net	0	0	0	0	0
Other assets	0	0	0	0	0
Total assets	**47,820**	**59,247**	**68,488**	**81,438**	**94,705**

Cash Flows

Y/E 31 Mar (Rs mn)	FY25A	FY26A	FY27E	FY28E	FY29E
Cash flow from operations	**12,612**	**5,397**	**8,872**	**10,353**	**11,316**
Capital expenditures	(2,000)	(3,000)	(4,000)	(4,000)	(4,000)
Change in investments	(1,153)	(1,244)	(1,765)	(2,295)	(2,983)
Other investing cash flows	0	0	0	0	0
Cash flow from investing	**(3,153)**	**(4,244)**	**(5,765)**	**(6,295)**	**(6,983)**
Equities issued/Others	(2)	0	0	0	0
Debt raised/repaid	(226)	2,081	0	0	0
Interest expenses	(207)	(161)	(100)	(110)	(120)
Dividends paid	(1,841)	(2,112)	(2,527)	(3,003)	(3,512)
Other financing cash flows	(6,780)	(1,675)	0	0	0
Cash flow from financing	**(9,056)**	**(1,868)**	**(2,627)**	**(3,113)**	**(3,632)**
Chg in cash & cash eq.	**403**	**(715)**	**480**	**946**	**700**
Closing cash & cash eq.	**1,763**	**1,048**	**1,528**	**2,473**	**3,174**

Per Share

Y/E 31 Mar (Rs)	FY25A	FY26A	FY27E	FY28E	FY29E
Reported EPS	72.8	83.6	100.0	118.8	139.0
Adjusted EPS	72.8	83.6	100.0	118.8	139.0
Dividend per share	14.7	16.8	20.2	24.0	28.0
Book value per share	423.5	508.1	623.4	760.4	920.6

Valuations Ratios

Y/E 31 Mar (x)	FY25A	FY26A	FY27E	FY28E	FY29E
EV/Sales	9.6	8.1	7.0	6.1	5.4
EV/EBITDA	35.3	31.8	25.6	21.4	18.3
Adjusted P/E	48.2	42.0	35.1	29.5	25.2
P/BV	8.3	6.9	5.6	4.6	3.8

DuPont Analysis

Y/E 31 Mar (%)	FY25A	FY26A	FY27E	FY28E	FY29E
Tax burden (Net profit/PBT)	77.4	76.7	73.5	73.5	73.5
Interest burden (PBT/EBIT)	106.6	112.8	111.3	109.9	108.8
EBIT margin (EBIT/Revenue)	24.0	22.4	24.4	25.7	26.7
Asset turnover (Rev./Avg TA)	31.8	32.4	30.6	28.8	27.1
Leverage (Avg TA/Avg Equity)	1.0	1.0	1.0	1.0	1.0
Adjusted ROAE	25.4	25.8	25.5	24.7	23.8

Ratio Analysis

Y/E 31 Mar	FY25A	FY26A	FY27E	FY28E	FY29E
YoY growth (%)					
Revenue	10.4	17.3	16.2	14.3	13.4
EBITDA	7.5	10.7	23.9	19.7	17.5
Adjusted EPS	12.8	14.7	19.6	18.9	17.0
Profitability & Return ratios (%)					
EBITDA margin	27.1	25.6	27.3	28.6	29.6
EBIT margin	24.0	22.4	24.4	25.7	26.7
Adjusted profit margin	19.8	19.4	19.9	20.7	21.4
Adjusted ROAE	25.4	25.8	25.5	24.7	23.8
ROCE	33.1	33.2	33.4	32.7	31.6
Working capital days (days)					
Receivables	93	124	120	125	125
Inventory	71	63	60	59	57
Payables	36	36	36	36	36
Ratios (x)					
Gross asset turnover	1.9	2.0	2.0	2.0	2.1
Current ratio	2.3	2.6	3.3	3.7	4.7
Net interest coverage ratio	53.8	75.8	154.4	169.0	183.0
Adjusted debt/equity	0.0	0.0	0.0	0.0	0.0

Source: Company, BOBCAPS Research | Note: TA = Total Assets

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BUY – Expected return >+15%

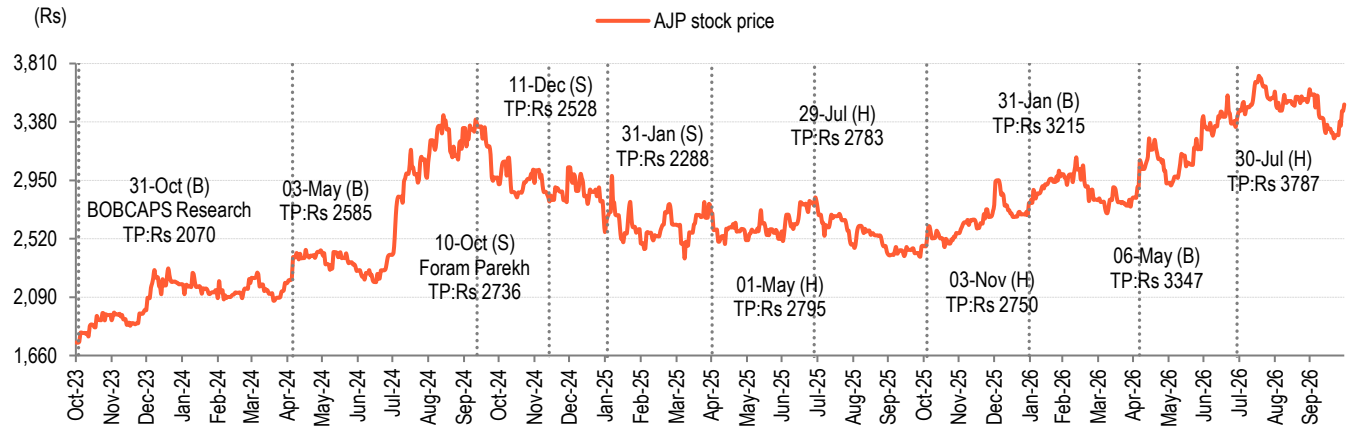
HOLD – Expected return from -6% to +15%

SELL – Expected return <-6%

Note: Recommendation structure changed with effect from 21 June 2021

Our recommendation scale does not factor in short-term stock price volatility related to market fluctuations. Thus, our recommendations may not always be strictly in line with the recommendation scale as shown above.

Ratings and Target Price (3-year history): AJANTA PHARMA (AJP IN)



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