

Ajanta Pharma Ltd.

Recommendation

CMP (30/4/2013) Rs. 785

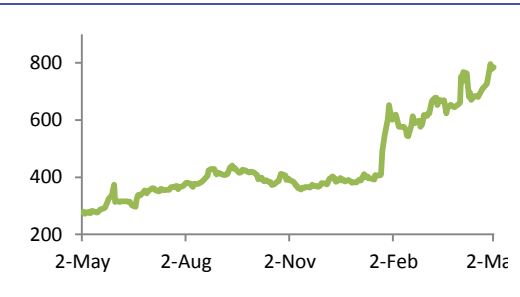
Target Price Rs. 840

Sector Pharmaceuticals

Stock Details

BSE Code	532331
NSE Code	AJANTPHARM
Bloomberg Code	AJP IN
Market Cap (Rs cr)	1,852
Free Float (%)	27.0
52- wk HI/Lo (Rs)	836/265
Avg. volume BSE (Quarterly)	60,519
Face Value (Rs)	5.0
Dividend (FY 13)	125%
Shares o/s (Cr)	2.36

Relative Performance	1Mth	3Mth	1Yr
Ajanta	18.7%	30.6%	183.4%
Sensex	3.6%	-0.2%	14.1%



Shareholding Pattern 31st March 13

Promoters Holding	73.0
Institutional (Incl. FII)	1.6
Corporate Bodies	10.0
Public & others	15.4

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Impressive improvement in margins

Ajanta Pharma (APL) has yet again posted better than expected results with Q4FY13 sales growth of 42% yoy. EBITDA margins rose by 481 bps yoy to 27.4% on account of higher economies of scale.

Key Highlights

- Sales grew by 41.6% YoY on account of volume growth which contributed to the 80% of the growth. Price increases contributed 15% to growth and rest by new product launches.
- EBITDA margin rose significantly to 27.4% led by operating leverage and lower cost of materials. This is the third consecutive quarter of improvement in EBITDA margins
- Despite strong operational performance PAT growth got restricted at 14.8% yoy due to one-time exceptional tax expense (of Rs 15.75 cr) resulting in decline in PAT margins. However, adjusting for exceptional expense PAT showed an impressive growth of 81.5% yoy to Rs 42.8 cr.
- Company is undertaking capex of rs 400 cr at Dahej and Salvi to cater to regulated and domestic markets respectively. Both the plants are expected to operation by April'15.
- For FY14 the management seemed more confident and has given guidance of 23% sales growth with 24-25% EBITDA margins which we believe is achievable
- APL has filed three more ANDAs during the quarter taking the total number to 14 out of which 12 are awaiting approval. Going forward, Company intends to file 5-6 ANDAs per year.

Valuation & Recommendation

We had recommended partial book profits at Rs 690. However, considering the continuous outperformance, healthy outlook investors can hold the balance shares at current levels with price target of Rs 840 (12x of FY15E EPS)

Year Consolidated	Sales (Rs cr)	Growth (%)	EBITDA (Rs cr)	Margin (%)	PAT (Rs cr)	Margin (%)	EPS (Rs)	P/E (x)	RoE (%)
FY12A	677.4	35.8%	140.7	20.8%	77.3	11.4%	32.8	24.0	29.3%
FY13A	930.8	37.4%	224.5	24.1%	112.1	12.0%	47.5	16.5	32.4%
FY14E	1111.3	19.4%	256.4	23.1%	142.0	12.8%	60.2	13.0	31.3%
FY15E	1369.2	23.2%	315.8	23.1%	165.1	12.1%	70.0	11.2	28.3%

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Operational Efficiency was the key highlight of the quarter

Standalone (Rs cr)	Q4FY13	Q3FY13	qoq	Q4FY12	yoy	FY13	FY12	yoy
Net sales	249.4	229.3	8.8	176.1	41.6	839.2	604.3	38.9
Cost of Materials	89.4	85.2	4.8	65.2	37.1	300.0	217.8	37.8
Staff cost	34.5	27.8	24.3	24.9	38.7	115.4	87.2	32.4
Other Exps	56.5	55.7	1.5	44.9	25.7	213.6	167.4	27.6
Total Expenses	180.4	168.7	6.9	135.0	33.6	629.0	472.3	33.2
EBITDA	69.1	60.7	13.8	41.1	68.2	210.2	131.9	59.3
<i>margins</i>	<i>27.7%</i>	<i>26.5%</i>		<i>23.3%</i>		<i>25%</i>	<i>22%</i>	
Depreciation	9.0	8.1	11.4	8.2	8.9	32.7	30.7	6.6
EBIT	60.1	52.6	14.2	32.8	83.0	177.5	101.3	75.3
Interest	5.4	3.4	58.8	4.1	31.8	18.5	22.7	-18.6
Other income	6.3	0.5	1236.2	0.4	1395.2	7.4	1.2	513.6
Exchange gain/(loss)	-0.6	-0.8	-22.9	2.1	-131.1	-2.9	0.0	
PBT	60.4	48.9	23.5	31.3	93.2	163.5	79.8	105.0
Tax	33.3	16.3	104.1	7.7	335.2	62.4	13.3	370.4
<i>Tax rate</i>	<i>55.1%</i>	<i>33.4%</i>		<i>24.5%</i>		<i>38%</i>	<i>17%</i>	
PAT	27.1	32.6	-16.8	23.6	14.8	101.1	66.5	52.1
Equity Capital	11.8	11.8		11.8		11.8	11.8	
FV	5.0	5.0		5.0		5.0	5.0	
EPS	11.5	13.8	-16.8	10.0	14.8	42.9	28.2	52.1

