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SYSTEMATIX INSTITUTIONAL EQUITIES

Systematix

Institutional Equities

## Ajanta Pharma

30 January 2025

## Sharp decline in Institutional Business

## RESULT UPDATE

Sector: Pharmaceuticals Rating: BUY  
CMP: Rs 2,675 Target Price: Rs 3,460

## Stock Info

Sensex/Nifty	76,760/23,250
Bloomberg	AJP IN
Equity shares	125mn
52-wk High/Low	Rs 3,486/1,998
Face value	Rs 2
M-Cap	Rs 334bn/ USD 3.9bn

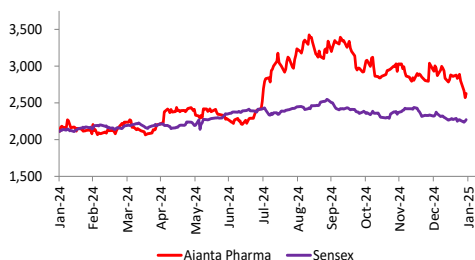
## Financial Snapshot (Rs mn)

Y/E March	FY25E	FY26E	FY27E
Sales	45,909	51,648	57,671
Gross profit	35,350	40,027	44,695
Gross Margin %	77.0	77.5	77.5
EBITDA	12,560	14,757	16,788
Margin %	27.4	28.6	29.1
PAT	9,173	10,730	12,347
EPS	73.4	85.9	98.9
DPS(Rs)	58.8	51.5	59.3
ROE(%)	25.1	27.1	27.9
P/E(x)	36.4	31.1	27.1
EV/EBITDA (x)	26.6	22.4	19.5

## Shareholding pattern (%)

	Jun-24	Sep-24	Dec-24
Promoter	66.27	66.26	66.26
-Pledged	11.60	11.17	11.17
FII	8.36	9.11	9.26
DII	17.41	17.09	17.02
Others	7.95	7.52	7.46

## Stock Performance (1-year)



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Ajanta Pharma (AJP IN) Q3FY25 Revenue came slightly below expectation, while EBITDA and PAT were largely in line. AJP remains on track to deliver low to mid-teens growth in branded market and mid-single digit growth in the US generic space for FY25. During the year, AJP has enhanced its investment in manpower and sales which is reflecting in other expense and employee cost growing faster than revenue. The enhanced investment is with an intention to expand reach in the addressable market. During the quarter, the company has forayed into Nephrology and Gynecology segments in domestic markets. The new launches in these new therapy areas will be into categories that are fast growing. In the US, the company expects stronger growth in FY26 (as compared to FY25). We revise our target PE multiple to 35x FY27E EPS and upgrade Ajanta to BUY at CMP with a revised PT of Rs. 3,460.

## 3QFY25 earnings highlights

## Financial Highlights

AJP reported 3QFY25 revenue of Rs 11.46bn, up 3.7% YoY but down 3.4% QoQ. EBITDA stood at Rs 3.2bn, up 2.2% YoY and 3.1% QoQ. EBITDA margin stood at 28%, down 43 bps YoY but up 177 bps QoQ. PAT stood at Rs 2.33bn, up 10.9% YoY and 7.6% QoQ. PAT margin stood at 20.3%, up 131 bps YoY and 208 bps QoQ.

**Branded generics** business stood at Rs 8.34 bn, growing 10% YoY in Q3FY25. This business contributed 74% of total sales, spread across India, Asia, & Africa.

**India** business recorded sales of Rs 3.45bn, up 12% YoY but down 10.6% QoQ. As per secondary data (IQVIA Dec 2024), AJP's growth was at 11%, 300bps more than IPM growth. The higher than IPM growth was mainly due to volume growth (3x to IPM on Dec 24 MAT basis). Amongst the therapeutics segments, Cardiology growth was 11% vs segment growth of 12%. Ophthalmology growth was 6% against segment growth of 4%. Dermatology growth was 16% against segment growth of 10%. Pain management growth was 11% against segment growth of 8%. As per IQVIA MAT December 24, Cardiology contributes 38% of domestic revenues, followed by Ophthalmology (30%), Dermatology (23%) and Pain Management (9%). Rs ~430mn of India sales are from trade generics (Rs 380mn in Q3FY24). During the year, AJP entered Nephrology and Gynecology segments and added a field force of 200+ MRs for these teams. 26 new products were launched in India during 9MFY25, of which 8 were first time launches. New product launch growth at 2.8% vs 2.5% for IPM.

