

Alembic Pharma

Estimate change	
TP change	
Rating change	

Bloomberg	ALPM IN
Equity Shares (m)	197
M.Cap.(INRb)/(USDb)	238.6 / 2.8
52-Week Range (INR)	1286 / 707
1, 6, 12 Rel. Per (%)	24/12/30
12M Avg Val (INR M)	269

Financials & Valuations (INR b)

Y/E MARCH	FY24	FY25E	FY26E
Sales	62.3	66.3	72.8
EBITDA	9.3	11.7	13.0
Adj. PAT	6.2	7.4	8.2
EBIT Margin (%)	10.6	13.5	13.9
Cons. Adj. EPS (INR)	31.5	37.6	41.5
EPS Gr. (%)	43.9	19.7	10.3
BV/Sh. (INR)	245.1	277.1	312.9
Ratios			
Net D:E	0.1	0.0	0.0
RoE (%)	13.5	14.3	13.9
RoCE (%)	12.9	13.9	13.6
Payout (%)	19.1	16.0	14.5
Valuations			
P/E (x)	38.7	32.3	29.3
EV/EBITDA (x)	19.9	15.6	13.9
Div. Yield (%)	0.4	0.4	0.4
FCF Yield (%)	1.8	3.5	3.5
EV/Sales (x)	3.0	2.8	2.5

Shareholding pattern (%)

As On	Jun-24	Mar-24	Jun-23
Promoter	69.6	69.6	69.6
DII	15.5	15.4	13.7
FII	4.3	4.5	4.3
Others	10.6	10.5	12.4

FII Includes depository receipts

CMP: INR1,214

TP: INR1,155 (-5%)

Neutral

The US generics and specialty in India drive earnings

Launch momentum to strengthen going forward

- Alembic Pharma (ALPM) posted a miss on earnings in 1QFY25, due to muted performance in the ROW and API segments. The US generics witnessed a pickup in sales for the quarter. Further, the specialty portfolio in the domestic formulation (DF) segment fared better than the industry.
- We largely maintain our estimates for FY25/FY26. We value ALPM at 26x 12M forward earnings to arrive at our TP of INR1,155.
- The pace of ANDA launches is likely to scale-up in the coming quarters. The consistent USFDA compliance track record provides minimal risk to the US generics outlook. The animal health business also remains on a robust growth path. However, the benefit is partly offset by reduced off-take in the API segment. We model a 15% earnings CAGR over FY24-26. However, considering its valuations (32x/29x FY25E/FY26E earnings), we reiterate our Neutral on the stock.

Segmental mix benefits partly offset by higher opex

- ALPM sales grew 5% YoY to INR15.6b (in-line). Domestic formulation (DF) sales grew 9.2% YoY to INR5.7b (37% of sales). The US generics sales grew 18% YoY to INR4.6b (USD56m; 29% of sales). Ex-US generics, export sales grew 2% YoY to INR2.7b (17% of sales). API sales declined 15% YoY to INR2.6b (17% of sales).
- Gross margin expanded 260bp YoY to 74.8% propelled by superior product mix and lower RM costs.
- EBITDA margin expanded 180bp YoY to 15.2% (our est: 16.9%), as the favorable product mix was offset by higher employee costs (+90bp as a % of sales).
- Consequently, EBITDA grew 19.2% YoY to INR2.4b (our est: INR2.6b)
- Adj. PAT grew 12% YoY to INR1.3b (our est: INR1.7b).

Highlights from the management commentary

- It would be launching 10 products in 2QFY25 in the US generics segment.
- With respect to G-Entresto, ALPM has settled with the innovator. ALPM is in a wait-and-watch mode for launching this product. The court hearing is underway, and the company will have clarity in a couple of weeks.
- The API business was hit by regulatory issues for its customer. ALPM expects this business to revive in the coming quarter.
- The ROW business was muted in 1QFY25 due to supply constraints.
- The G-Revlimal launch is a couple of years away in the US market.

