

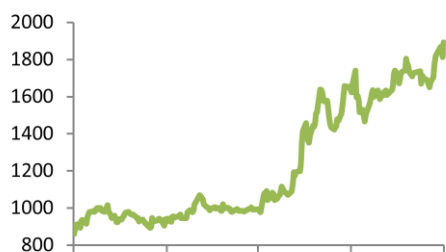
## Ajanta Pharma Ltd.

Recommendation	HOLD
CMP (30/10/2014)	Rs. 1892
Target Price	Rs. 2150
Sector	Pharmaceuticals

## Stock Details

BSE Code	532331
NSE Code	AJANTPHARM
Bloomberg Code	AJP IN
Market Cap (Rs cr)	6,652
Free Float (%)	26.17
52- wk HI/Lo (Rs)	1932/821
Avg. volume NSE (Quarterly)	10,606
Face Value (Rs)	5.0
Dividend (FY 14)	200%
Shares o/s (Cr)	2.36

Relative Performance	1Mth	3Mth	1Yr
Ajanta	9.7%	15.1%	119.8%
Sensex	2.8%	4.9%	30.1%



Shareholding Pattern	30 <sup>th</sup> Sept 14
Promoters Holding	73.83
Institutional (Incl. FII)	8.71
Corporate Bodies	2.11
Public & others	15.35

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## Steady Growth Continues

Ajanta Pharma (APL) posted sales growth of 20.5% yoy to Rs 337.3 cr, in-line with expectations. However, EBITDA margins showed further improvement to 32.8% v/s 30.1% in Q2FY14 and 31.2% in Q1FY15 owing to higher gross margins and favorable rupee movement (Re/\$ was stable at 61 against management's expectation of 60). However, for the full year the management has maintained its sales growth guidance of 20% (at constant currency of Rs 60/\$) and 30% EBITDA margins. During the quarter APL has received Rs 12 cr additional dividends from its subsidiaries (total dividends in 1H is Rs 18 cr)

## Key Highlights

- Domestic markets grew by 20% yoy, much higher than industry average and its peers led by all around healthy growth like in Cardio (45% yoy), Dermatology (20%) and Ophthalmology (38%) segments.
- The company has launched six products in the domestic segment. Management has reiterated its stance of growing deeper in the existing therapies and not intended to foray into any new therapy as of now.
- Exports to Emerging Markets posted strong growth of 24% yoy, backed by 32% growth in Asia and 22% in Africa. Favorable movement in rupee (at 61 v/s management's expectation of 60) also helped the company in getting higher realizations. APL has launched 12 new products in the emerging markets and has a strong pipeline of 1700 products under registration to ensure the continued growth.
- The company expects to get two more approvals in 2HFY15 from US. Excluding that it expects report \$1mn revenues from the single launched product. Albeit small, we believe it is a start of revenues from regulated markets. We expect FY17 to be meaningful year for the company in terms of US revenues. The company is expected to file 4-5 ANDAs in 2HFY15 (2 in 1HFY15)

## Valuation &amp; Recommendation

We have factored in 21% growth with 30.2% EBITDA for FY15 (against 32% margins in 1HFY15), on constant currency. The company has healthy balance sheet (debt:equity is 0.1x) and strong return ratios (more than 30%). The stock has re-rated substantially in last three years and considering the growth momentum and improving profitability, we believe that it can sustain at these valuations. We are introducing FY17E numbers and rolling forward our target multiple to FY17E. Given the continuous outperformance, healthy outlook, investors can hold shares for price target of Rs 2150 (18x of FY17E EPS)

Year Consolidated	Sales (Rs cr)	Growth (%)	EBITDA (Rs cr)	Margin (%)	PAT (Rs cr)	Margin (%)	EPS (Rs)	P/E (x)	RoE (%)
FY14A	1208.3	29.8%	368.8	30.5%	233.9	19.4%	66.5	28.4	47.4%
FY15E	1461.1	20.9%	440.8	30.2%	279.1	19.1%	79.4	23.8	39.4%
FY16E	1780.2	21.8%	533.7	30.0%	343.7	19.3%	97.8	19.4	35.6%
FY17E	2185.4	22.8%	655.5	30.0%	420.0	19.2%	119.4	15.8	32.7%