**Asia** business sales at Rs 3.16bn, have shown an uptick of 8.2% YoY & 6.8% QoQ. This business contributes 28% to the total revenue and spans across 10 countries in the Middle East, Southeast, and Central Asia. AJP launched 9 new products in the quarter, taking the count to 22 new products in 9MFY25.

**US** business sales at Rs 2.63bn, have grown by 4.4% YoY & 13.4% QoQ. During 9MFY25, the company filed 4 ANDAs, received 5 final approvals, and launched 5 ANDAs. The company has 48 products available on the shelf and 21 currently await approval from the US FDA. Management guides for mid-single digit growth as most launches will happen in the Q4 of FY25.

**Africa** business recorded sales of Rs 2.06bn, down 14.5% YoY and 19.5% QoQ. This business contributes 18.2% to the total revenue and spans across 20 countries. **Africa branded generics** business recorded sales of Rs 1.73bn, up 11.6% YoY but down 18.8% QoQ, while the **Institution tender** business recorded sales of Rs .33bn, down 61.6% YoY and 23.3% QoQ due to lower purchases by global organizations. The institutional tender business of AJP is a little fluctuating in nature depending on the procurement of aid agencies, which has been muted this quarter. The company launched 7 new products in the quarter, taking 9MFY25 count to 10 new products.

AJP added ~200 MRs in 3QFY25 across nephrology & Gynecology, taking the total tally to 3,500+

### 3QFY25 earnings call highlights

- **US:** AJP plans on launching 4 products in 2HFY25, which combined with the delayed flu season shall therefore skew the growth rate moderately upward in upcoming quarters. Anticipates 6 to 8 launches for the next FY.
- **India** business has shown good sales performance on the back of increased volumes and new product launches. Management expects volume outperformance over IPM over the next several quarters
  - ✓ Ventured into two new therapy areas: Nephrology & Gynecology. Total IPM size as per MAT Dec 2024 stands at ~Rs 160,000mn. The company is pursuing high growth opportunities targeting certain sub-segments and has launched 12 new products in these therapies in 3QFY25. Additionally, the company has hired 200 MRs for these therapies.
  - ✓ Total MR addition in 3QFY25 stood at 250, taking the 9MFY25 count to ~450, and total headcount to 3,450. These shall be deployed in both existing & upcoming branded therapies (under evaluation currently). Current employee expenses reflect the impact of these MR additions.
  - ✓ PCPM excluding the new hires in 9MFY25 stands at Rs .39mn.
  - ✓ Trade generics contribution at 12.5% of domestic sales
- **Asia** business growth is led by market share gain, field force expansion, & new product launches. Market share across therapies is currently in the range of 2 to 5%. Shall enter CNS and Gynecology segments in 1QFY26.
- **Africa Institutional business** growth shall remain uncertain given Trump administration's reluctance in funding health-aid initiative
- **Potential Growth Levers:**
  - ✓ New Therapy and Geography expansion led by strong regulatory-approved pipeline.
  - ✓ Double digit growth in the US market led by limited competition launches in FY26
  - ✓ Healthy R&D pipeline
  - ✓ MR expansion & productivity growth

**FY25 Earnings Guidance**

- Overall revenue– Low-teens, led by
  - ✓ Branded generics – mid-teen digits
  - ✓ USA generics – mid-single digit
  - ✓ Africa – degrowth in institution business
  - ✓ Asia – Low to mid-teens growth over 3-year horizon
  - ✓ India – 9 to 10%
- Gross margin – 77%, with a quarterly movement of 50-100bps, due to change in product mix.
- Personnel costs – To remain elevated in upcoming quarters due to high MR addition and one-time policy change impact of Rs 300mn
- R&D Expense – 5% of sales
- Other expense – To remain elevated due to Higher SG&A & notional forex losses due to mark to market hedges of Rs 140mn in 9MFY25
- EBITDA margin – 28%, in the range of +/- 100 bps; Scope for further operational improvements & ramp-up in newly entered segments can increase EBITDA margin beyond 30% in the long term.
- Effective tax rate – 24% until FY27. Expect moderate increase in FY27 as exemptions lapse
- Total capex – Rs 2,250mn