Quarterly perf. (Consol.)											(INR m)		
Y/E March	FY24				FY25E				FY24	FY25E	FY25E	1QE	vs Est
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE					
Net Sales	14,862	15,949	16,309	15,170	15,617	16,421	17,490	16,742	62,290	66,270	15,671	-0.3%	
YoY Change (%)	17.7	8.1	8.1	7.9	5.1	3.0	7.2	10.4	10.2	6.4	5.4		
Total Expenditure	12,874	13,867	13,642	12,569	13,249	13,662	14,202	13,427	52,953	54,540	13,023		
EBITDA	1,987	2,083	2,667	2,601	2,368	2,759	3,288	3,315	9,337	11,730	2,648	-10.6%	
YoY Change (%)	73.3	-10.5	7.2	16.5	19.2	32.5	23.3	27.5	14.0	25.6	33.3		
Margins (%)	13.4	13.1	16.4	17.1	15.2	16.8	18.8	19.8	15.0	17.7	16.9	-173.5	
Depreciation	662	676	695	695	690	695	705	718	2,727	2,808	690		
EBIT	1,325	1,407	1,973	1,906	1,678	2,064	2,583	2,597	6,611	8,921	1,958	-14.3%	
YoY Change (%)	111.9	-22.3	8.9	-2.4	26.6	46.7	31.0	36.3	12.4	35.0	47.8		
Interest	144	157	152	109	132	115	105	79	562	431	110		
Other Income	117	102	29	36	21	42	50	77	283	190	40		
PBT before EO expense	1,298	1,352	1,850	1,832	1,567	1,991	2,528	2,595	6,332	8,681	1,888	-17.0%	
Extra-Ord expense	0	0	0	0	0	0	0	0	0	0	0		
PBT	1,298	1,352	1,850	1,832	1,567	1,991	2,528	2,595	6,332	8,681	1,888	-17.0%	
Tax	92	-19	41	46	225	259	354	378	160	1,215	227		
Rate (%)	7.0	-1.4	2.2	2.5	14.4	13.0	14.0	14.6	2.5	14.0	12.0		
MI & P/L of Asso. Cos.	0	-5	-1	-4	-5	-5	-5	84	-10	69	-4		
Reported PAT	1,207	1,376	1,809	1,790	1,347	1,737	2,179	2,134	6,182	7,396	1,666	-19.1%	
Adj PAT	1,207	1,376	1,809	1,790	1,347	1,737	2,179	2,134	6,182	7,396	1,666	-19.1%	
YoY Change (%)	160.9	-6.7	36.6	73.1	11.6	26.2	20.5	19.2	43.9	19.7	38.0		
Margins (%)	8.1	8.6	11.1	11.8	8.6	10.6	12.5	12.7	9.9	11.2	10.6		

Key performance Indicators (Consolidated)											(INR m)	
Y/E March	FY24				FY25E				FY24	FY25E		
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE				
India	5,240	5,770	5,960	5,030	5,720	6,059	6,401	5,629	22,000	22,000	23,808	
YoY Change (%)	9.2	5.1	9.4	2.9	9.2	5.0	7.4	11.9	6.6	6.6	8.2	
Exports	6,570	6,960	7,460	6,850	7,320	7,561	8,084	7,837	27,820	27,820	30,802	
YoY Change (%)	19.7	10.0	16.9	13.4	11.4	8.6	8.4	14.4	14.8	14.8	10.7	
APIs	3,050	3,220	2,890	3,300	2,590	2,801	3,006	3,263	12,460	12,460	11,660	
YoY Change (%)	30.9	9.5	(11.3)	5.4	(15.1)	(13.0)	4.0	(1.1)	6.9	6.9	(6.4)	
Cost Break-up												
RM Cost (% of Sales)	27.8	28.9	28.3	25.0	25.2	25.3	25.1	25.6	27.5	27.5	25.3	
Staff Cost (% of Sales)	23.4	21.8	21.4	26.5	24.3	23.2	22.0	23.0	23.2	23.2	23.1	
R&D Expenses (% of Sales)	8.0	7.6	7.0	8.0	7.0	7.2	7.5	8.3	7.6	7.6	7.5	
Other Cost (% of Sales)	27.4	28.7	27.0	23.4	28.3	27.5	26.6	23.4	26.6	26.6	26.4	
Gross Margin (%)	72.2	71.1	71.7	75.0	74.8	74.7	74.9	74.4	72.5	72.5	74.7	
EBITDA Margin (%)	13.4	13.1	16.4	17.1	15.2	16.8	18.8	19.8	15.0	15.0	17.7	
EBIT Margin (%)	8.9	8.8	12.1	12.6	10.7	12.6	14.8	15.5	10.6	10.6	13.5	

