

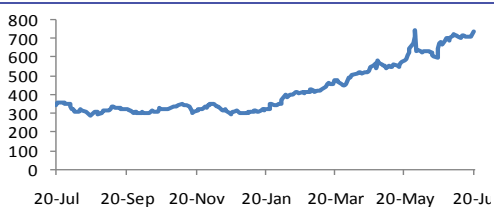
Ajanta Pharma Ltd

Recommendation	Book Partial Profit
CMP (20/07/2012)	Rs. 737
Target Price	Rs. 809
Sector	Pharmaceuticals

Stock Details

BSE Code	532331
NSE Code	AJANTPHARM
Bloomberg Code	AJP IN
Market Cap (Rs cr)	862
Free Float (%)	28.16
52- wk HI/Lo (Rs)	803/281
Avg. volume BSE (Quarterly)	55,341
Face Value (Rs)	10.0
Dividend (FY 12)	75%
Shares o/s (Cr)	1.18

Relative Performance	1Mth	3Mth	1Yr
Ajanta	8.3%	33.5%	107.1%
Sensex	0.7%	0.4%	-6.9%



Shareholding Pattern

 30th June 12

Promoters Holding	71.84
Institutional (Incl. FII)	1.29
Corporate Bodies	9.93
Public & others	26.87

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Results above expectations

Ajanta Pharma reported slightly higher than expected results in Q1FY13. Sales grew by 36.7% YoY and declined by 1.2% QoQ at Rs 174.1 cr. EBITDA margin improved by 460 bps YoY and fell 130 bps QoQ at 21.3%. PAT margins rose 140 bps YoY at 11.2%.

Key Highlights

- Q1FY13 Sales grew by 36.7% YoY mainly on account of strong volume growth and aided by weakening rupee. Sales was down by 1.2% QoQ on account of seasonality
- EBITDA margin rose sharply by 460 bps on a YoY basis to 21.3% on account of cost of materials falling to 25.5% of sales as compared to 32% in Q1FY12. Management has indicated that these margin levels are sustainable and expects margin to remain at FY12 level of 20.8% for the full year.
- Q1FY13 interest expense rose sharply to Rs 16 cr from Rs 2.8 cr YoY due to inclusion of forex loss on foreign currency borrowings. Other Income was much higher at Rs 9.8 cr on account of gains on foreign currency debtors.
- Tax rate for the quarter was at 15.3%. For full year we have assumed tax rate of 20% for FY13E and FY14E
- The company is expected to start sales from two approved ANDAs in Q2FY13. During the quarter, the company launched 3-4 new products and is expected to maintain a run rate of 2 products each quarter plus line extensions.

Valuation & Recommendation

We have revised our target price upwards to Rs 809 (from earlier Rs 630), based on a higher PE multiple of 10x on FY13E EPS on account of continued outperformance by the company. At the CMP, the stock offers an upside potential of 9.8%. We recommend investors to BOOK PARTIAL PROFITS at current levels and hold the balance shares.

Year Consolidated	Sales (Rs cr)	Growth (%)	EBITDA (Rs cr)	Margin (%)	PAT (Rs cr)	Margin (%)	EPS (Rs)	P/E (x)	RoE (%)
FY 11A	498.8	21.9%	89.7	18.0%	50.7	10.2%	43.0	16.5	24.5
FY 12A	677.4	35.8%	140.7	20.8%	77.3	11.4%	65.5	10.9	29.3
FY 13E	826.4	22%	171.9	20.7%	95.4	11.5%	80.9	9.1	28.1
FY 14E	983.4	19%	203.6	20.7%	114.1	11.6%	96.8	7.6	26.6

Ajanta Pharma Ltd

Operational Efficiency was the key highlight of the quarter

Standalone (Rs cr)	Q1FY13	Q4FY12	qoq	Q1FY12	yoy
Net sales	174.1	176.1	-1.2	127.3	36.7
Cost of Materials	65.1	65.2	-0.1	41.8	56.0
Staff cost	25.6	24.9	3.0	18.1	41.7
Other Exps	46.2	46.2	0.0	46.2	0.0
Total Expenses	137.0	136.3	0.5	106.0	29.2
EBITDA	37.1	39.8	-6.9	21.3	74.4
<i>margins</i>	<i>21.3%</i>	<i>22.6%</i>		<i>16.7%</i>	
Depreciation	7.8	8.2	-5.6	6.6	17.1
EBIT	29.3	31.6	-7.2	14.6	100.5
Interest	16.0	-1.7	-1063.4	2.8	459.7
Other income	9.8	-2.0	-586.2	1.8	450.9
PBT	23.1	31.2	-26.0	13.5	70.7
Tax	3.5	7.7	-53.7	1.0	243.7
<i>Tax rate</i>	<i>15.3%</i>	<i>24.5%</i>		<i>7.6%</i>	
PAT	19.6	23.6	-17.0	12.5	56.5
Equity Capital	11.8	11.8		11.8	
FV	10.0	10.0		10.0	
EPS	16.6	20.0	-17.0	10.6	56.5

Change in estimates

We have revised upwards our expected FY13E Sales and PAT by 2.5% and 2.9% respectively based on continued outperformance by the company in Q1FY13.