**Exhibit 1: Quarterly Performance**

Particulars (Rs mn)	Q3FY24	Q2FY25	Q3FY25	YoY (%)	QoQ (%)	FY23	FY24	YoY (%)
<b>Revenues</b>	<b>11,052</b>	<b>11,866</b>	<b>11,461</b>	<b>3.7</b>	<b>(3.4)</b>	<b>37,426</b>	<b>42,087</b>	<b>12.5</b>
Cost of Revenues	2,942	2,617	2,578	(12.4)	(1.5)	10,504	10,666	1.5
% of revenue	26.6	22.1	22.5	(412) bps	44 bps	28.1	25.3	(272) bps
Staff Costs	2,314	2,610	2,652	14.6	1.6	7,851	9,003	14.7
% of revenue	20.9	22.0	23.1	220 bps	114 bps	21.0	21.4	41 bps
Other expense	2,656	3,528	3,023	13.8	(14.3)	11,701	10,874	(7.1)
% of revenue	24.0	29.7	26.4	235 bps	(336) bps	31.3	25.8	(543) bps
<b>EBITDA</b>	<b>3,141</b>	<b>3,112</b>	<b>3,208</b>	<b>2.2</b>	<b>3.1</b>	<b>7,370</b>	<b>11,544</b>	<b>56.6</b>
<b>EBITDA margin (%)</b>	<b>28.4</b>	<b>26.2</b>	<b>28.0</b>	<b>(43) bps</b>	<b>177 bps</b>	<b>19.7</b>	<b>27.4</b>	<b>774 bps</b>
Other income	136	195	304	124.0	56.3	1,449	1,022	(29.5)
Interest costs	25	60	79	217.7	31.4	58	72	23.5
Depreciation	343	344	360	5.0	4.6	1,308	1,354	3.5
Profit before income tax	2,909	2,902	3,074	5.7	5.9	7,453	11,139	49.5
Income tax expense	809	738	745	(7.9)	1.0	1,573	2,978	89.3
Tax rate (%)	27.8	25.4	24.2	(356) bps	(117) bps	21.1	26.7	563 bps
<b>Profit for the period</b>	<b>2,100</b>	<b>2,165</b>	<b>2,329</b>	<b>10.9</b>	<b>7.6</b>	<b>5,880</b>	<b>8,162</b>	<b>38.8</b>
<b>Profit Margin</b>	<b>19.0</b>	<b>18.2</b>	<b>20.3</b>	<b>131 bps</b>	<b>208 bps</b>	<b>15.7</b>	<b>19.4</b>	<b>368 bps</b>

Source: Company, Systematix Institutional Research

**Exhibit 2: Revenue Break-up**

Particulars (Rs mn)	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	YoY	QoQ
<b>Domestic</b>	<b>2,940</b>	<b>2,870</b>	<b>3,190</b>	<b>3,550</b>	<b>3,080</b>	<b>3,260</b>	<b>3,530</b>	<b>3,860</b>	<b>3,450</b>	<b>12.0</b>	<b>(10.6)</b>
<b>Export</b>	<b>6,700</b>	<b>5,840</b>	<b>6,910</b>	<b>6,610</b>	<b>7,850</b>	<b>7,160</b>	<b>7,770</b>	<b>7,840</b>	<b>7,850</b>	-	<b>0.1</b>
Asia	2,280	2,380	2,540	2,300	2,920	2,810	2,770	2,960	3,160	8.2	6.8
US	2,660	1,970	2,130	2,370	2,520	2,610	2,280	2,320	2,630	4.4	13.4
Africa	1,760	1,490	2,240	1,940	2,410	1,740	2,720	2,560	2,060	(14.5)	(19.5)
Rx	1,450	1,000	1,590	1,570	1,550	1,130	2,300	2,130	1,730	11.6	(18.8)
Tender	310	490	650	370	860	610	420	430	330	(61.6)	(23.3)
<b>Total Revenue</b>	<b>9,640</b>	<b>8,710</b>	<b>10,100</b>	<b>10,160</b>	<b>10,930</b>	<b>10,420</b>	<b>11,300</b>	<b>11,700</b>	<b>11,300</b>	<b>3.4</b>	<b>(3.4)</b>