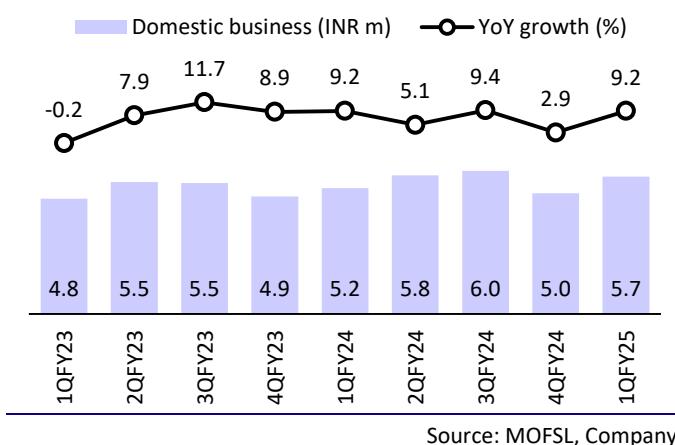


Key takeaways from the management commentary

- ALPM expects the gross margin to be north of 70% going forward.
- The company expects that R&D expense to be ~INR5.5b for FY25.
- Management guided API business growth to be 10% YoY for FY25.
- ALPM guided the US business to grow ~10-15% for FY25.
- It continues to witness double-digit price erosion in the US generics segment.
- ALPM delivered robust growth in the specialty portfolio and better-than-market growth in the Acute portfolio of the DF segment. Therapy-wise, Gynecology, Gastro-intestinal, and Anti-diabetic grew 12.5%, 11.8%, and 18.4% YoY, respectively.
- ALPM has 5,200 MRs with 21 marketing divisions for the DF business
- A basket of strong brands continue to drive outperformance in the animal health segment.
- Gross borrowing was INR5.9b in 1QFY25 vs. INR4.3b in Mar'24.
- ALPM had a cash of INR1.5b in 1QFY25 vs. INR1.2b in Mar'24.

