

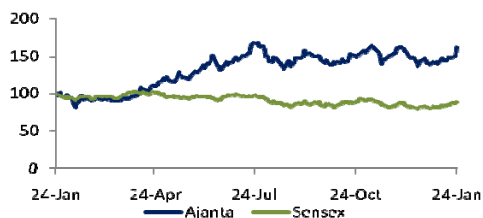
## Ajanta Pharma Ltd

Recommendation	BUY
CMP	Rs. 346
Target Price	Rs. 409
Sector	Pharmaceuticals

## Stock Details

BSE Code	532331
NSE Code	AJANTPHARM
Bloomberg Code	AJP IN
Market Cap (Rs cr)	408
Free Float (%)	31.1
52- wk HI/Lo (Rs)	368/175
Avg. volume BSE (Quarterly)	8,297
Face Value (Rs)	10.0
Dividend (FY 11)	50%
Shares o/s (Cr)	8.5

Relative Performance	1Mth	3Mth	1Yr
Ajanta	13.0%	7.0%	61.0%
Sensex	8.0%	0.3%	-11.3%



Shareholding Pattern	31 <sup>st</sup> Dec 11
Promoters Holding	68.92
Institutional (Incl. FII)	0.02
Corporate Bodies	5.14
Public & others	25.92

**Runjhun Jain**  
 Senior Research Analyst  
 022 3926 8177  
 runjhun.jain@nirmalbang.com

Year Consolidated	Sales (Rs cr)	Growth (%)	EBITDA (Rs cr)	Margin (%)	PAT (Rs cr)	Margin (%)	Adj EPS (Rs)	P/E (x)	RoE (%)
FY 10A	409.1	17.1%	78.6	19.2%	34.0	8.3%	28.8	12.0	19.9
FY 11A	504.9	23.4%	96.3	19.1%	50.7	10.0%	43.0	8.0	24.5
FY 12E	600.8	19.0%	118.4	19.7%	64.9	10.8%	55.0	6.3	25.3
FY 13E	733.0	22.0%	150.3	20.5%	80.4	11.0%	68.2	5.1	25.3

## Results above expectations

Ajanta Pharma reported better than expected results for Q3FY12. Sales grew by 21.3% qoq and 36% yoy at Rs 163.9 cr. EBITDA margin has improved by 340 bps qoq and 170 bps yoy at 20.6%. PAT margins have also improved by 250 bps qoq and 140 bps yoy at 11.3%.

## Key Highlights

- Q3FY12 result includes Rs 6 cr forex loss because of MTM adjustment. This has been included in other expenses. The company got the benefit of exchange fluctuation to the tune of Rs 4.5 cr in sales.
- EBITDA margin has improved to 20.6% during the quarter, which is purely on operational efficiency. Management has indicated that these levels are sustainable and expects margin to inch up further in Q4FY12.
- Tax rate has increased during the quarter to 17.7%. It is expected to go further up in Q4FY12 due to full utilization of past carry forward losses. For full year we have assumed tax rate of 14% and 22% for FY13
- The company is expected to start sales from two approved ANDAs by Q1FY13. During the quarter, the company has filed two more ANDAs and expects to file another three in Q4FY12 taking the total number of filings to 10. The company is steadily building its ANDAs portfolio in US, which would ensure sustained growth in the coming years.

## Valuation &amp; Recommendation

With base business growing at decent 20% CAGR and new businesses like US are adding, we remain positive on the future prospects of the company.

We are rolling our target price to FY13E. We recommend "BUY" on Ajanta Pharma Limited with a target price of Rs. 409 (earlier was Rs 385) indicating a potential upside of 18% from current levels. We also recommend investors to accumulate the stock on declines

