

CMP: Rs 972

Rating: HOLD

Target: Rs 1034

(NR-Not Rated)

Stock Info

INDEX	
BSE	532331
NSE	AJANTPHARM
Bloomberg	AJP IN
Reuters	AJPH.NS
Sector	Pharma
Face Value (Rs)	2
Equity Capital (Rs Cr)	17.6
Mkt Cap (Rs Cr)	9267
52w H/L (Rs)	1341 / 898
Avg Weekly Vol (BSE+NSE)	94,000

Shareholding Pattern	%
(As on March, 2019)	
Promoters	70.5
Public & Others	29.5

Source: NSE, Arihant Research

Stock Performance (%)	3m	6m	12m
AJP	-11.1	-2.7	-15.8
SENSEX	-4.8	1.8	-0.1

Source: ACE Equity, Arihant Research

AJANTA PHARMA v/s SENSEX



Source: ACE Equity, Arihant Research

Q1FY20 Highlights:

- Ajanta Pharma (AJP) reported revenue of Rs 612 crore (+19.8% YoY / +18.8% QoQ) mainly on account of higher exports (+25% YoY) whereas the domestic formulations grew by 9% YoY to Rs 194 cr.
- Exports were mainly driven by robust sales in Africa (+20% YoY) and USA (+67% YoY). The African institutional business grew by 50% YoY.
- Gross margins were impacted by higher material costs (+39.6% YoY). Absolute EBITDA stood at Rs 168cr (+6.9% YoY). EBITDA margin stood at 26.9% (-331 bps YoY) on higher employee cost (+12.9% YoY) and other expenses (+11% YoY).
- PAT increased by 8.5% YoY to Rs 115 Crore of lower tax rate at 24% (vs 29% in Q1FY19). In Q1, R&D spends stood at Rs 400mn (7% of sales).

Concall highlights:

- FY20 outlook: Branded pharmaceuticals (incl Asia, Africa) to grow at 10-11% YoY. US is expected to grow at 30% YoY. Africa (tenders) business is expected to de-grow at 10-15% YoY.
- Growth in domestic formulations was driven by a strong mix of volumes coupled with price hikes and new product launches.
- The company maintained a capex outlook of Rs 3.5bn for FY20e whereas the tax outlook for FY20e at 20-24%.
- The cumulative ANDA filings in the USA stood at 30 out of which 25 are pending for approvals. The company is likely to file 10-12 ANDAs in USA in FY20e.

Outlook & Valuation:

We expect the branded business to grow in double digit in FY20 whereas the tender business is expected to remain muted. In the domestic market, the company expects higher than industry growth in FY20E. The US business is expected to grow 25% YoY. Overall, we expect some slowdown in sales but improvement in profitability on the back of better operating leverage and tax benefits. We introduce our FY21 estimates and revise our target price to Rs 1034 based on PE of 19x FY21E EPS of Rs 54 with a HOLD rating (NEUTRAL earlier) on the stock.

Financial Snapshot:

Y/E March (Rs. In Crore)	FY18	FY19	FY20E	FY21E
Net Revenue	2,131	2,055	2,309	2,489
Growth %	6%	-4%	12%	8%
EBIDTA	651	558	621	652
EBIDTA Margin	31%	27%	27%	26%
Net Profit	469	385	440	475
Growth %	-8%	-17%	14%	8%
EPS	54	44	50	54
P/E	18	22	19	18
ROE	23%	17%	17%	16%

Quarterly result snapshot

Particulars (Rs. Cr)	Q1FY20	Q1FY19	YoY	Q4FY19	QoQ
Revenue	612	511	19.8%	515	18.8%
COGS	124	89	39.6%	127	-2.1%
Employee cost	118	105	12.9%	107	10.2%
Other expenses	183	165	11.0%	175	4.3%
EBITDA	168	158	6.9%	127	32.5%
EBITDA Margin	28%	31%	-331	25%	285
Depreciation	23	17	32.7%	19	21.5%
EBIT	146	140	3.8%	108	34.4%
EBIT Margin	0	0	-13.4%	0	13.1%
Interest	2	0	952.9%	1	132.5%
Other Income	8	8	-4.5%	2	368.7%
PBT	151	148	2.2%	109	38.7%
Tax paid	37	42	-13.3%	20	81.4%
Effective tax rate%	24%	29%	-15.2%	0	30.8%
Net Profit	115	106	8.5%	89	29.0%
EPS	13	12	8.5%	10	29.0%

Profit & Loss Statement

Particulars (Rs. In Crore)	FY18	FY19	FY20E	FY21E
Revenue	2131	2055	2309	2489
Employee costs	376	431	508	510
Operation and other expenses	697	675	739	834
Total Operating Expenses	1539	1571	1769	1923
EBIDTA	651	558	621	652
EBIDTA Margin	31%	27%	27%	26%
Depreciation	60	72	81	85
EBIT	592	486	540	567
Interest	0.4	3.0	0.4	1.4
Other Income	31	21	67	67
PBT	623	512	607	633
Tax	154	127	167	158
PAT	469	385	440	475
Growth (%)	-8%	-17%	14%	8%
EPS	54	44	50	54

Cash Flow Statement

Particulars (Rs. In Crore)	FY18	FY19	FY20E	FY21E
Profit Before taxes	623	512	607	633
Add:- Depreciation	60	72	81	85
Change in Working Capital	-259	12	-180	-170
Cash generated from operations	425	598	508	548
Taxes paid	140	127	167	158
Net cash flow from operating activities	285	471	341	389
Purchase of fixed assets	-263	-250	-250	-250
Others	2	-124	-54	-53
Net cash flow from investing activities	-260	-374	-304	-303
Dividend paid, including dividend tax	0	-90	-90	-90
Other	-0.4	-3.0	-0.4	-1.4
Net cash used in financing activities	-1	-93	-91	-92
Net Cash Flow	24	3	-54	-5
Opening Cash balance	66	90	93	40
Closing Cash balance	90	93	40	34

Balance Sheet

Particulars (Rs. In Crore)	FY18	FY19	FY20E	FY21E
Shareholder's funds				
Share Capital	17.69	17.54	17.54	17.54
Reserves & Surplus	2,024	2,228	2,588	2,983
Total	2,041	2,245	2,606	3,001
Total Non Current Liabilities	61	73	69	69
Total Current Liabilities	346	378	379	396
Total Liabilities	2,449	2,696	3,054	3,466
Net Block	1,053	1,179	1,348	1,415
Capital Work-in-Progress	61	261	270	283
Other Non Current Assets	66	6	35	35
Total Non Current Assets	1,225	1,515	1,977	2,059
Cash and bank balance	90	95	39	87
Total Current Assets	1,224	1,181	1,077	1,373
Total Assets	2,449	2,696	3,054	3,432

Key ratios

Particulars	FY18	FY19	FY20E	FY21E
EPS	54	44	50	54
Book Value	230	253	294	338
DPS		7	7	8
Payout %	0%	19%	23%	21%
Dividend Yield %	0%	1%	1%	1%
P/E	18	22	19	18
EBIDTA Margin	31%	27%	27%	26%
PBT Margin	29%	25%	26%	25%
PAT Margin	22%	19%	19%	19%
Debt/Equity	0.20	0.20	0.17	0.16
Current Ratio	3.5	3.1	2.8	3.5
ROE	23%	17%	17%	16%

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Stock Rating Scale**Absolute Return**

BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

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