

Estimate change	↓
TP change	↓
Rating change	↔

Bloomberg	ALPM IN
Equity Shares (m)	197
M.Cap.(INRb)/(USDb)	212.3 / 2.5
52-Week Range (INR)	1304 / 710
1, 6, 12 Rel. Per (%)	-9/-3/21
12M Avg Val (INR M)	320

Financials & Valuations (INR b)

Y/E MARCH	FY25E	FY26E	FY27E
Sales	65.3	72.2	80.7
EBITDA	10.4	11.9	14.3
Adj. PAT	6.2	7.4	9.3
EBIT Margin (%)	11.6	12.4	13.8
Cons. Adj. EPS (INR)	31.7	37.9	47.5
EPS Gr. (%)	0.7	19.6	25.4
BV/Sh. (INR)	271.1	303.3	345.1
Ratios			
Net D:E	0.0	0.0	0.0
RoE (%)	12.1	13.1	14.5
RoCE (%)	12.3	12.8	14.2
Payout (%)	18.7	15.9	12.7
Valuations			
P/E (x)	33.9	28.3	22.6
EV/EBITDA (x)	17.7	15.3	12.7
Div. Yield (%)	0.5	0.5	0.5
FCF Yield (%)	0.3	3.1	3.7
EV/Sales (x)	2.8	2.5	2.2

Shareholding pattern (%)

As On	Sep-24	Jun-24	Sep-23
Promoter	69.6	69.6	69.6
DII	16.1	15.5	14.2
FII	3.9	4.3	4.5
Others	10.4	10.6	11.7

FII Includes depository receipts

CMP: INR1,080 **TP: INR1,110 (+3%)** **Neutral**

API/India trim earnings growth

Making efforts to revive performance across segments

- Alembic Pharma's (ALPM) 2QFY25 results came in below our estimates due to the deterioration in API business and higher operational costs. Weak seasonality impacted acute category of its domestic formulation (DF) business, which affected the overall 2Q performance.
- We cut our earnings estimates by 15%/8%/5% for FY25/FY26/FY27 to factor in a) the loss of some customers in API business, b) muted demand in acute therapies, c) slower execution in specialty DF segment, and d) higher operational costs. We value ALPM at 25x 12M forward earnings to arrive at a TP of INR1,110.
- ALPM is implementing efforts to a) scale up US generics with new launches, b) build capabilities/capacities in GLP-1 set of products, and c) improve growth prospects in specialty products. Considering a CAGR of 11%/17%/22% in sales/EBITDA/PAT for FY25-27 and valuation at 28x/23x FY26/FY27 PE, there is limited upside from current levels. Maintain Neutral.

Improved product mix offset by reduced operating leverage

- ALPM sales grew 3.3% YoY to INR16.5b (in line). DF sales rose 5.5% YoY to INR6b (37% of sales). US generics sales increased 5.2% YoY to INR4.7b (USD56m; 28% of sales). Excl. US generics, export sales grew 18.3% YoY to INR3b (18% of sales). API sales declined 15% YoY to INR2.7b (17% of sales).
- Gross margin expanded 290bp YoY to 74% due to a superior product mix and lower RM costs.
- EBITDA margin expanded by 150bp YoY to 14.5% (our est: 16.8%), as a favorable product mix and lower other expenses (-60bp as % of sales) were offset by higher employee costs (+200bp as % of sales).
- Consequently, EBITDA grew 15% YoY to INR2.4b (our est: INR2.7b).
- After adjusting an extraordinary gain of INR129m regarding an insurance claim received for its Sikkim plant, PAT grew 4% YoY to INR1.4b (our est: INR1.7b).
- 1HFY25 revenue/EBITDA/PAT grew 4%/17%/7% YoY to INR32b/INR4.8b/INR2.8b.

Highlights from the management commentary

- In 1HFY25, API business was weak due to the loss of customers and price erosion. ALPM expects the API business to return to growth in FY26.
- ALPM expects the ROW market to grow ~15-20% YoY in 2HFY25.
- It is building capacity for in-house manufacturing of GLP-1 products.
- ALPM expects 2HFY25 to be stronger for US business, led by new launches and market share gains.