## Ajanta Pharma Ltd

### Operational Efficiency was the key highlight of the quarter

Standalone (Rs cr)	Q3FY12	Q2FY12	qoq	Q3FY11	yoy
<b>Net sales</b>	<b>163.9</b>	<b>135.1</b>	<b>21.3</b>	<b>120.5</b>	<b>36.0</b>
Cost of Materials	55.2	43.0	28.4	54.4	1.3
Staff cost	20.1	17.9	12.3	14.8	35.9
R&D Exps	9.5	9.5	0.3	7.7	24.7
Other Exps	45.4	41.6	9.2	20.9	117.5
<b>Total Expenses</b>	<b>130.1</b>	<b>111.9</b>	<b>16.3</b>	<b>97.7</b>	<b>33.2</b>
<b>EBITDA</b>	<b>33.8</b>	<b>23.2</b>	<b>45.3</b>	<b>22.8</b>	<b>48.1</b>
<i>margins</i>	<i>20.6%</i>	<i>17.2%</i>		<i>18.9%</i>	
Depreciation	8.2	7.6	7.1	6.2	31.3
<b>EBIT</b>	<b>25.6</b>	<b>15.6</b>	<b>64.1</b>	<b>16.6</b>	<b>54.4</b>
Interest	3.7	3.4	10.5	3.5	7.7
Other income	0.6	0.2	157.9	0.7	-8.6
<b>PBT</b>	<b>22.5</b>	<b>12.5</b>	<b>80.4</b>	<b>13.8</b>	<b>63.0</b>
Tax	4.0	0.6	551.2	1.8	115.3
<i>Tax rate</i>	<i>17.7%</i>	<i>4.9%</i>		<i>13.4%</i>	
<b>PAT</b>	<b>18.5</b>	<b>11.9</b>	<b>56.1</b>	<b>11.9</b>	<b>54.9</b>
Equity Capital	11.8	11.8		11.8	
FV	10.0	10.0		10.0	
<b>EPS</b>	<b>15.7</b>	<b>10.0</b>	<b>56.1</b>	<b>10.1</b>	<b>54.9</b>

## Ajanta Pharma Ltd

### Financials

P&L (Rs. Cr)	FY10A	FY11A	FY12E	FY13E
<b>Net Sales</b>	<b>409.1</b>	<b>504.9</b>	<b>600.8</b>	<b>733.0</b>
% change	17.1%	23.4%	19.0%	22.0%
<b>EBITDA</b>	<b>78.6</b>	<b>96.3</b>	<b>118.4</b>	<b>150.3</b>
EBITDA margin	18.6%	19.2%	19.1%	19.7%
Depn & Amort	20.7	24.7	30.0	32.2
<b>Operating incorr</b>	<b>57.8</b>	<b>71.6</b>	<b>88.4</b>	<b>118.1</b>
Interest	20.2	17.8	15.8	17.5
Other Income	1.1	2.8	2.8	2.5
<b>PBT</b>	<b>38.8</b>	<b>56.6</b>	<b>75.4</b>	<b>103.1</b>
Tax	4.8	5.9	10.6	22.7
MI & EO	0.0	0.0	0.0	0.0
<b>PAT</b>	<b>34.0</b>	<b>50.7</b>	<b>64.9</b>	<b>80.4</b>
PAT margin (%)	8.3%	10.0%	10.8%	11.0%
Sh o/s - Diluted	1.2	1.2	1.2	1.2
Adj EPS	28.8	43.0	55.0	68.2
Cash EPS	46.4	64.0	80.4	95.4

Qtrly-Stdalone (	Sept.10	Dec.10	Mar.11	Jun.11
<b>Revenue</b>	<b>112.5</b>	<b>120.5</b>	<b>125.8</b>	<b>127.3</b>
<b>EBITDA</b>	<b>20.9</b>	<b>22.8</b>	<b>28.0</b>	<b>21.3</b>
Dep & Amorz	5.9	6.2	6.5	6.6
<b>Op Income</b>	<b>15.0</b>	<b>16.6</b>	<b>21.4</b>	<b>14.7</b>
Interest	4.4	3.5	3.5	3.8
Other Inc.	0.4	0.7	0.4	0.6
<b>PBT</b>	<b>11.0</b>	<b>13.8</b>	<b>18.3</b>	<b>11.5</b>
Tax	1.0	1.8	0.9	1.0
EO	0.0	0.0	0.0	0.0
<b>PAT</b>	<b>10.1</b>	<b>11.9</b>	<b>17.5</b>	<b>12.5</b>
EPS (Rs.)	8.5	10.1	14.8	10.6