Source: Company, Systematix Institutional Research

**Exhibit 3: Revenue Mix**

Particulars (%)	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25
<b>Domestic</b>	<b>30.5</b>	<b>33.0</b>	<b>31.6</b>	<b>34.9</b>	<b>28.2</b>	<b>31.3</b>	<b>31.2</b>	<b>33.0</b>	<b>30.5</b>
<b>Export</b>	<b>69.5</b>	<b>67.0</b>	<b>68.4</b>	<b>65.1</b>	<b>71.8</b>	<b>68.7</b>	<b>68.8</b>	<b>67.0</b>	<b>69.5</b>
Asia	23.7	27.3	25.1	22.6	26.7	27.0	24.5	25.3	28.0
US	27.6	22.6	21.1	23.3	23.1	25.0	20.2	19.8	23.3
Africa	18.3	17.1	22.2	19.1	22.0	16.7	24.1	21.9	18.2
Rx	15.0	11.5	15.7	15.5	14.2	10.8	20.4	18.2	15.3
Tender	3.2	5.6	6.4	3.6	7.9	5.9	3.7	3.7	2.9

Source: Company, Systematix Institutional Research

**Exhibit 4: QoQ Growth**

Particulars (%)	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25
<b>Domestic</b>	<b>(6.4)</b>	<b>(2.4)</b>	<b>11.1</b>	<b>11.3</b>	<b>(13.2)</b>	<b>5.8</b>	<b>8.3</b>	<b>9.3</b>	<b>(10.6)</b>
<b>Export</b>	<b>8.9</b>	<b>(12.8)</b>	<b>18.3</b>	<b>(4.3)</b>	<b>18.8</b>	<b>(8.8)</b>	<b>8.5</b>	<b>0.9</b>	<b>0.1</b>
Asia	(9.2)	4.4	6.7	(9.4)	27.0	(3.8)	(1.4)	6.9	6.8
US	43.8	(25.9)	8.1	11.3	6.3	3.6	(12.6)	1.8	13.4
Africa	(1.7)	(15.3)	50.3	(13.4)	24.2	(27.8)	56.3	(5.9)	(19.5)
Rx	(0.7)	(31.0)	59.0	(1.3)	(1.3)	(27.1)	103.5	(7.4)	(18.8)
Tender	(6.1)	58.1	32.7	(43.1)	132.4	(29.1)	(31.1)	2.4	(23.3)
<b>Total Revenue</b>	<b>3.8</b>	<b>(9.6)</b>	<b>16.0</b>	<b>0.6</b>	<b>7.6</b>	<b>(4.7)</b>	<b>8.4</b>	<b>3.5</b>	<b>(3.4)</b>