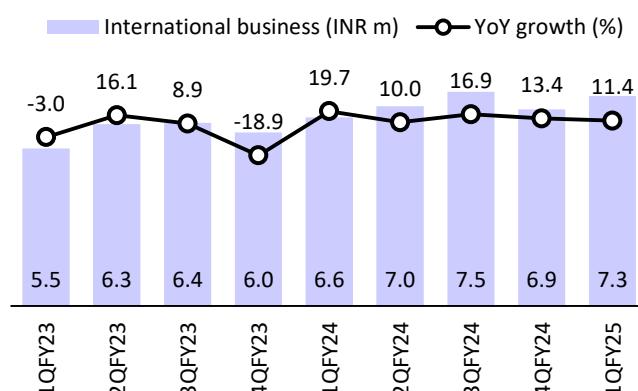
Key exhibits

Exhibit 1: DF sales grew 9.2% YoY in 1QFY25



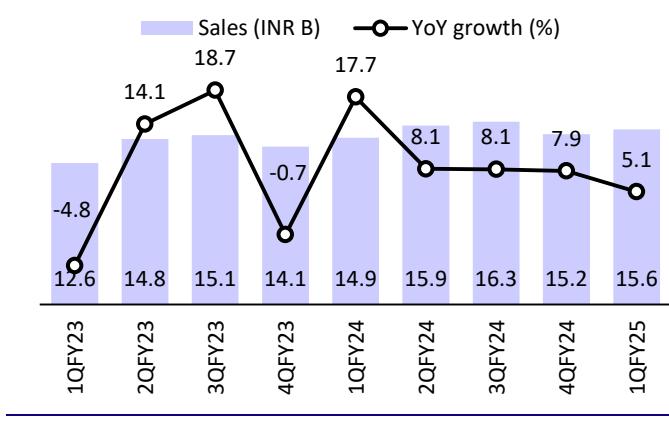
Source: MOFSL, Company

Exhibit 2: International business grew 11.4% YoY in 1QFY25



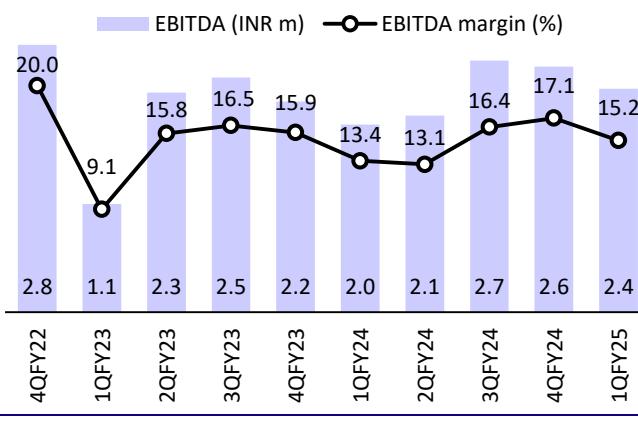
Source: MOFSL, Company

Exhibit 3: Sales increased 5.1% YoY



Source: MOFSL, Company

Exhibit 4: EBITDA margin expanded 180bp YoY in 1QFY25



Source: MOFSL, Company

Focus on complex launches in the US/DF market to aid growth

US: Building complex product pipeline

- In 1QFY25, ALPM's US business grew 16.8% YoY to USD56m, led by market share gains in a few products and scaling up of recently commercialized products.
- ALPM filed three NDAs in 1QFY25 and received approval for nine products in the US market. ALPM is investing more in complex injectable, ophthalmic, oncology, and inhalation products.
- It plans to launch 25 products in FY25. Moreover, the launch of new products from the new facilities to drive growth in the coming quarters.
- Further, due to increased demand, ALPM is raising its capacity in oral solids to drive growth over the medium term.
- Considering the new launches of complex products and a scale-up in existing products, we expect an 11% sales CAGR to USD263m over FY24-26.

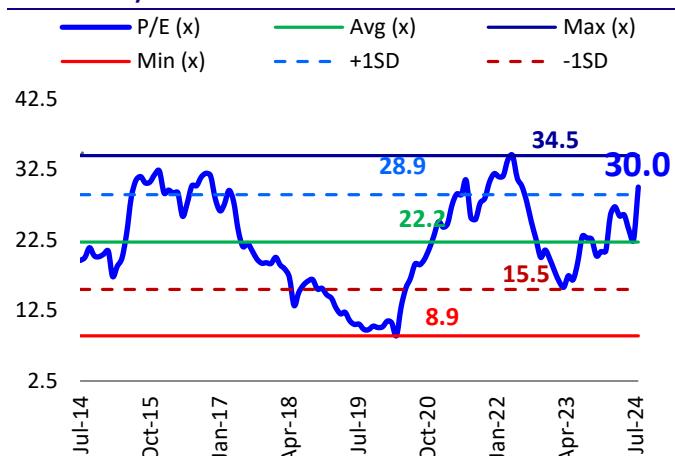
India: Specialty brands witnessing strong growth; animal health on a robust growth mode

- In 1QFY25, ALPM's overall India business grew 9% YoY to INR5.7b. The growth was led by a 10% YoY growth in the specialty segment, largely driven by strong performance in gynaec/gastro/anti-diabetic/ophthalmology.
- In 1QFY25, ALPM's animal health segment registered a growth of 31.9% YoY to INR980m, led by strong brand recall and enhanced efforts by MRs.
- The acute segment registered a decline of 2.8% YoY in 1QFY25, led by a muted performance in anti-infective and respiratory segments.
- In MAT Jun'24, ALPM's prescription base was stable at 130m. Additionally, the company plans to launch key products in FY25 and improve the depth of the products launched in FY24, which would drive growth.
- Further, the company plans to invest in a new facility, which would drive growth for overall India business.
- Accordingly, we expect a 9% sales CAGR to INR26.1b over FY24-26.

