

Ajanta Pharma

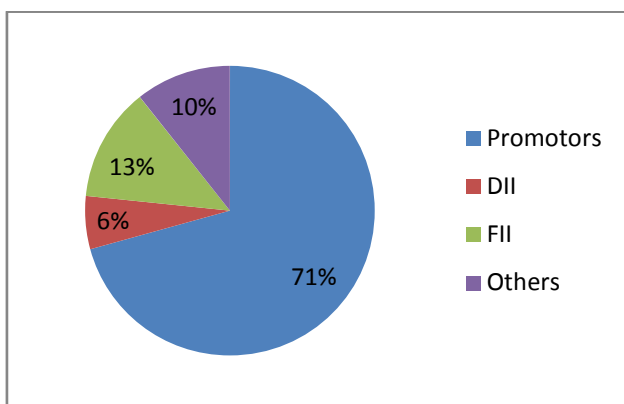
BUY

Target Price: Rs 1500

Value Parameters -

BSE Code	532331
NSE Symbol	AJANTAPHARMA
CMP (As on 03 rd Apr 2018)	Rs 1398
Face Value	Rs 2
52 Week High/Low	1852/1120
Market Cap (Rs cr)	12,335
EPS (TTM)	55.47
PE ratio (x)	25.24

Shareholding Pattern % (Dec '17)



Company Overview

Ajanta Pharma (AJP) is a specialty pharmaceuticals company engaged in the development, manufacture and marketing of finished dosages. It started with repackaging of generic products in 1973, and moved from OTC products to prescription-based products for the Indian market. It has established itself as a strong specialty player in the domestic market in Ophthalmology, Dermatology and Cardiology. In addition, it has strong presence into the

international markets of Africa and Asia, and continues to build a strong foundation for the US market.

Investment Rationale

Ajanta Pharma (AJP) have started yielding results in Asia, while its focus on Anglo Africa is expected to support growth in Africa's branded generics business. AJP has also re-strategized to improve growth in dermatology in the domestic formulations segment.

- AJP has employed a three-pronged strategy – enhanced focus on Anglo Africa, bringing on board more medical representatives (MRs) and specific therapy focus by MRs to improve growth in its branded generics business in Africa.
- Dermatology (26% of domestic formulation business in FY17) has exhibited a subdued performance due to stable sales of Melacare group of products. However, AJP is revamping the team, changing existing manpower and adding new product in Therapeutic segments. Expect dermatology to come back to growth.
- Around 12-15 ANDAs are anticipated to be filed from FY19 on annualized basis. Given the reduction in the time required for approvals and the company's aggressive filings, we expect reasonable growth in US sales over next 3-4 years, subject to final approvals.

Outlook & Valuation

We believe that Ajanta Pharma's long-term fundamentals continue to remain healthy driven by strong traction in the US business (post US FDA clearance to its Dahej unit) and above industry growth in domestic business. Its Sales, EBITDA and PAT witnessed 24%, 37% and 44% CAGR, respectively through FY12-17 owing to strong growth in domestic formulation business and healthy growth in exports (21% CAGR). We have a target of Rs 1500, valuing the stock at 25x FY19E EPS of Rs 60.

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