Quarterly perf. (Consol.)										(INR m)		
Y/E March	FY24				FY25E				FY24	FY25E	FY25E	vs Est
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE				
Net Sales	14,862	15,949	16,309	15,170	15,617	16,480	16,981	16,267	62,290	65,345	16,260	1.4%
YoY Change (%)	17.7	8.1	8.1	7.9	5.1	3.3	4.1	7.2	10.2	4.9	1.9	
Total Expenditure	12,874	13,867	13,642	12,569	13,249	14,087	14,298	13,321	52,953	54,955	13,528	
EBITDA	1,987	2,083	2,667	2,601	2,368	2,393	2,683	2,946	9,337	10,390	2,732	-12.4%
YoY Change (%)	73.3	-10.5	7.2	16.5	19.2	14.9	0.6	13.3	14.0	11.3	31.2	
Margins (%)	13.4	13.1	16.4	17.1	15.2	14.5	15.8	18.1	15.0	15.9	16.8	-228.2
Depreciation	662	676	695	695	690	705	705	709	2,727	2,810	695	
EBIT	1,325	1,407	1,973	1,906	1,678	1,688	1,978	2,237	6,611	7,580	2,037	-17.1%
YoY Change (%)	111.9	-22.3	8.9	-2.4	26.6	19.9	0.3	17.4	12.4	14.7	44.8	
Interest	144	157	152	109	132	188	182	120	562	622	115	
Other Income	117	102	29	36	21	167	80	72	283	340	42	
PBT before EO expense	1,298	1,352	1,850	1,832	1,567	1,667	1,876	2,188	6,332	7,298	1,964	-15.1%
Extra-Ord expense	0	0	0	0	0	-129	0	0	0	129	0	
PBT	1,298	1,352	1,850	1,832	1,567	1,796	1,876	2,188	6,332	7,426	1,964	-8.6%
Tax	92	-19	41	46	225	273	263	261	160	1,022	255	
Rate (%)	7.0	-1.4	2.2	2.5	14.4	15.2	14.0	11.9	2.5	13.8	13.0	
MI & P/L of Asso. Cos.	0	-5	-1	-4	-5	-11	-11	96	-10	69	-5	
Reported PAT	1,207	1,376	1,809	1,790	1,347	1,534	1,625	1,830	6,182	6,336	1,713	-10.5%
Adj PAT	1,207	1,376	1,809	1,790	1,347	1,425	1,625	1,830	6,182	6,227	1,713	-16.8%
YoY Change (%)	160.9	-6.7	36.6	73.1	11.6	3.6	-10.2	2.3	43.9	0.7	24.5	
Margins (%)	8.1	8.6	11.1	11.8	8.6	8.6	9.6	11.3	9.9	9.5	10.5	
EPS	6	7	9	9	7	7	8	9	31	32	9	-16.8%

E: MOFSL Estimates

Key performance Indicators (Consolidated)										(INR m)	
Y/E March	FY24				FY25E				FY24	FY25E	
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE			
India	5,240	5,770	5,960	5,030	5,720	6,090	6,318	5,206	22,000	23,333	
YoY Change (%)	9.2	5.1	9.4	2.9	9.2	5.5	6.0	3.5	6.6	6.1	
Exports	6,570	6,960	7,460	6,850	7,320	7,650	7,918	8,124	27,820	31,012	
YoY Change (%)	19.7	10.0	16.9	13.4	11.4	9.9	6.1	18.6	14.8	11.5	
APIs	3,050	3,220	2,890	3,300	2,590	2,740	2,746	2,924	12,460	10,999	
YoY Change (%)	30.9	9.5	(11.3)	5.4	(15.1)	(14.9)	(5.0)	(11.4)	6.9	(11.7)	
Cost Break-up											
RM Cost (% of Sales)	27.8	28.9	28.3	25.0	25.2	26.0	25.6	24.3	27.5	25.3	
Staff Cost (% of Sales)	23.4	21.8	21.4	26.5	24.3	23.8	23.0	23.8	23.2	23.7	
R&D Expenses (% of Sales)	8.0	7.6	7.0	8.0	7.0	8.0	8.2	6.7	7.6	7.5	
Other Cost (% of Sales)	27.4	28.7	27.0	23.4	28.3	27.7	27.4	27.1	26.6	27.6	
Gross Margins (%)	72.2	71.1	71.7	75.0	74.8	74.0	74.4	75.7	72.5	74.7	
EBITDA Margins (%)	13.4	13.1	16.4	17.1	15.2	14.5	15.8	18.1	15.0	15.9	
EBIT Margins (%)	8.9	8.8	12.1	12.6	10.7	10.2	11.6	13.7	10.6	11.6	

E: MOFSL Estimates



Key takeaways from the management commentary

- ALPM plans to launch 10 products in 2H.
- The price erosion is in the range of high single digits to low double digits for US business.
- The filings for the year to be lower compared to earlier due to reduced R&D. It has cancelled multiple projects due to non-viability of drugs.
- ALPM expects 15-20 filings in ANDA in FY26.
- ALPM expects ~15% growth in DF business in 2HFY25, taking YoY growth to high single digits in FY25.
- During the quarter, cough and cold therapy witnessed single-digit growth.
- The company expects R&D expenses of ~INR5b for FY25, with 70% of expenses for formulation and the remaining for API.
- Gross borrowings stood at INR9.9b as of Sept'24.
- ALPM has built up inventory due to new launches and supply chain issues. As a result, debt has increased.
- Forex gain was ~INR100-120m.
- R&D spend was INR1.3b or 8% of sales.

