

Weak Africa business offset by strong domestic business

CMP: Rs 1075

Rating: Neutral

Target: Rs 1050

(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

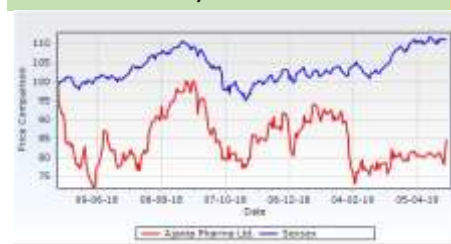
	%
(As on March, 2019)	
Promoters	70.5
Public & Others	29.5

Source: NSE, Arihant Research

Stock Performance (%)	3m	6m	12m
AJP	9.5	-0.9	-19.8
SENSEX	7.7	11.6	5.4

Source: ACE Equity, Arihant Research

AJANTA PHARMA v/s SENSEX



Source: ACE Equity, Arihant Research

Q4FY19 Highlights:

- Ajanta Pharma (AJP) reported revenues of Rs 515 crore down by 3% YoY, largely due to lower exports, which were down by 27% YoY to Rs 343 crore (67% of sales). The decline was offset to some extent by 8% YoY growth in domestic formulation (33% of sales) to Rs 159 Crore.
- EBITDA margin stood at 25% (165 bps YoY) on lower employee cost (+2% YoY) and other expenses (-9% YoY). Absolute EBITDA declined 9% YoY to Rs 127 crore.
- PAT decline of 6% YoY to Rs 89 Crore due to lower other income (-70% YoY) was offset by lower tax rate which stood at 19% (vs 26% in Q4FY18)
- India business, cardiology grew by 18% YoY, Ophthalmology grew by 14% YoY, Dermatology grew by 13% YoY, and pain management was up by 22% YoY.
- In exports, emerging markets branded sales were down 9% YoY, Africa branded generic de-grew by 31% YoY, Asia branded generic grew by 9% YoY. US generics posted a strong 79% YoY growth. Africa institutional business grew by 26% YoY.
- In Q4, R&D spends stood at Rs 400mn (8% of sales).
- **Other key highlights:** In FY19, AJP filed 13 and received 12 ANDA approvals (including two tentative approvals). Further, 21 ANDAs are pending for approval. AJP has guided to file 10-12 ANDAs in FY20.

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 have assigned a PE of 21x to our FY20E EPS of Rs 50 and have arrived at a Target Price of Rs 1050 with a **NEUTRAL** rating on the stock.

Financial Snapshot:

Y/E March (Rs. In Crore)	FY18	FY19	FY20E
Net Revenue	2,131	2,055	2,309
Growth %	6%	-4%	12%
EBIDTA	651	558	621
EBIDTA Margin	31%	27%	27%
Net Profit	469	387	440
Growth %	-8%	-17%	14%
EPS	54	44	50
P/E	20	24	21
ROE	23%	17%	17%

Quarterly Update:

Particulars (Rs. Cr)	Q4FY19	Q4 FY 18	YoY	Q3FY19	QoQ	FY19	FY18	YoY
Revenue	515	530	-3%	485	6%	2,055	2,131	-4%
COGS	127	114	11%	82	55%	392	378	4%
Employee cost	107	105	2%	113	-5%	431	376	14%
Other expenses	175	192	-9%	167	5%	675	697	-3%
EBITDA	127	140	-9%	107	18%	558	651	-14%
EBITDA Margin	25%	26%	-6%	22%	12%	27%	31%	-11%
Depreciation	19	17	13%	19	0%	72	60	21%
EBIT	108	123	-12%	89	22%	486	592	-18%
EBIT Margin	21%	23%	-9%	18%	15%	24%	28%	-15%
Interest	1	0.11	600%	0.09	756%	1.16	0.41	183%
Other Income	2	5	-69%	4	-63%	21	31	-32%
PBT	109	128	-15%	93	17%	514	623	-17%
Tax paid	20	34	-39%	26	-22%	127	154	-17%
Effective tax rate%	19%	26%	-29%	28%	-34%	25%	25%	0%
Net Profit	89	94	-6%	67	33%	387	469	-17%
EPS	10	11	-6%	8	33%	44	53	-17%

Profit & Loss Statement			
Particulars (Rs. In Crore)	FY18	FY19	FY20E
Revenue	2131	2055	2309
Employee costs	376	431	508
Operation and other expenses	697	675	739
Total Operating Expenses	1539	1571	1769
EBIDTA	651	558	621
EBIDTA Margin	31%	27%	27%
Depreciation	60	72	81
EBIT	592	486	540
Interest	0.4	1.2	0.4
Other Income	31	21	67
PBT	623	514	607
Tax	154	127	167
PAT	469	387	440
Growth (%)	-8%	-17%	14%
EPS	54	44	50

Cash Flow Statement			
Particulars (Rs. In Crore)	FY18	FY19	FY20E
Profit Before taxes	623	514	607
Add:- Depreciation	60	72	81
Change in Working Capital	-259	12	-180
Cash generated from operations	425	598	508
Taxes paid	140	127	167
Net cash flow from operating activities	285	471	341
Purchase of fixed assets	-263	-250	-250
Others	2	-124	-54
Net cash flow from investing activities	-260	-374	-304
Dividend paid, including dividend tax	0	-90	-90
Other	-0.4	-1.2	-0.4
Net cash used in financing activities	-1	-91	-91
Net Cash Flow	24	5	-54
Opening Cash balance	66	90	95
Closing Cash balance	90	95	41

Balance Sheet			
Particulars (Rs. In Crore)	FY18	FY19	FY20E
Shareholder's funds			
Share Capital	17.69	17.54	17.54
Reserves & Surplus	2,024	2,228	2,588
Total	2,041	2,245	2,606
Total Non Current Liabilities	61	73	69
Total Current Liabilities	346	378	379
Total Liabilities	2,449	2,696	3,054
Net Block	1,053	1,179	1,348
Capital Work-in-Progress	61	261	270
Other Non Current Assets	66	6	35
Total Non Current Assets	1,225	1,515	1,975
Cash and bank balance	90	95	41
Total Current Assets	1,224	1,181	1,079
Total Assets	2,449	2,696	3,054

Key ratios			
Particulars	FY18	FY19	FY20E
EPS	54	44	50
Book Value	230	253	294
DPS	7	7	7
Payout %	0%	19%	23%
Dividend Yield %	0%	1%	1%
P/E	20	24	21
EBIDTA Margin	31%	27%	27%
PBT Margin	29%	25%	26%
PAT Margin	22%	19%	19%
Debt/Equity	0.20	0.20	0.17
Current Ratio	3.5	3.1	2.8
ROE	23%	17%	17%

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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%

Research

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