## Ajanta Pharma Ltd.

## Quarterly Result

Standalone (Rs cr)	Q2FY15	Q2FY14	yoy	Q1FY14	qoq
<b>Net sales</b>	<b>337.3</b>	<b>279.8</b>	<b>20.5</b>	<b>287.5</b>	<b>17.3</b>
Cost of Materials	96.7	92.9	4.0	80.3	20.3
Staff cost	44.5	37.4	19.2	42.8	3.9
Other Exps	85.4	65.4	30.6	74.6	14.4
<b>Total Expenses</b>	<b>226.6</b>	<b>195.7</b>	<b>15.8</b>	<b>197.8</b>	<b>14.6</b>
<b>EBITDA</b>	<b>110.7</b>	<b>84.2</b>	<b>31.6</b>	<b>89.7</b>	<b>23.4</b>
<i>margins</i>	<i>32.8%</i>	<i>30.1%</i>		<i>31.2%</i>	
Depreciation	12.2	9.0	35.7	12.0	1.3
<b>EBIT</b>	<b>98.5</b>	<b>75.2</b>	<b>31.1</b>	<b>77.7</b>	<b>26.9</b>
Interest	1.3	2.2	-39.4	1.4	-5.6
Other income	14.7	5.8	152.1	8.6	71.6
Exchange gain/(loss)	1.2	0.5	156.5	0.1	972.7
<b>PBT</b>	<b>113.1</b>	<b>79.3</b>	<b>42.7</b>	<b>84.9</b>	<b>33.2</b>
Tax	34.5	23.5	47.0	26.2	31.5
<i>Tax rate</i>	<i>30.5%</i>	<i>29.6%</i>		<i>30.9%</i>	
<b>PAT</b>	<b>78.6</b>	<b>55.8</b>	<b>40.9</b>	<b>58.7</b>	<b>33.9</b>
Equity Capital	17.7	17.7		17.7	
FV	5.0	5.0		5.0	
<b>EPS</b>	<b>22.2</b>	<b>15.8</b>	<b>40.9</b>	<b>16.6</b>	<b>33.9</b>

## Revenue Breakup

Particulars (Rs cr)	Q2FY15	Q2FY14	yoy	Q1FY14	qoq
Africa	112	92	21.7%	92	21.7%
Asia	101	77	31.2%	65	55.4%
Latam	3	5	-40.0%	3	0.0%
<b>Total Exports</b>	<b>216</b>	<b>174</b>	<b>24.1%</b>	<b>160</b>	<b>35.0%</b>
<b>Doemstic</b>	<b>114</b>	<b>97</b>	<b>17.5%</b>	<b>119</b>	<b>-4.2%</b>
Others	7.3	8.8	-17.3%	8.5	-14.0%
<b>Total Sales</b>	<b>337.3</b>	<b>279.8</b>	<b>20.5%</b>	<b>287.5</b>	<b>17.3%</b>

## Ajanta Pharma Ltd.

### Financials (consolidated)

P&L (Rs. Cr)	FY14A	FY15E	FY16E	FY17E
<b>Net Sales</b>	<b>1208.3</b>	<b>1461.1</b>	<b>1780.2</b>	<b>2185.4</b>
% change	29.8%	20.9%	21.8%	22.8%
<b>EBITDA</b>	<b>368.8</b>	<b>440.8</b>	<b>533.7</b>	<b>655.5</b>
EBITDA margin	30.5%	30.2%	30.0%	30.0%
Depn & Amort	43.9	48.6	55.4	73.4
<b>Operating income</b>	<b>324.9</b>	<b>392.2</b>	<b>478.4</b>	<b>582.1</b>
Interest	11.6	9.7	8.2	6.6
Other Income	10.8	14.0	18.0	21.0
<b>PBT</b>	<b>329.9</b>	<b>396.4</b>	<b>488.1</b>	<b>596.5</b>
Tax	96.0	117.4	144.4	176.5
MI & EO	0.0	0.0	0.0	0.0
<b>PAT</b>	<b>233.9</b>	<b>279.1</b>	<b>343.7</b>	<b>420.0</b>
PAT margin (%)	19.4%	19.1%	19.3%	19.2%
Sh o/s - Diluted	3.5	3.5	3.5	3.5
Adj EPS	66.5	79.4	97.8	119.4
Cash EPS	79.0	93.2	113.5	140.3
Qtrly-Stdalone	Dec.13	Mar.13	June.13	Sept.13
<b>Revenue</b>	<b>300.9</b>	<b>311.1</b>	<b>287.5</b>	<b>337.3</b>
<b>EBITDA</b>	<b>99.2</b>	<b>112.3</b>	<b>89.7</b>	<b>110.7</b>
Dep & Amoriz	9.5	14.9	12.0	12.2
<b>Op Income</b>	<b>89.7</b>	<b>97.4</b>	<b>77.7</b>	<b>98.5</b>
Interest	2.2	2.2	1.4	1.3
Other Inc.	4.0	3.0	8.6	14.7
<b>PBT</b>	<b>89.6</b>	<b>96.5</b>	<b>84.9</b>	<b>113.1</b>
Tax	27.2	26.4	26.2	34.5
EO	0.0	0.0	0.0	0.0
<b>PAT</b>	<b>62.4</b>	<b>70.1</b>	<b>58.7</b>	<b>78.6</b>
EPS (Rs.)	17.7	19.8	16.6	22.2
Performance Ratio	FY14A	FY15E	FY16E	FY17E
EBITDA margin (%)	30.5%	30.2%	30.0%	30.0%
EBIT margin (%)	26.9%	26.8%	26.9%	26.6%
PAT margin (%)	19.4%	19.1%	19.3%	19.2%
ROE (%)	47.4%	39.4%	35.6%	32.7%
ROCE (%)	54.1%	48.6%	46.2%	44.0%
PAT growth (%)	108.6%	19.3%	23.2%	22.2%
Debt/Equity (x)	0.2	0.1	0.1	0.1
Valuation Ratio	FY14A	FY15E	FY16E	FY17E
Price Earnings (x)	28.4	23.8	19.4	15.8
Price/BV (x)	3.2	2.3	1.7	1.3
EV / Sales	5.6	4.6	3.7	2.9
EV / EBITDA	18.2	15.3	12.5	9.7

