

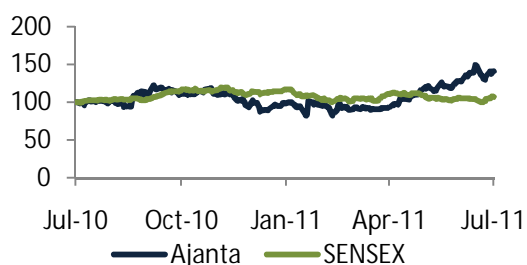
**Annual Report Analysis**
**Ajanta Pharma Ltd**

Recommendation	HOLD
CMP (1 <sup>st</sup> July 2011)	Rs. 305
Target	Rs. 318
Sector	Pharmaceuticals

**Stock Details**

BSE Code	532331
NSE Code	AJANTPHARM
Bloomberg Code	AJP IN
Market Cap (Rs. cr)	355
Free Float (%)	33.2
52- wk HI/Lo	328/172
Avg. volume BSE (Quarterly)	74,328
Face Value	10
Dividend (FY11)	50%
Shares o/s (Cr)	1.2

Relative Performance	1Mth	3Mth	1Yr
Ajanta	10.1%	50.6%	41.1%
Sensex	0.8%	-3.4%	7.2%



Shareholding Pattern (%)	as on 31/03/2011
Promoters Holding	66.82
Institutional (Incl. FII)	0.04
Corporate Bodies	6.08
Public & others	27.06

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Year	Net Sales (Rs Cr)	Growth %	EBITDA (Rs Cr)	Margin (%)	PAT (Rs Cr)	Margin (%)	Adj EPS (Rs)	P/E (x)	ROE (x)
FY10A	409.1	17.1%	78.6	19.2%	34.0	8.3%	28.8	10.6	19.9
FY11A	504.9	23.4%	96.3	19.1%	50.7	10.0%	43.0	7.1	24.5
FY12E	595.7	18.0%	113.2	19.0%	61.4	10.3%	52.0	5.9	24.1
FY13E	726.8	22.0%	145.4	20.0%	77.5	10.7%	65.7	4.6	24.7

Ajanta Pharma is mid-sized brand focused pharmaceutical company. With its thrust on R&D the company has managed to create a niche for itself especially in domestic and emerging markets. It is now gearing up to enter world's largest market - US, the first regulated market the company is targeting.

In its Annual Report FY11, Ajanta Pharma has emphasized on achieving various milestones during last decade and reinforced its commitment to achieve many more in the future also. It has achieved a significant milestone of reporting sales of Rs 500 cr (growth of 23.4% yoy). PAT margins reached record high at 10%, an improvement of 170 bps from FY10.

Ajanta Pharma has strength of 200 scientists and is consistently spending more than 5% of its revenues on R&D. The R&D focus gives an edge to the company to come up with new and improved products. As a result, the company has managed to launch significant number of products i.e. 23 in the domestic market.

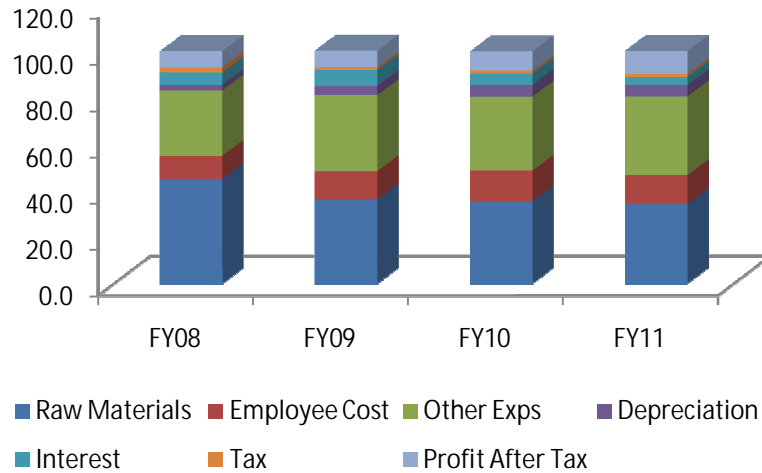
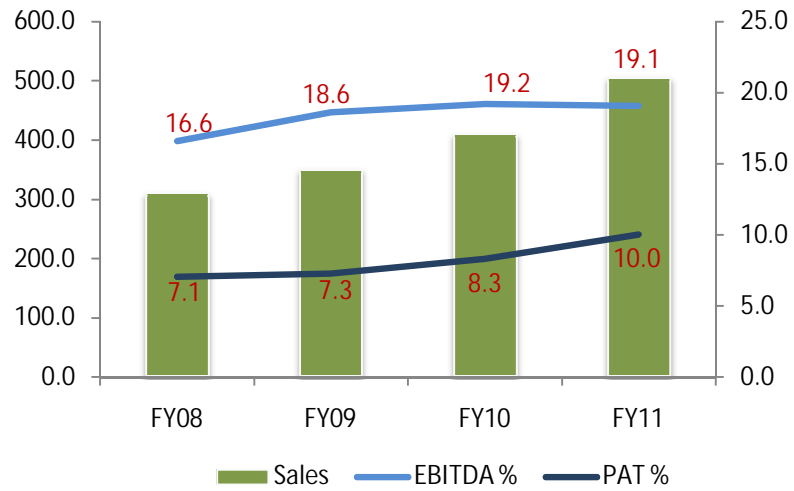
During the year FY11, the subsidiaries' performance has also been encouraging. Philippines subsidiary is very close to break even and expected to be in green in FY12. Mauritius subsidiary saw significant growth c. 104% in its revenues to Rs 159.3 cr. It continues to remain profitable and reported Profit after Tax of Rs 6.8cr.