Source: Company, Systematix Institutional Research

**Exhibit 5: YoY Growth**

Particulars (%)	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25
<b>Domestic</b>	<b>14.8</b>	<b>17.1</b>	<b>14.3</b>	<b>13.1</b>	<b>4.8</b>	<b>13.6</b>	<b>10.7</b>	<b>8.7</b>	<b>12.0</b>
<b>Export</b>	<b>19.0</b>	<b>(5.3)</b>	<b>4.1</b>	<b>7.5</b>	<b>17.2</b>	<b>22.6</b>	<b>12.4</b>	<b>18.6</b>	-
Asia	17.5	(9.5)	5.8	(8.4)	28.1	18.1	9.1	28.7	8.2
US	60.2	17.3	19.0	28.1	(5.3)	32.5	7.0	(2.1)	4.4
Africa	(13.3)	(19.9)	(8.6)	8.4	36.9	16.8	21.4	32.0	(14.5)
Rx	(13.2)	(26.5)	(5.4)	7.5	6.9	13.0	44.7	35.7	11.6
Tender	(13.9)	(2.0)	(15.6)	12.1	177.4	24.5	(35.4)	16.2	(61.6)
<b>Total Revenue</b>	<b>17.7</b>	<b>1.0</b>	<b>7.1</b>	<b>9.4</b>	<b>13.4</b>	<b>19.6</b>	<b>11.9</b>	<b>15.2</b>	<b>3.4</b>

Source: Company, Systematix Institutional Research

**Exhibit 6: Margin Summary**

Particulars (%)	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25
Gross Margin	72.3	72.7	75.3	75.1	73.4	74.9	76.6	77.9	77.5
EBITDA Margin	17.4	16.9	26.6	28.3	28.4	26.4	28.9	26.2	28.0
EBIT Margin	14.0	13.2	23.3	25.0	25.3	23.2	25.9	23.3	24.9
PAT Margin	13.8	13.9	20.4	19.0	19.0	19.2	21.5	18.2	20.3

Source: Company, Systematix Institutional Research

**Exhibit 7: Actual vs Estimates**

Particulars (Rs mn)	Actuals	Systematix	Var(%)	Cons.	Var(%)
Net sales	11,461	11,835	(3.2)	11,587	(1.1)
EBITDA	3,208	3,195	0.4	3,164	1.4
Margin (%)	28.0	27.0	99 bps	27.3	69 bps
PAT	2,329	2,318	0.5	2,203	5.7
Margin (%)	20.3	19.6	74 bps	19.0	131 bps

Source: Company, Systematix Institutional Research

## FINANCIALS

## Profit &amp; Loss Statement

YE: Mar (Rs mn)	FY23	FY24E	FY25E	FY26E	FY27E
<b>Net Revenues</b>	<b>37,426</b>	<b>42,087</b>	<b>45,909</b>	<b>51,648</b>	<b>57,671</b>
YoY gr. (%)	12.0	12.5	9.1	12.5	11.7
Cost of Goods Sold	10,504	10,666	10,559	11,621	12,976
Gross Profit	26,922	31,421	35,350	40,027	44,695
Margin (%)	71.9	74.7	77.0	77.5	77.5
Employee Cost	7,851	9,003	10,624	11,686	12,855
Other Expenses	11,701	10,874	12,166	13,583	15,052
<b>EBITDA</b>	<b>7,370</b>	<b>11,544</b>	<b>12,560</b>	<b>14,757</b>	<b>16,788</b>
YoY gr. (%)	-20.7	56.6	8.8	17.5	13.8
Margin (%)	19.7	27.4	27.4	28.6	29.1
Depreciation & Amortization	1,308	1,354	1,418	1,482	1,546
<b>EBIT</b>	<b>6,062</b>	<b>10,190</b>	<b>11,142</b>	<b>13,276</b>	<b>15,242</b>
Margin (%)	16.2	24.2	24.3	25.7	26.4
Net Interest	58	72	72	72	72
Other Income	1,449	1,022	1,000	915	1,076
<b>Profit Before Tax</b>	<b>7,453</b>	<b>11,139</b>	<b>12,070</b>	<b>14,119</b>	<b>16,246</b>
Margin (%)	2.7	2.7	3.7	3.7	3.7
Total Tax	1,573	2,978	2,897	3,388	3,899
Effective tax rate (%)	21.1	26.7	24.0	24.0	24.0
<b>Profit after tax</b>	<b>5,880</b>	<b>8,162</b>	<b>9,173</b>	<b>10,730</b>	<b>12,347</b>
EPS	45.9	64.8	73.4	85.9	98.9
YoY gr. (%)	-17.5	41.2	13.3	17.0	15.1