Balance Sheet (Rs Cr)	FY14A	FY15E	FY16E	FY17E
Share Capital	17.7	17.7	17.7	17.7
Reserves & Surplus	575.6	806.6	1091.1	1438.7
<b>Net Worth</b>	<b>593.3</b>	<b>824.2</b>	<b>1108.8</b>	<b>1456.4</b>
Net Deferred Tax Liab	23.0	23.0	23.0	23.0
Other Non-Current Liab	2.5	2.5	2.5	2.5
<b>Total Loans</b>	<b>130.5</b>	<b>112.9</b>	<b>92.9</b>	<b>72.9</b>
Trade Payables	124.5	149.8	179.7	220.8
Prov. & Other CL	75.5	75.5	75.5	75.5
<b>Total Liabilities</b>	<b>949.4</b>	<b>1187.9</b>	<b>1482.3</b>	<b>1851.1</b>
<b>Net Fixed Assets</b>	<b>279.4</b>	<b>280.8</b>	<b>375.4</b>	<b>552.0</b>
Capital WIP	93.6	250.0	250.0	0.0
<b>Investments</b>	<b>8.5</b>	<b>8.5</b>	<b>8.5</b>	<b>8.5</b>
Cash & Bank	60.4	21.7	88.8	372.7
Inventories	155.4	194.8	247.2	303.5
Debtors	202.2	243.5	296.7	364.2
Loans & Advances	94.9	188.6	215.7	250.1
<b>Total Assets</b>	<b>894.4</b>	<b>1187.9</b>	<b>1482.3</b>	<b>1851.1</b>
Cash Flow (Rs. Cr)	FY14A	FY15E	FY16E	FY17E
Op CF before tax	371.7	440.8	533.7	655.5
Change in WC	-102.7	-94.1	-102.8	-117.1
Tax	-96.0	-117.4	-144.4	-176.5
<b>CF from Operation</b>	<b>173.0</b>	<b>229.3</b>	<b>286.5</b>	<b>361.9</b>
<b>Investing</b>				
Capex	-132.9	-206.5	-150.0	0.0
Oth Inc & Investment	10.8	14.0	18.0	21.0
<b>CF from Investing</b>	<b>-122.1</b>	<b>-192.5</b>	<b>-132.0</b>	<b>21.0</b>
<b>Financing</b>				
Dividend Paid	-41.1	-48.2	-59.2	-72.4
Share Capital	5.9	0.0	0.0	0.0
Loans	5.7	-17.6	-20.0	-20.0
Interest	-8.7	-9.7	-8.2	-6.6
Others	1.6	0.0	0.0	0.0
<b>CF from Financing</b>	<b>-36.8</b>	<b>-75.5</b>	<b>-87.4</b>	<b>-99.0</b>
Net Chg. in Cash	14.2	-38.7	67.1	283.9
Cash at beginning	46.2	60.4	21.7	88.8
Cash at end	60.4	21.7	88.8	372.7
Per Share Data	FY14A	FY15E	FY16E	FY17E
Adj EPS	66.5	79.4	97.8	119.4
BV per share	168.7	234.4	315.4	414.2
Cash per share	17.2	6.2	25.3	106.0
Dividend per share	10.0	11.8	14.5	17.7

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