In the beginning of FY12 the company has sold its "30 plus" brand to Dabur for undisclosed amount. We believe this is very positive deal for Ajanta Pharma as it could monetize its OTC brand. The deal won't impact our revenue projections as the company has stopped selling the product since three years.

It has shown consistent growth over a decade and we expect the momentum to continue in future also. To expand its business scope the company is targeting new therapeutic segments namely - Gastroenterology, Orthopedic, Respiratory and Nephrology.

We believe Ajanta Pharma is an ideal candidate for re-rating considering its brand concentrated business backed up by strong R&D. it has strong balance sheet and high return ratio. Currently it is trading at P/E of 5.9x which is much lower than its peers. Our initial target (Rs 295) on the stock has been achieved in two months. We maintain HOLD rating on the stock and would relook at the target price after Q1FY12 results.

Profit and Loss Analysis

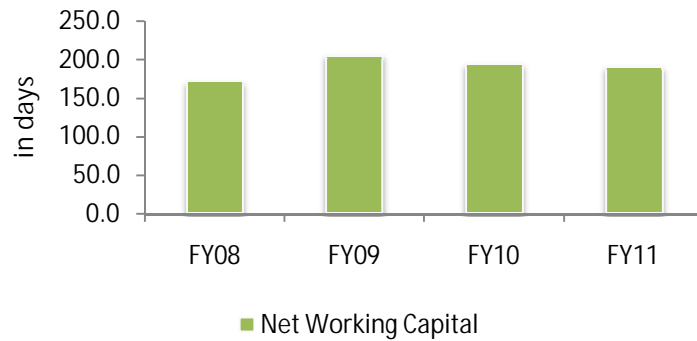


Balance Sheet continues to remain strong...

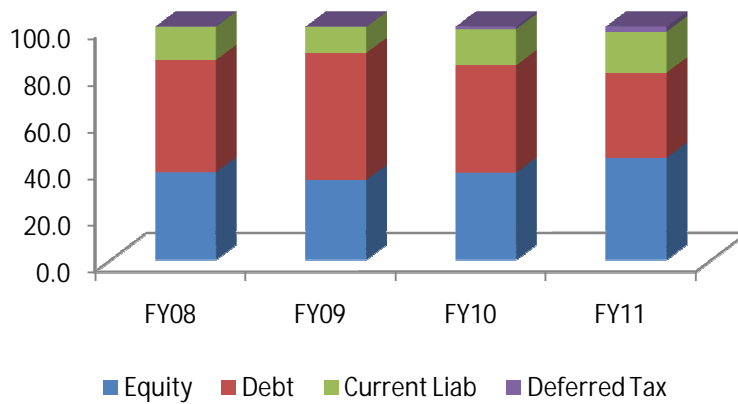
Working capital cycle has improved with inventory days and debtor's days coming down at 100 and 74 respectively. In FY10 Inventory days and debtor's days were 130 and 85 days respectively. Due to one-time event in FY10 Creditor's days had shot up to 178.5 days from 129 days in FY09. It is now moderating and has come down to 168.5 days. We believe creditors days would stabilize at 160 days in future