Key exhibits

Exhibit 1: DF sales grew 5.5% YoY in 2QFY25

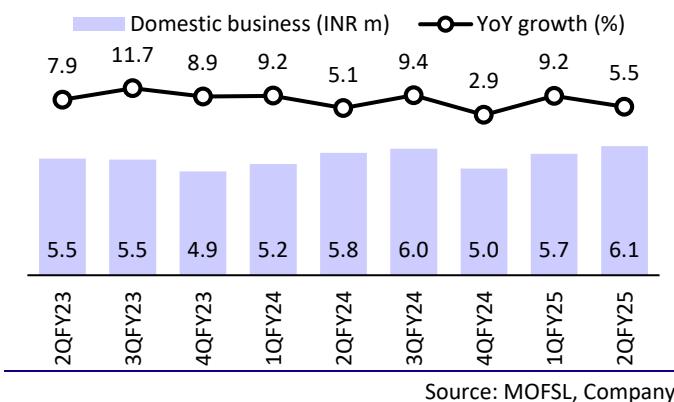


Exhibit 2: International business grew 9.9% YoY in 2QFY25

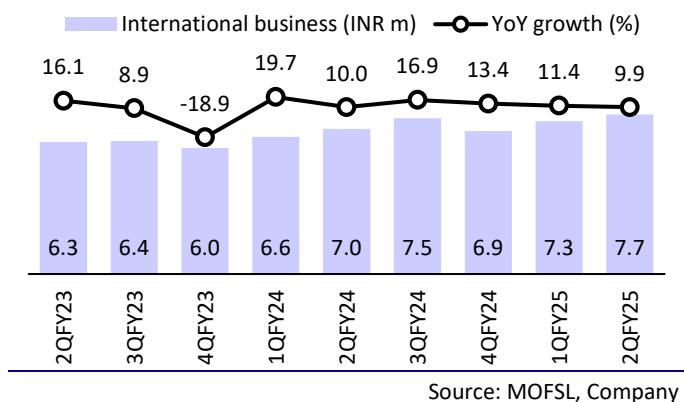


Exhibit 3: Sales increased 3.3% YoY in 2QFY25

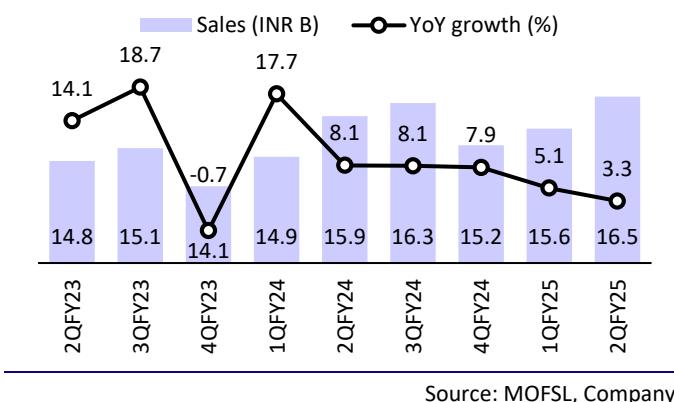
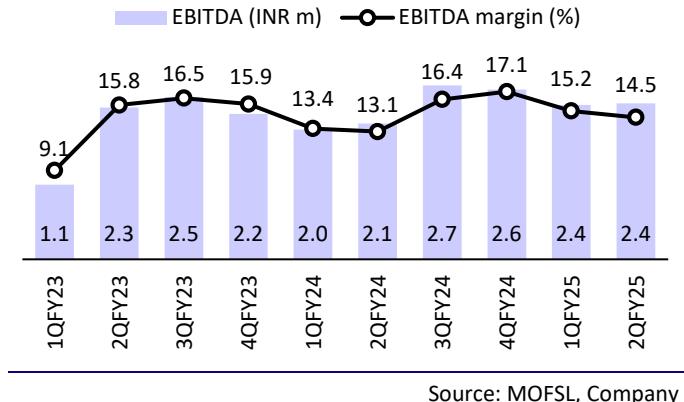


Exhibit 4: EBITDA margin expanded 150bp YoY in 2QFY25



Scale-up across geographies remains the key

US: Building product pipeline to improve business prospects

- In 1HFY25, ALPM's US business grew 10% YoY to USD112m, led by market share gains in a few products and the scale-up of recently commercialized products, offset by price erosion.
- ALPM filed four ANDAs in 1HFY25 and received approval for 16 products in the US market. ALPM is investing more in complex injectable, ophthalmic, oncology, and inhalation products. It plans to file 15-20 products in FY26.
- It plans to launch 10 products in 2HFY25. 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.
- The company is also investing in GLP-1 capacity and capabilities and plans to file Semaglutide/Trizepatide and other GLP-1 products, which would drive growth over the medium term.
- Considering the new launches of complex products and a scale-up in existing products, we expect a 13.5% sales CAGR to USD305m over FY25-27.