Source: Company, Systematix Institutional Research

## Balance Sheet

YE: Mar (Rs mn)	FY23	FY24E	FY25E	FY26E	FY27E
Equity Share Capital	253	253	253	253	253
Reserves & Surplus (Ex OCI)	33,627	35,421	37,256	41,548	46,486
<b>Net Worth</b>	<b>33,880</b>	<b>35,674</b>	<b>37,508</b>	<b>41,800</b>	<b>46,739</b>
Short term debt	6,694	3,700	3,700	3,700	3,700
Long term debt	13	0	0	0	0
Trade payables	4,228	4,632	5,101	5,739	6,408
Other Provisions	382	573	573	573	573
Other liabilities	1,594	1,805	1,805	1,805	1,805
<b>Total Liabilities</b>	<b>46,790</b>	<b>46,384</b>	<b>48,688</b>	<b>53,617</b>	<b>59,225</b>
Net block	14,078	13,841	13,540	13,176	12,747
CWIP	2,095	2,565	2,565	2,565	2,565
Other Non-current asset	78	147	147	147	147
Investments	2,200	2,522	2,522	2,522	2,522
Cash and Cash Equivalents	3,298	1,295	3,883	6,581	9,893
Debtors	10,569	12,468	11,732	13,199	14,738
Inventories	8,156	8,284	9,036	10,165	11,351
Other current asset	6,316	5,262	5,262	5,262	5,262
<b>Total Assets</b>	<b>46,790</b>	<b>46,384</b>	<b>48,688</b>	<b>53,617</b>	<b>59,225</b>

Source: Company, Systematix Institutional Research

## Cash Flow

YE: Mar (Rs mn)	FY23	FY24E	FY25E	FY26E	FY27E
PBT	7,453	11,139	12,070	14,119	16,246
Depreciation	1,308	1,354	1,418	1,482	1,546
Interest	58	72	72	72	72
Others	-53	-596	-1,000	-915	-1,076
Working capital	665	-998	453	-1,958	-2,056
Direct tax	-1,513	-3,121	-2,897	-3,388	-3,899
<b>Net cash from Op. activities</b>	<b>7,918</b>	<b>7,851</b>	<b>10,116</b>	<b>9,410</b>	<b>10,833</b>
Net Capital expenditures	-1,745	-1,524	-1,117	-1,117	-1,117
Others	-3,851	2,178	0	0	0
<b>Net Cash from Inv. activities</b>	<b>-5,596</b>	<b>654</b>	<b>-1,117</b>	<b>-1,117</b>	<b>-1,117</b>
Issue of share cap. / premium	-	-	-	-	-
Debt changes	-5	1	0	0	0
Dividend paid	-897	-6,422	-7,339	-6,438	-7,408
Others	-177	-4,090	-72	-72	-72
<b>Net cash from Fin. activities</b>	<b>-1079</b>	<b>-10511</b>	<b>-7411</b>	<b>-6510</b>	<b>-7480</b>
<b>Net change in cash</b>	<b>1,243</b>	<b>-2,006</b>	<b>1,588</b>	<b>1,783</b>	<b>2,236</b>

Source: Company, Systematix Institutional Research

## Ratios

YE: Mar	FY23	FY24E	FY25E	FY26E	FY27E
<b>Per Share(Rs)</b>					
EPS	45.9	64.8	73.4	85.9	98.9
CEPS	56.1	75.6	84.8	97.8	111.2
BVPS	264.4	283.3	300.3	334.6	374.2
DPS	14.0	15.4	58.8	51.5	59.3
<b>Return Ratio(%)</b>					
RoCE	19.7	28.0	30.1	32.7	34.0
RoE	17.7	23.5	25.1	27.1	27.9
<b>Balance Sheet</b>					
Net Debt : Equity (x)	0.1	0.1	0.0	-0.1	-0.1
Net Working Capital (Days)	199	180	162	158	154
<b>Valuation(x)</b>					
PER	58.3	41.3	36.4	31.1	27.1
EV/EBITDA	47.0	29.4	26.6	22.4	19.5
EV/Sales	9.2	8.1	7.3	6.4	5.7

Source: Company, Systematix Institutional Research

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