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Broker's Call

RELIANCE SECURITIES Ajanta Pharma (Buy)

CMP: ₹1,374.75

Target: ₹1,860

Ajanta Pharma (AJP) surged 1.6 per cent on Tuesday on account of increased visibility on domestic formulations business front.

We envisage AJP's domestic formulations business to clock 12.4 per cent CAGR over FY17-20E led by improved sales force productivity and new launches (15-20/year), while its US business is expected to witness gradual improvement led by new launches.

We expect AJP's overall sales and PAT to clock 10.4 per cent and 9.1 per cent CAGR over FY17-20E, respectively. While EBITDA margin is expected to be at 33 per cent in FY20E, return ratios are expected to remain healthy. We believe that AJP's long-term fundamentals continue to remain healthy driven by strong traction in India business and healthy growth in Asia and the US. Currently, stock is trading at PE multiple of 22.0x FY19E and 18.5x FY20E EPS.

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