

We had initiated a buy call on Ajooni Biotech Ltd (ABL) on 30th Dec, 2024 at Rs07 for a target price of Rs12; with the latest target at Rs09. The investment rationale was based on the developments in the Moringa business, which has been sluggish since 6-8 quarters. It was anticipated that this initiative could help achieve better margins and profitability. However, there has been no encouraging progress or commercial scale-up regarding this initiative. In addition to this, the core animal feed business is highly exposed to raw material price volatility and the profitability is dependent on commodity prices. The company is unable to develop any significant pricing power or product differentiation to protect the overall margin during an uncertain trade environment despite the expansion plans. Although there has been consistency seen in the revenue growth, stagnancy at the operating level has led to lower than expected profitability. Under such circumstances the working capital and cash conversion cycle can face some stress in the near and distant future. The absence of reassuring development in the moringa business/plantation, continued raw material uncertainty, rising working loans and limited visibility on sustainable margin improvement has reduced our confidence in the near to long term; hence, we close the call. However, we will maintain a soft coverage on ABL to see if there are any reassuring signs of profitable volumes/development.

Recommendations:

We close the call on the stock.

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