

CMP: ₹ 1212

Target: ₹ 1305 (8%)

Target Period: 12 months

June 22, 2022

HOLD



## Turns ex-bonus today...

**About the stock:** Ajanta Pharma is a focused player in branded, which constitutes ~72% of overall sales, spread across geographies including India.

- As of FY22, overall exports: domestic formulations ratio was at 70:30
- Among exports, Asia accounts for ~35% of export formulations, Africa 34% & US 30%. The company also participates in anti-malarial tenders in Africa (included in Africa)

### Ajanta Pharma turns ex-bonus today:

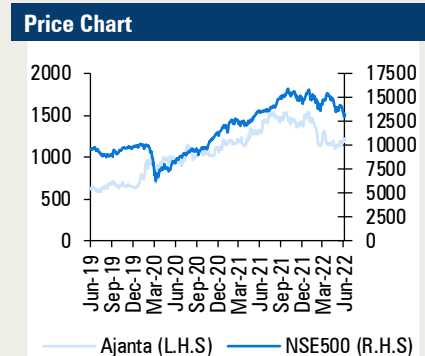
- The company made an announcement about bonus shares on May 10, 2022, for issue of bonus equity shares in the proportion of one equity share of ₹ 2/- each for every two equity shares of ₹ 2/- each
- The record date for the bonus issue of 1:2 equity shares is June 23, 2022 while the ex-date for the same is today, June 22, 2022
- Consequently, Ajanta Pharma's share price has adjusted to opening price of ₹ 1212/share from closing price of ₹ 1842/share yesterday
- Hence, our target price has also now been revised to ₹ 1305/share post this corporate action. However, we change our rating from BUY to **HOLD** due to the recent run-up in the stock. We value Ajanta Pharma at ₹ 1305 i.e. 20x FY24E EPS of ₹ 65.2

### Key triggers for future price performance:

- Focus on maximum number of first time launches with focus on new drug delivery system (NDDS)
- In emerging markets, front-end marketing for direct interaction with doctors
- Calculated focus, healthy margins, return profile and lighter balance sheet are some key differentiators for Ajanta
- Margins are likely to improve amid operational leverage and incremental focus on branded business

Particulars	
Particular	Amount
Market Capitalisation	₹ 15532 crore
Debt (FY22)	₹ 2 crore
Cash (FY22)	₹ 212 crore
EV	₹ 15323 crore
52 week H/L	1614/1063
Equity capital	₹ 25.6 crore
Face value	₹ 2

Shareholding pattern				
(in %)	Jun-21	Sep-21	Dec-21	Mar-22
Promoter	70.3	70.3	70.3	70.5
Others	29.7	29.7	29.7	29.5



### Recent Event & Key risks

- Bonus share issue 1:2 equity shares
- Key Risk:** (i) Better traction from new launches (ii) Volatility in tender business

### Research Analyst

Siddhant Khandekar  
siddhant.khandekar@icicisecurities.com

Raunak Thakur  
raunak.thakur@icicisecurities.com

Kush Mehta  
kush.mehta@icicisecurities.com

### Key Financial Summary

Key Financials (₹ Crore)	FY20	FY21	FY22	5 year CAGR (FY17-22)	FY23E	FY24E	2 year CAGR (FY22-24E)
Revenues	2587.9	2889.7	3341.0	10.8	3669.4	4076.9	10.5
EBITDA	683.3	998.6	929.3	6.2	1018.9	1182.3	12.8
EBITDA margins (%)	26.4	34.6	27.8		27.8	29.0	
Net Profit	467.7	653.9	712.7	7.1	711.8	835.4	8.3
EPS (₹)	36.8	51.0	55.6		55.6	65.2	
PE (x)	33.2	23.8	21.8		21.8	18.6	
EV to EBITDA (x)	22.4	15.2	16.4		14.6	12.2	
RoCE (%)	24.7	29.0	27.0		23.3	23.5	
ROE (%)	18.1	21.8	21.8		18.7	18.8	

Source: Company, ICICI Direct Research

## RATING RATIONALE

ICICI Direct endeavors to provide objective opinions and recommendations. ICICI Direct assigns ratings to its stocks according to their notional target price vs. current market price and then categorizes them as Buy, Hold, Reduce and Sell. The performance horizon is two years unless specified and the notional target price is defined as the analysts' valuation for a stock

Buy: > 15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: < -15%



Pankaj Pandey

Head – Research

pankaj.pandey@icicisecurities.com

ICICI Direct Research Desk,  
ICICI Securities Limited,  
1st Floor, Akruiti Trade Centre,  
Road No 7, MIDC,  
Andheri (East)  
Mumbai – 400 093  
research@icicidirect.com

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