Working Capital Cycle

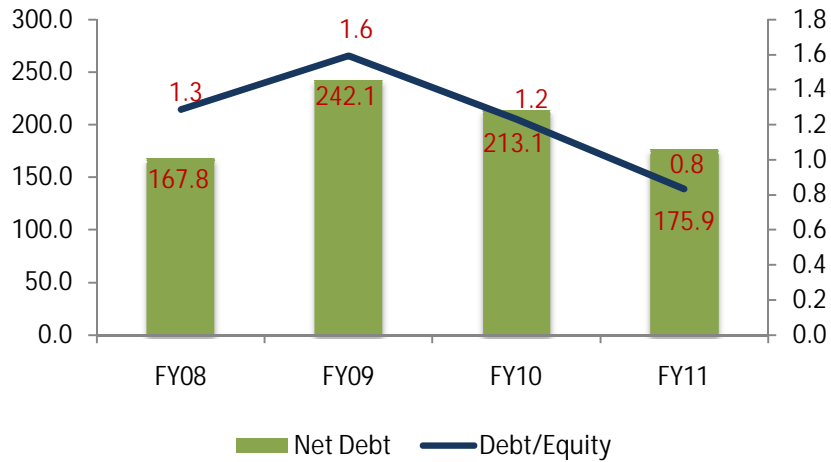
Net Working Capital



Sources of funds

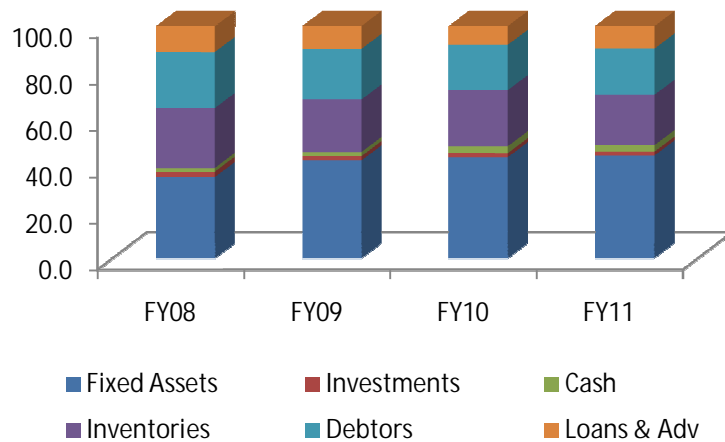


Net debt bar chart with debt/equity ratio's line



During FY11, the company has completed all its major capex work and need to spend only maintenance capex in future to run the engine growth. In addition it has repaid debt to the extent of Rs 47 cr funded by strong cash generation, which we believe, will continue in future also. Therefore, we expect debt/equity to improve further in future.

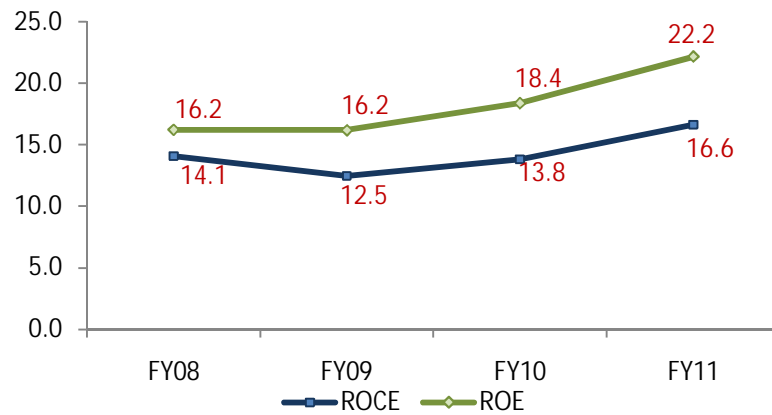
Application of Funds



Dupont Analysis

Strong return ratios

Du Pont Analysis	FY08	FY09	FY10	FY11
Net Margin	7.1	7.3	8.3	10.0
Asset Turnover	0.9	0.8	0.8	1.0
Leverage factor	2.7	2.9	2.7	2.3
ROE	16.2	16.2	18.4	22.2



“ The only way of finding the limits of the possible is by going beyond them into the impossible”  
- Arthur C. Clarke

“ Unless you try to do something beyond what you have mastered, you will never grow”  
- C. R. Lawton

These words have been guiding force for Ajanta Pharma, which is performing and surpassing its own high standards year after year by “SCALING NEW HEIGHTS”.

