

Ajanta Pharma Ltd

Nifty	10948
Sensex	36977

Key Stock Data

CMP	₹956
Market Cap (Cr)	8,339
52W High/Low	1294/840

Shareholding pattern Jun 2019

Promoters	70.52%
Public & Others	29.48%

(₹ Cr)

	FY19	FY20E	FY21E
Revenue from Operation	2076	2327	2589
EBITDA	566	669	763
EBITDA Margin in %	28%	29%	30%
Net Profit	387	452	516

Source: Company Data, Way2Wealth Inst Equity

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Key Result Highlights – Q1FY20

Ajanta reported growth across most of the financial line items YoY and QoQ. Revenue/EBITDA/PAT grew by 20%/7%/9%YoY, while sequentially it grew by 19%/32%/30%. However, gross and EBITDA margins declined 700bps and 335bps YoY. Revenue upbeat was on account of growth across all region except Asia branded generics.

- **India** – The domestic business witnessed a growth of 9% and 22% YoY and QoQ. Ajanta continued to outpace IPM (Indian Pharma Market) growth rate with Cardiology/Ophthalmology/Dermatology/Pain Management reporting a growth of 18%/13%/16%/18% versus IPM growth rate of 12%/10%/11%/10%. The Company will continue to focus on First-to-Market products in these 4 segments.
- **US** – Export growth of 25% YoY was mainly on account of strong performance in the US generic business that witnessed a growth of 67% YoY. In the US market during Q1FY20, Ajanta received 3 ANDA final approvals and filed 3 ANDA with US FDA. Out of 30 final approvals, Ajanta has commercialised 28 products. 25 ANDAs are awaiting US FDA approval. The company plans to file 10-12 ANDAS and launch 8-10 launches during this financial year. Ajanta remains committed to focus on the US business and continues to believe that the next leg of growth will be led by the US business.
- **Africa Business** – After a bleak performance in FY19, due to the softness in the Anti-Malaria tendering arm. Africa business (Branded + Institution) grew by 33% in Q1FY20 YoY. Branded business and institutional both segments made a strong comeback with reporting a growth of 18% and 56% YoY. Future performance of the tendering arm will depend on the funds raised by Global Fund (three-year cycles known as Replenishments) for Malaria. However, the company has guided the Africa institutional business to contribute around ₹160 Cr in FY20.
- **Asia** – Performance of Asia was almost flat YoY and QoQ. Revenue for the quarter was ₹ 126 Cr.

Valuations And Recommendations

At the CMP of 956, Ajanta trades at 19x FY20E and 16x FY21E with its estimated EPS of ₹51 and ₹59. India and the US market appear to be on the priority list for Ajanta as per the management's comments. Currently, **we are NEUTRAL on the stock and have kept Ajanta Pharma under review for any rating change.**

Quarterly Financials

(₹ Cr)

	Q1FY20	Q1FY19	YoY	Q4FY19	QoQ
Revenue	612	511	20%	515.0	19%
Expenses					
Raw Materials	143	84	69%	106	35%
Employee benefits expense	118	105	13%	107	11%
Finance cost	2	0	953%	1	132%
Depreciation and Amortization	23	17	33%	19	21%
Other Expenses	183	165	11%	175	4%
Total Expense	468	371	26%	407	15%
Profit before tax	151	148	2%	109	38%
Tax	37	42	-13%	20	81%
Profit After Tax	114	106	8%	89	28%
EPS	13	12.02	9%	10.10	30%
EBITDA	168	157	7%	127	32%

Margins	Q1FY20	Q1FY19	YoY(bps)	Q4FY19	QoQ(bps)
Gross Margins	77%	84%	-709	80%	-280
EBITDA Margins	27%	31%	-335	25%	274
EBIT Margins	25%	29%	-391	21%	335
R&D spend % of Revenue	7%	8%	-102	8%	-100

Revenue Details	Q1FY20	Q1FY19	YoY	Q4FY19	QoQ
India	194.0	178.0	9%	159.0	22%
Exports					
Africa branded generic sales	92.0	78.0	18%	64.0	44%
Asia branded generic sales	126.0	129.0	-2%	121.0	4%
US generic	102.0	61.0	67%	76.0	34%
Africa Institution	81.0	52.0	56%	46.0	76%
Total Exports	404.0	322.0	25%	343.0	18%

Financials

(₹ Cr)

Income Statement	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E
Net sales	1490	1771	2026	2155	2076	2327	2589
Growth (%)		19%	14%	6%	-4%	12%	11%
Raw Material	365	414	415	406	383	438	496
Total Expense	1026	1212	1377	1532	1562	1716	1892
EBITDA	505	587	687	658	566	669	763
Growth (%)		16%	17%	-4%	-14%	18%	14%
Depreciation	52	508	544	662	697	769	841
EBIT	470	564	650	623	515	613	699
Finance cost	6	5	1	0	1	2	2
Profit before tax	464	559	648	622	514	611	697
Tax	153	143	141	154	127	159	181
Profit / (Loss) for the period	311	416	507	468	387	452	516
Growth (%)		34%	22%	-8%	-17%	17%	14%