Reiterate Neutral

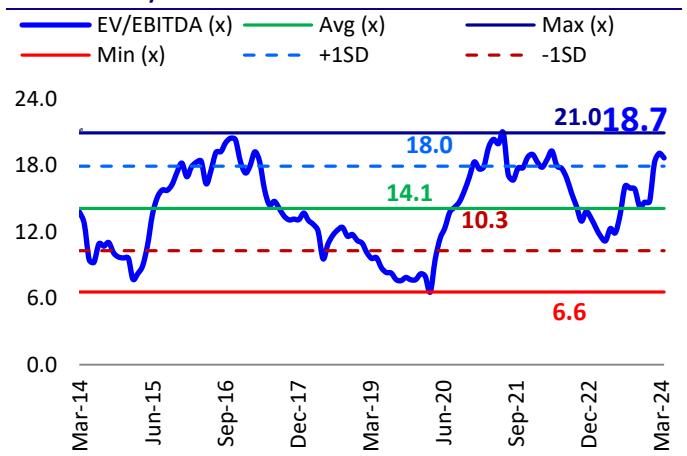
- We largely maintain our estimates for FY25/FY26. We value ALPM at 26x 12M forward earnings to arrive at our TP of INR1,155.
- The pace of ANDA launches is likely to scale-up in the coming quarters. The consistent USFDA compliance track record provides minimal risk to the US generics outlook. The animal health business also remains on a robust growth path. However, the benefit is partly offset by reduced off-take in the API segment. We model a 15% earnings CAGR over FY24-26. However, considering its valuations (32x/29x FY25E/FY26E earnings), we reiterate our Neutral on the stock.