**Annual Report Analysis**
**Ajanta Pharma Ltd**

P&L (Rs. Cr)	FY10A	FY11A	FY12E	FY13E	Balance Sheet (Rs Cr)	FY10A	FY11A	FY12E	FY13E
Net Sales	409.1	504.9	595.7	726.8	Share Capital	11.8	11.8	11.8	11.8
% change	17.1%	23.4%	18.0%	22.0%	Reserves & Surplus	173.1	217.0	269.1	334.8
EBITDA	78.6	96.3	113.2	145.4	Minority	0.0	0.0	0.0	0.0
EBITDA margin	18.6%	19.2%	19.1%	19.0%	Net Worth	184.9	228.8	280.9	346.6
Depn & Amort	20.7	24.7	30.6	32.9	Net Deferred Tax Liab	5.3	10.9	10.9	10.9
Operating income	57.8	71.6	82.6	112.5	Total Loans	228.0	190.6	165.6	184.4
Interest	20.2	17.8	14.1	15.7	<b>Total Liabilities</b>	<b>418.2</b>	<b>430.4</b>	<b>457.4</b>	<b>541.9</b>
Other Income	1.1	2.8	2.5	2.5	Net Fixed Assets	168.5	214.0	210.6	202.7
PBT	38.8	56.6	71.0	99.3	Capital WIP	47.0	17.2	0.0	0.0
Tax	4.8	5.9	9.6	21.8	Investments	8.5	8.5	8.5	8.5
MI & EO	0.0	0.0	0.0	0.0	Cash & Bank	14.8	14.8	-25.9	1.4
PAT	34.0	50.7	61.4	77.5	Debtors & Other CA	256.3	267.7	367.8	446.2
PAT margin (%)	8.3%	10.0%	10.3%	10.7%	CL & P	76.9	91.8	103.5	116.9
Sh o/s - Diluted	1.2	1.2	1.2	1.2	Net CA	271.2	282.5	341.9	447.5
Adj EPS	28.8	43.0	52.0	65.7	<b>Total Assets</b>	<b>418.2</b>	<b>430.4</b>	<b>457.4</b>	<b>541.9</b>
Cash EPS	46.4	64.0	78.0	93.5	Cash Flow (Rs. Cr)	FY10A	FY11A	FY12E	FY13E
Qtrly-Stdalone (Rs Cr)	Jun.10	Sept.10	Dec.10	Mar.11	Operating Cash Flow				
Revenue	98.3	112.5	120.5	125.8	Op CF before tax	78.6	96.3	113.2	145.4
EBITDA	17.9	20.9	22.8	28.0	Change in WC	16.6	0.2	-88.3	-65.1
Dep & Amorz	5.1	5.9	6.2	6.5	Tax	-4.8	-5.9	-9.6	-21.8
Op Income	15.0	16.6	21.4	14.7	CF from Operation	90.4	90.7	15.3	58.4
Interest	4.4	3.5	3.5	3.8	Investing Activities				
Other Inc.	0.4	0.7	0.4	0.6	Capex	-41.9	-40.8	-10.0	-25.0
PBT	11.0	13.8	18.3	11.5	Oth Inc & Investments	1.1	2.8	2.5	2.5
Tax	1.6	1.0	1.8	0.9	CF from Investing	-40.8	-38.0	-7.5	-22.5
EO	0.0	0.0	0.0	0.0	Financing				
PAT	7.0	10.1	11.9	17.5	Dividend Paid	-4.8	-6.8	-9.3	-11.8
EPS (Rs.)	5.9	8.5	10.1	14.8	Share Capital	0.0	0.0	0.0	0.0
Performance Ratio	FY10A	FY11A	FY12E	FY13E	Loans & Others	-38.1	-46.0	-39.1	3.1
EBITDA margin (%)	19.2%	19.1%	19.0%	20.0%	CF from Financing	-42.8	-52.8	-48.4	-8.7
EBIT margin (%)	14.1%	14.2%	13.9%	15.5%	Net Chg. in Cash	6.8	-0.1	-40.6	27.2
PAT margin (%)	8.3%	10.0%	10.3%	10.7%	Cash at beginning	8.1	14.8	14.8	-25.9
ROE (%)	19.9%	24.5%	24.1%	24.7%	Cash at end	14.8	14.8	-25.9	1.4
ROCE (%)	12.5%	15.7%	16.6%	17.9%	Per Share Data	FY10A	FY11A	FY12E	FY13E
Valuation Ratio	FY10A	FY11A	FY12E	FY13E	Adj EPS	28.8	43.0	52.0	65.7
Price Earnings (x)	10.6	7.1	5.9	4.6	BV per share	156.8	194.0	238.1	293.8
Price/BV (x)	1.6	1.3	1.1	0.9	Cash per share	12.6	12.5	-21.9	1.1
EV / Sales	1.4	1.1	0.9	0.7	Dividend per share	3.5	5.0	6.8	8.5
EV / EBITDA	7.3	5.6	4.9	3.7					

NOTE

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