Consolidated Rs Cr	FY13E			FY14E		
	New	Old	% change	New	Old	% change
Sales	826.4	806.1	2.5%	983.4	959.3	2.5%
PAT	95.4	92.7	2.9%	114.1	111.3	2.6%

Key Highlights for the quarter:

- Domestic sales accounted for 49% of the total revenues during the quarter, while Exports contributed 51%. Going forward, Exports contribution is expected to be at 60%
- Ophthalmology, Dermatology and Cardiology segments continued to do well and performed on expected lines.
- APL has launched 3-4 new products this quarter in the Ophthalmology, Dermatology and Cardiology segments. Going forward, the company targets to maintain a run rate of 2 new products each quarter plus line extensions
- The company has not launched the 2 products for which it has received ANDA approvals from the USFDA. Management had earlier indicated launch in Q1FY13. They are now expected to be launched in Q2FY13. The market opportunity for these two products is \$2.5-3.0 million for FY13E and FY14E. APL has not filed any new ANDA in the quarter
- APL is planning to file 5-6 ANDAs in FY13E

Ajanta Pharma Ltd

Financials

P&L (Rs. Cr)	FY11A	FY12	FY13E	FY14E
Net Sales	498.8	677.4	826.4	983.4
% change	21.9%	35.8%	22.0%	19.0%
EBITDA	89.7	140.7	171.1	203.6
EBITDA margin	18.0%	20.8%	20.7%	20.7%
Depn & Amort	24.7	31.9	42.1	46.8
Operating incorr	65.0	108.9	129.0	156.8
Interest	17.8	15.4	17.7	22.1
Other Income	9.5	6.2	8.0	8.0
PBT	56.4	91.0	119.3	142.7
Tax	5.7	13.7	23.9	28.5
MI & EO	0.0	0.0	0.0	0.0
PAT	50.7	77.3	95.4	114.1
PAT margin (%)	10.2%	11.4%	11.5%	11.6%
Sh o/s - Diluted	1.2	1.2	1.2	1.2
Adj EPS	43.0	65.5	80.9	96.8
Cash EPS	64.0	92.5	116.6	136.5

Qtrly-Standalone	Sept.11	Dec.11	Mar.12	Jun.11
Revenue	135.1	164.2	176.1	174.1
EBITDA	23.2	40.1	39.8	37.1
Dep & Amorz	7.6	8.2	8.2	7.8
Op Income	15.6	32.0	31.6	29.3
Interest	3.4	10.7	-1.7	16.0
Other Inc.	0.2	1.2	-2.0	9.8
PBT	12.5	22.5	31.2	23.1
Tax	0.6	4.0	7.7	3.5
EO	0.0	0.0	0.0	0.0
PAT	11.9	18.5	23.6	19.6
EPS (Rs.)	10.0	15.7	20.0	16.6

Performance Ra	FY11A	FY12	FY13E	FY14E
EBITDA margin (%)	18.0%	20.8%	20.7%	20.7%
EBIT margin (%)	13.0%	16.1%	15.6%	15.9%
PAT margin (%)	10.2%	11.4%	11.5%	11.6%
ROE (%)	24.5%	29.3%	28.1%	26.6%
ROCE (%)	15.7%	19.1%	17.1%	14.3%

Valuation Ratio	FY11A	FY12	FY13E	FY14E
Price Earnings (x)	17.1	11.3	9.1	7.6
Price/BV (x)	3.2	2.5	1.9	1.5
EV / Sales	2.1	1.6	1.5	1.5
EV / EBITDA	11.7	7.5	7.2	7.1

Balance Sheet (Rs Cr)	FY11A	FY12	FY13E	FY14E
Share Capital	11.8	11.8	11.8	11.8
Reserves & Surplus	217.0	286.2	368.3	466.4
Minority	0.0	0.0	0.0	0.0
Net Worth	228.8	298.0	380.1	478.2
Net Deferred Tax Liab	10.9	17.1	17.1	17.1
Total Loans	190.6	199.6	369.6	586.6
Total Liabilities	430.4	514.8	766.8	1081.9

Net Fixed Assets	214.0	267.0	274.9	278.1
Capital WIP	17.2	0.0	150.0	400.0
Investments	8.5	8.5	8.5	8.5
Cash & Bank	14.8	11.5	12.6	10.7
Debtors & Other CA	260.4	343.2	433.0	519.6
CL & P	91.8	134.1	143.4	167.7
Net CA	282.5	391.7	476.8	563.1
Total Assets	430.4	514.8	766.8	1081.9

Cash Flow (Rs. Cr)	FY11A	FY12	FY13E	FY14E
Operating Cash Flow				
Op CF before tax	89.5	132.0	171.1	203.6
Change in WC	0.2	-74.8	-74.6	-63.9
Tax	-5.7	-13.7	-23.9	-28.5
CF from Operation	84.1	43.6	72.6	111.2
Investing Activities				
Capex	-40.8	-67.6	-200.0	-300.0
Oth Inc & Investments	9.5	6.2	8.0	8.0
CF from Investing	-31.3	-61.4	-192.0	-292.0
Financing				
Dividend Paid	-6.8	-10.5	-13.4	-16.0
Share Capital	0.0	0.0	0.0	0.0
Loans & Others	-46.0	25.0	133.9	194.9
CF from Financing	-52.8	14.5	120.6	178.9
Net Chg. in Cash	-0.1	-3.3	1.2	-1.9
Cash at beginning	14.8	14.8	11.5	12.6
Cash at end	14.8	11.5	12.6	10.7
Per Share Data	FY11A	FY12	FY13E	FY14E
Adj EPS	43.0	65.5	80.9	96.8
BV per share	194.0	252.7	322.2	405.4
Cash per share	12.5	9.7	10.7	9.1
Dividend per share	5.0	7.6	9.7	11.6

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