Exhibit 5: P/E chart



Source: MOFSL, Company, Bloomberg

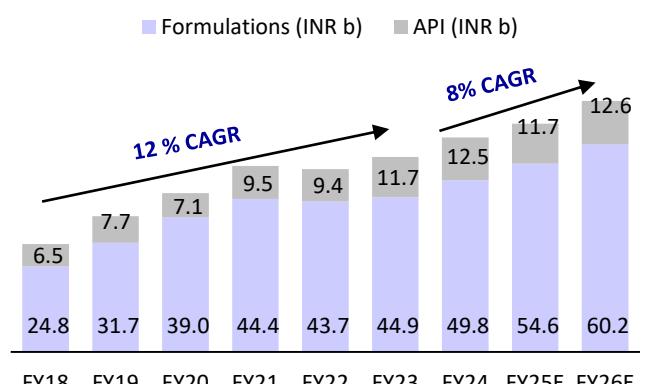
Exhibit 6: EV/EBITDA chart



Source: MOFSL, Company, Bloomberg

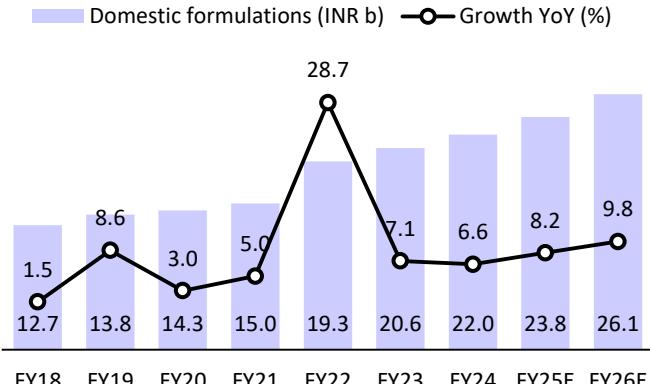
Story in charts

Exhibit 7: Formulation sales CAGR to be 8% over FY24-26



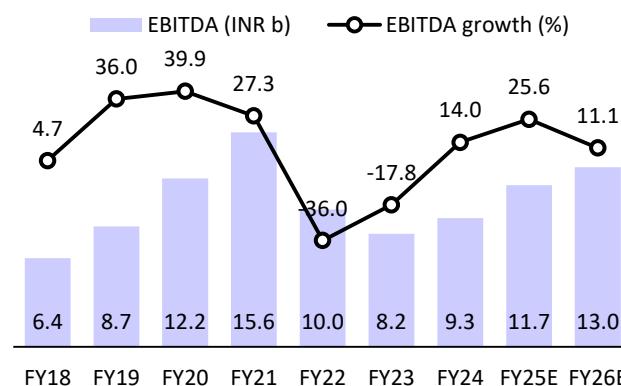
Source: MOFSL, Company

Exhibit 8: Expect DF to exhibit 9% CAGR over FY24-26



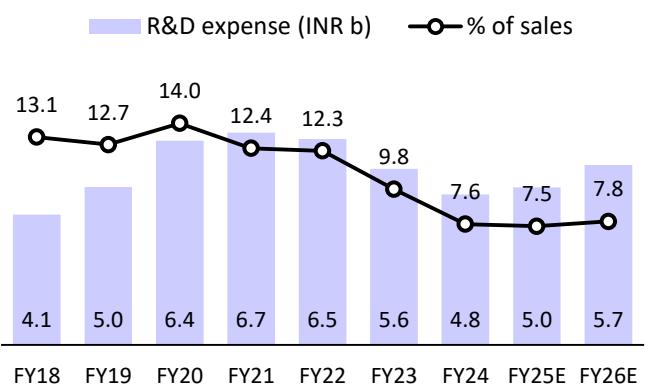
Source: MOFSL, Company

Exhibit 9: EBITDA CAGR to be 18% during FY24-26



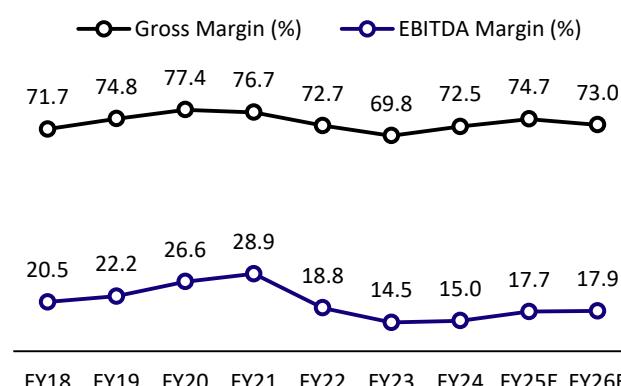
Source: MOFSL, Company

Exhibit 10: R&D expenses as a % of sales to decline



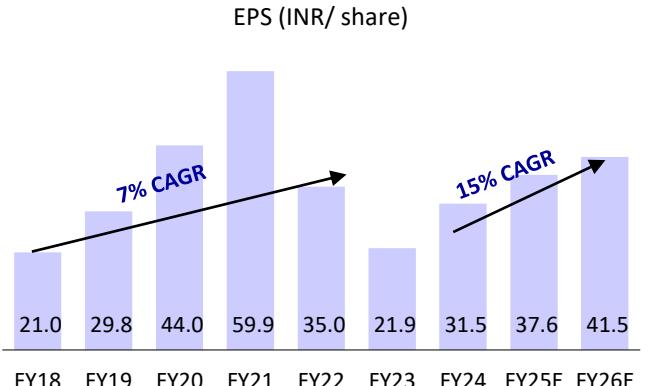
Source: MOFSL, Company

Exhibit 11: Margin to improve over FY24-26



Source: MOFSL, Company

Exhibit 12: Earnings CAGR to be 15% over FY24-26



Source: MOFSL, Company

Financials and valuations

Consolidated - Income Statement								(INR m)
Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Net Sales	39,357	46,060	53,931	53,058	56,526	62,290	66,270	72,814
Change (%)	25.7	17.0	17.1	-1.6	6.5	10.2	6.4	9.9
EBITDA	8,746	12,233	15,575	9,972	8,194	9,337	11,730	13,034
Change (%)	36.0	39.9	27.3	-36.0	-17.8	14.0	25.6	11.1
Margin (%)	22.2	26.6	28.9	18.8	14.5	15.0	17.7	17.9
Depreciation	1,152	1,573	1,835	2,218	2,314	2,727	2,808	2,940
EBIT	7,594	10,660	13,741	7,754	5,880	6,611	8,921	10,093
Int. and Finance Charges	184	272	160	177	502	562	431	379
Other Income - Rec.	94	49	100	505	27	283	190	195
PBT bef. EO Exp.	7,503	10,437	13,681	8,081	5,405	6,332	8,681	9,909
EO Expense/(Income)	0	436	0	1,880	1,550	0	0	0
PBT after EO Exp.	7,503	10,001	13,681	6,201	3,855	6,332	8,681	9,909
Current Tax	1,781	2,046	2,629	1,279	42	658	1,997	2,279
Deferred Tax	-214	-54	-96	-235	84	-498	-781	-595
Tax Rate (%)	20.9	19.9	18.5	16.8	3.3	2.5	14.0	17.0
MI & P/L of Asso. Cos.	82.0	-284.7	-633.5	-300.3	309.2	-9.8	69.0	69.0