Change in estimates

We have revised upwards our expected numbers for FY14E and introduced FY15E numbers

Consolidated	FY14E			FY15E
	New	Old	% change	
Rs Cr				
Sales	1111.3	1071.4	3.7%	1369.2
PAT	142.0	129.1	10.0%	165.1

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Financials (consolidated)

P&L (Rs. Cr)	FY12A	FY13A	FY14E	FY15E
Net Sales	677.4	930.8	1111.3	1369.2
% change	35.8%	37.4%	19.4%	23.2%
EBITDA	140.7	224.5	256.4	315.8
EBITDA margin	20.8%	24.1%	23.1%	23.1%
Depn & Amort	31.9	34.2	38.1	62.9
Operating income	108.9	190.3	218.4	252.9
Interest	24.1	22.5	10.4	16.8
Other Income	6.2	2.2	4.0	4.0
PBT	91.0	176.8	212.0	240.1
Tax	13.7	64.7	69.9	75.1
MI & EO	0.0	0.0	0.0	0.0
PAT	77.3	112.1	142.0	165.1
PAT margin (%)	11.4%	12.0%	12.8%	12.1%
Sh o/s - Diluted	2.4	2.4	2.4	2.4
Adj EPS	32.8	47.5	60.2	70.0
Cash EPS	46.3	62.0	76.3	96.6

Qtrly-Standalone	Sept.12	Sept.12	Dec.12	Mar.13
Revenue	174.1	186.4	229.3	249.4
EBITDA	37.1	43.4	60.7	69.1
Dep & Amorz	7.8	7.9	8.1	9.0
Op Income	29.3	35.5	52.6	60.1
Interest	5.2	4.6	3.4	5.4
Other Inc.	0.3	0.4	0.5	6.3
PBT	23.1	31.1	48.9	60.4
Tax	3.5	9.3	16.3	33.3
EO	0.0	0.0	0.0	0.0
PAT	19.6	21.9	32.6	27.1
EPS (Rs.)	8.3	9.3	13.8	11.5

Performance Ratio	FY12A	FY13A	FY14E	FY15E
EBITDA margin (%)	20.8%	24.1%	23.1%	23.1%
EBIT margin (%)	16.1%	20.4%	19.6%	18.5%
PAT margin (%)	11.4%	12.0%	12.8%	12.1%
ROE (%)	29.3%	32.4%	31.3%	28.3%
ROCE (%)	22.7%	37.2%	38.2%	34.1%
PAT growth (%)	52.4%	45.1%	26.7%	16.2%
Debt/Equity (x)	0.7	0.5	0.4	0.5

Valuation Ratio	FY12A	FY13A	FY14E	FY15E
Price Earnings (x)	24.0	16.5	13.0	11.2
Price/BV (x)	2.6	2.0	1.5	1.2
EV / Sales	3.0	2.1	1.7	1.4
EV / EBITDA	14.5	8.6	7.6	6.3

Balance Sheet (Rs Cr)	FY12A	FY13E	FY14E	FY15E
Share Capital	11.8	11.8	11.8	11.8
Reserves & Surplus	286.2	381.6	501.7	642.1
Net Worth	393.4	513.5	653.9	0.0
Net Deferred Tax Liab	17.1	23.7	23.7	23.7
Other Non-Current Liab	2.5	2.5	2.5	2.5
Total Loans	199.6	124.6	214.6	294.6
Trade Payables	101.3	131.7	158.2	197.1
Prov. & Other CL	30.2	42.3	42.3	42.3
Total Liabilities	838.3	1095.2	560.2	0.0
Net Fixed Assets	246.1	245.1	257.0	504.1
Capital WIP	2.5	40.0	260.0	140.0
Investments	8.5	8.5	8.5	8.5
Cash & Bank	11.5	46.2	24.7	64.9
Inventories	167.8	147.6	85.1	104.7
Debtors	141.0	150.5	200.7	247.2
Loans & Advances	71.4	80.4	118.9	144.7
Total Assets	718.2	954.7	1214.1	0.0

Cash Flow (Rs. Cr)	FY12A	FY13A	FY14E	FY15E
Op CF before tax	132.0	224.5	256.4	315.8
Change in WC	-69.3	46.2	0.3	-53.0
Tax	-13.7	-64.7	-69.9	-75.1
CF from Operation	49.1	206.0	186.8	187.7
Investing				
Capex	-50.2	-70.6	-270.0	-190.0
Oth Inc & Investment	6.2	2.2	4.0	4.0
CF from Investing	-43.9	-68.4	-266.0	-186.0
Financing				
Dividend Paid	-10.2	-17.8	-22.0	-24.6
Share Capital	0.0	0.0	0.0	0.0
Loans	9.0	-75.0	90.0	80.0
Interest	-15.4	-19.1	-10.4	-16.8
Others	11.5	9.1	0.0	0.0
CF from Financing	-5.2	-102.9	57.6	38.6
Net Chg. in Cash	-0.1	34.8	-21.6	40.3
Cash at beginning	11.5	11.5	46.2	24.7
Cash at end	11.5	46.2	24.7	64.9

Per Share Data	FY12A	FY13A	FY14E	FY15E
Adj EPS	32.8	47.5	60.2	70.0
BV per share	126.3	166.8	217.7	277.2
Cash per share	4.9	19.6	10.5	27.5
Dividend per share	3.7	6.5	8.0	9.0

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