(₹ Cr)

Balance Sheet	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E
Share capital	18	18	18	18	18	18	18
Reserves & surplus	887	1,173	1,550	2,024	2,228	2,680	3,196
Shareholders' funds	904	1,191	1,568	2,041	2,245	2,697	3,213
Non-current liabilities	54	37	33	61	73	73	73
Long-term borrowings	33	15	1	1	1	1	1
Other non-current liabilities	21	22	32	60	73	73	73
Current liabilities	185	260	247	346	377	394	426
Borrowings	48	46	38	55	118	118	118
Trade Payable	109	146	178	250	223	240	272
Other Current Liabilities	28	68	30	41	36	36	36
Total (Equity and Liabilities)	1,143	1,488	1,848	2,449	2,696	3,165	3,713
Non-current assets	522	725	997	1,225	1,515	1,638	1,854
Fixed assets (Net block)	284	447	583	1,045	1,172	1,295	1,511
CWIP	170	238	338	61	261	261	261
Intangible Asset	3	5	7	7	7	7	7
Other non-current assets	65	34	69	111	75	75	75
Current assets	621	763	851	1,224	1,181	1,527	1,859
Cash & current investment	144	120	252	275	165	610	847
Inventories	159	205	211	351	436	228	258
Trade Receivables	259	372	323	492	460	569	633
Other Current Assets	60	66	65	106	120	120	120
Total (Assets)	1,143	1,488	1,848	2,449	2,696	3,165	3,713

(₹ Cr)

Cash Flow Statement	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E
Profit before tax	456	559	648	622	514	611	697
Depreciation	52	44	61	60	72	77	84
Finance Cost	6	5	1	0	1	2	2
Others	-6	4	24	2	-5	0	0
Operating Cash flows before WC	507	612	735	684	583	690	784
Change in Working capital	-77	-124	39	-236	-124	116	-63
Total tax paid	-146	-161	-151	-140	-118	-159	-181
Others	-4	-1	-13	-23	0	0	0
Cash Generated from Operations	279	326	610	285	341	647	539
Capital expenditure	-103	-298	-299	-263	-343	-200	-300
Others	-56	89	-84	2	121	0	0
Cash flow from investment	-158	-209	-383	-260	-222	-200	-300
Equity raised/(repaid)	0	0	0	0	0	0	0
Debt raised/(repaid)	-58	22	-72	1	33	0	0
Dividend (incl. tax)	-41	-134	-129	0	-79	0	0
Others	-6	-5	-1	0	1	-2	-2
Cash flow from fin. (c)	-105	-117	-202	0	-45	-2	-2
Net chg in cash	16	0	25	24	73	445	237

Key ratios	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E
Gross Profit / Net Sales	75%	76%	79%	81%	81%	81%	81%
EBITDA /Margin	34%	34%	34%	31%	28%	29%	30%
EBIT / Net Sales	32%	32%	32%	29%	25%	27%	27%
PAT / Net Sales	21%	24%	25%	22%	19%	20%	20%
RoCE	41%	43%	44%	36%	24%	24%	23%
Total debt/Equity (x)	0.04	0.02	0.01	0.01	0.00	0.00	0.00
Net debt/Equity (x)	0.18	0.14	0.00	0.06	0.13	-0.10	-0.18
Du Pont Analysis							
Net margin	16%	14%	23%	31%	27%	26%	25%
Asset turnover (x)	1.30	1.35	1.21	1.00	0.81	0.79	0.75
Leverage factor (x)	0.04	0.02	0.01	0.01	0.00	0.00	0.00
Return on equity	34%	40%	42%	33%	22%	21%	20%

Valuations	FY15	FY16	FY17	FY18	FY19E	FY20E	FY21E
P/E	26.96	20.18	16.54	17.91	21.67	18.55	16.25
Price/Book	9.27	7.04	5.35	4.11	3.74	3.11	2.61
EV/EBITDA	16.46	14.27	12.16	12.69	14.76	11.83	10.06

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Disclosure of Interest Statement in Ajanta Pharma Ltd. as on August 06, 2019

Name of the Security	Ajanta Pharma Ltd.
Name of the analyst	Tausif Shaikh
Analysts' ownership of any stock related to the information contained	NIL
Financial Interest	
Analyst :	No
Analyst's Relative : Yes / No	No
Analyst's Associate/Firm : Yes/No	No
Conflict of Interest	No
Receipt of Compensation	No
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