Reported PAT	5,854	8,294	11,781	5,457	3,420	6,182	7,396	8,156
PAT Adj for EO items	5,854	8,643	11,781	6,889	4,296	6,182	7,396	8,156
Change (%)	41.8	47.7	36.3	-41.5	-37.6	43.9	19.7	10.3
Margin (%)	14.9	18.8	21.8	13.0	7.6	9.9	11.2	11.2

Consolidated - Balance Sheet								(INR m)
Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Equity Share Capital	377	377	393	393	393	393	393	393
Total Reserves	26,811	31,820	50,883	51,982	43,312	47,789	54,071	61,113
Preference Capital	0	0	0	0	0	0	0	0
Net Worth	27,188	32,197	51,276	52,375	43,705	48,182	54,465	61,506
Minority Interest	-8	-290	-606	0	0	0	0	0
Deferred Liabilities	188	122	42	0	0	0	-781	-1,376
Total Loans	9,284	18,208	2,715	7,021	7,051	4,933	4,835	4,737
Capital Employed	36,652	50,237	53,426	59,397	50,756	53,115	58,519	64,868
Gross Block	15,156	20,700	24,909	27,221	35,532	39,741	46,671	51,344
Less: Accum. Deprn.	3,608	5,181	7,016	9,234	11,548	14,274	17,083	20,023
Net Fixed Assets	11,585	15,518	17,893	17,987	23,985	25,467	29,589	31,321
Capital WIP	15,512	18,462	21,817	23,034	6,013	5,244	3,314	3,641
Total Investments	488	179	2,363	1,184	963	930	930	930
Curr. Assets, Loans&Adv.	20,193	25,734	25,017	29,015	30,868	32,815	36,023	42,009
Inventory	9,673	11,875	14,862	16,097	14,753	16,435	16,077	18,852
Account Receivables	4,889	8,648	3,486	8,071	10,464	10,248	11,075	12,368
Cash and Bank Balance	2,056	808	1,058	694	823	1,266	3,965	5,819
Loans and Advances	3,576	4,404	5,612	4,153	4,828	4,866	4,905	4,970
Curr. Liability & Prov.	11,125	9,656	13,663	11,824	11,073	11,341	11,337	13,033
Account Payables	6,443	6,259	6,688	7,064	6,798	7,356	7,304	8,672
Other Current Liabilities	3,838	2,270	5,601	3,165	2,512	2,237	2,379	2,614
Provisions	844	1,127	1,375	1,595	1,763	1,748	1,654	1,747
Net Current Assets	9,068	16,078	11,354	17,192	19,795	21,474	24,686	28,976
Misc Expenditure	0	0	0	0	0	0	0	0
Appl. of Funds	36,652	50,238	53,426	59,397	50,756	53,115	58,519	64,868