Performance Ra	FY10A	FY11A	FY12E	FY13E
EBITDA margin (%)	19.2%	19.1%	19.7%	20.5%
EBIT margin (%)	14.1%	14.2%	14.7%	16.1%
PAT margin (%)	8.3%	10.0%	10.8%	11.0%
ROE (%)	19.9%	24.5%	25.3%	25.3%
ROCE (%)	12.5%	15.7%	17.5%	18.5%

Valuation Ratio	FY10A	FY11A	FY12E	FY13E
Price Earnings (x)	12.0	8.0	6.3	5.1
Price/BV (x)	1.9	1.5	1.2	1.0
EV / Sales	1.5	1.2	1.0	0.8
EV / EBITDA	7.9	6.1	5.1	3.9

Balance Sheet (Rs Cr)	FY10A	FY11A	FY12E	FY13E
Share Capital	11.8	11.8	11.8	11.8
Reserves & Surplus	173.1	217.0	272.0	340.2
Minority	0.0	0.0	0.0	0.0
<b>Net Worth</b>	<b>184.9</b>	<b>228.8</b>	<b>283.8</b>	<b>352.0</b>
<b>Net Deferred Tax Liab</b>	<b>5.3</b>	<b>10.9</b>	<b>10.9</b>	<b>10.9</b>
<b>Total Loans</b>	<b>228.0</b>	<b>190.6</b>	<b>170.6</b>	<b>189.4</b>
<b>Total Liabilities</b>	<b>418.2</b>	<b>430.4</b>	<b>465.4</b>	<b>552.3</b>

<b>Net Fixed Assets</b>	<b>168.5</b>	<b>214.0</b>	<b>211.3</b>	<b>204.1</b>
Capital WIP	47.0	17.2	0.0	0.0
<b>Investments</b>	<b>8.5</b>	<b>8.5</b>	<b>8.5</b>	<b>8.5</b>
Cash & Bank	14.8	14.8	-22.2	5.7
Debtors & Other CA	256.3	267.7	369.4	448.7
CL & P	76.9	91.8	101.7	114.7
<b>Net CA</b>	<b>271.2</b>	<b>282.5</b>	<b>347.3</b>	<b>454.4</b>
<b>Total Assets</b>	<b>418.2</b>	<b>430.4</b>	<b>465.4</b>	<b>552.3</b>

Cash Flow (Rs. Cr)	FY10A	FY11A	FY12E	FY13E
<b>Operating Cash Flow</b>				
Op CF before tax	78.6	96.3	118.4	150.3
Change in WC	16.6	0.2	-91.9	-66.2
Tax	-4.8	-5.9	-10.6	-22.7
<b>CF from Operation</b>	<b>90.4</b>	<b>90.7</b>	<b>15.9</b>	<b>61.4</b>
<b>Investing Activities</b>				
Capex	-41.9	-40.8	-10.0	-25.0
Oth Inc & Investments	1.1	2.8	2.8	2.5
<b>CF from Investing</b>	<b>-40.8</b>	<b>-38.0</b>	<b>-7.2</b>	<b>-22.5</b>
<b>Financing</b>				
Dividend Paid	-4.8	-6.8	-9.9	-12.2
Share Capital	0.0	0.0	0.0	0.0
Loans & Others	-38.1	-46.0	-35.8	1.2
<b>CF from Financing</b>	<b>-42.8</b>	<b>-52.8</b>	<b>-45.6</b>	<b>-11.0</b>
Net Chg. in Cash	6.8	-0.1	-36.9	27.9
Cash at beginning	8.1	14.8	14.8	-22.2
Cash at end	14.8	14.8	-22.2	5.7

Per Share Data	FY10A	FY11A	FY12E	FY13E
Adj EPS	28.8	43.0	55.0	68.2
BV per share	156.8	194.0	240.6	298.4
Cash per share	12.6	12.5	-18.8	4.8
Dividend per share	3.5	5.0	7.1	8.9



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**Nirmal Bang Research (Division of Nirmal Bang Securities Pvt Ltd)**

B-2, 301/302, Marathon Innova,  
 Opp. Peninsula Corporate Park  
 Off. Ganpatrao Kadam Marg  
 Lower Parel (W), Mumbai-400013  
 Board No : 91 22 3926 8000/8001  
 Fax : 022 3926 8010