Financials and valuations

Ratios

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Basic (INR)								
EPS	29.8	44.0	59.9	35.0	21.9	31.5	37.6	41.5
Cash EPS	37.2	54.2	69.3	46.3	33.6	45.3	51.9	56.4
BV/Share	144.2	170.8	260.9	266.5	222.4	245.1	277.1	312.9
DPS	5.5	10.0	10.4	10.4	4.2	5.2	5.2	5.2
Payout (%)	21.3	27.4	20.1	43.4	27.7	19.1	16.0	14.5
Valuation (x)								
P/E	40.8	27.7	20.3	34.7	55.6	38.7	32.3	29.3
Cash P/E	32.7	22.4	17.6	26.2	36.2	26.8	23.4	21.5
P/BV	8.4	7.1	4.7	4.6	5.5	5.0	4.4	3.9
EV/Sales	4.8	4.3	3.4	3.5	3.3	3.0	2.8	2.5
EV/EBITDA	21.6	16.3	11.8	18.9	23.0	19.9	15.6	13.9
Dividend Yield (%)	0.5	0.8	0.9	0.9	0.3	0.4	0.4	0.4
Return Ratios (%)								
RoE	23.4	30.1	29.7	13.9	8.3	13.5	14.3	13.9
RoCE	18.5	19.7	21.6	12.1	10.4	12.9	13.9	13.6
RoIC	31.8	34.6	38.0	20.6	14.7	14.5	16.0	16.0
Working Capital Ratios								
Asset Turnover (x)	1.1	0.9	1.0	0.9	1.1	1.2	1.1	1.1
Inventory (Days)	90	94	101	111	95	96	89	95
Debtor (Days)	45	69	24	56	68	60	61	62
Creditor (Days)	60	50	45	49	44	43	40	43
Leverage Ratio (x)								
Net Debt/Equity	0.3	0.5	0.0	0.1	0.1	0.1	0.0	0.0

Consolidated - Cash Flow Statement

(INRm)

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Net Profit / (Loss) Before Tax	7,493	9,998	13,681	6,201	3,546	6,318	8,681	9,909
Depreciation	1,152	1,573	1,835	2,868	2,754	2,727	2,808	2,940
Interest & Finance Charges	184	272	160	131	502	562	241	184
Direct Taxes Paid	1,665	2,361	2,454	1,234	607	199	1,997	2,279
(Inc)/Dec in WC	1,116	-5,844	2,395	-3,673	-576	-957	-512	-2,436
CF from Operations	8,281	3,638	15,617	4,292	5,619	8,452	9,221	8,318
Others	-161	853	-983	1,231	1,620	-819	0	0
CF from Operating incl EO	8,119	4,491	14,634	5,524	7,239	7,633	9,221	8,318
(inc)/dec in FA	-6,539	-6,726	-6,592	-4,243	-4,434	-3,159	-5,000	-5,000
Free Cash Flow	1,580	-2,235	8,041	1,281	2,805	4,474	4,221	3,318
(Pur)/Sale of Investments	39	23	-1,796	523	-64	-63	0	0
Others	-1,055	-613	0	17	22	32	190	195
CF from Investments	-7,556	-7,316	-8,388	-3,702	-4,476	-3,190	-4,810	-4,805
Issue of Shares	0	0	0	0	0	0	0	0
(Inc)/Dec in Debt	2,206	5,919	-12,398	1,300	-172	-2,312	-98	-98
Interest Paid	-703	-1,111	6,611	-519	-497	-494	-431	-379
Dividend Paid	-909	-3,260	0	-2,752	-1,966	-1,573	-1,183	-1,183
Others	-1	27	-208	-214	0	0	0	0
CF from Fin. Activity	592	1,576	-5,994	-2,186	-2,635	-4,379	-1,712	-1,660
Inc/Dec of Cash	1,156	-1,249	252	-364	129	64	2,700	1,853
Add: Beginning Balance	900	2,055	807	1,059	694	823	1,266	3,966
Closing Balance	2,055	807	1,058	694	823	887	3,965	5,819
Total Cash and Cash Eq	2,056	807	1,059	694	823	1,266	3,965	5,819

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