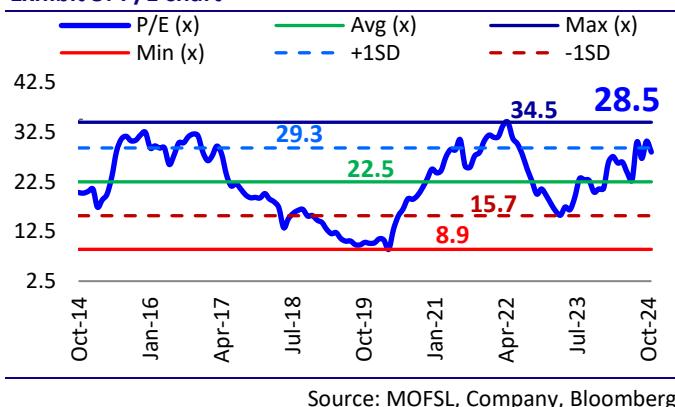
India: Expect 2H to be better; animal health on a robust growth mode

- In 1HFY25, ALPM's overall India business grew 7% YoY to INR11.8b. The growth was led by ~8% YoY growth in the specialty segment, largely driven by strong performance in gynaec/cardio/anti-diabetic/ophthalmology.
- In 1HFY25, ALPM's animal health segment registered a growth of 25% YoY to INR2.2b, led by strong brand recall and enhanced efforts by MRs.
- The acute segment registered a decline of 2.5% YoY in 1HFY25, led by a muted performance in anti-infective and respiratory segments.
- In MAT Jun'24, ALPM's prescription base was stable at 129m. 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 be commercialized by the end of FY25, which would drive growth for overall India business.
- Accordingly, we expect a 10.2% sales CAGR to INR28.4b over FY25-27.

Reiterate Neutral

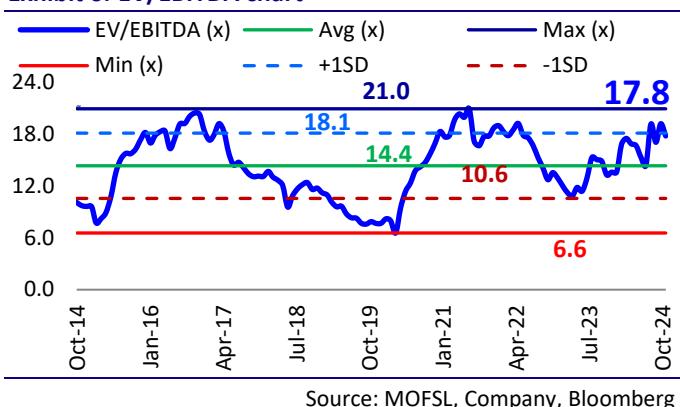
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- ALPM is implementing efforts to a) scale up US generics with new launches, b) build capabilities/capacities in GLP-1 set of products, and c) improve growth prospects in specialty products. Considering a CAGR of 11%/17%/22% in sales/EBITDA/PAT for FY25-27 and valuation at 28x/23x FY26/FY27 PE, there is limited upside from current levels. Maintain Neutral.

Exhibit 5: P/E chart



Source: MOFSL, Company, Bloomberg

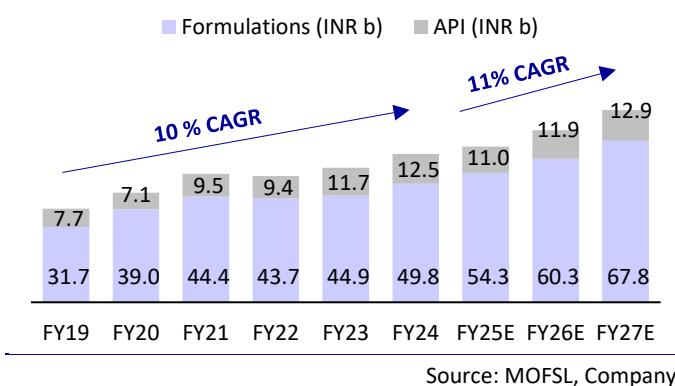
Exhibit 6: EV/EBITDA chart



Source: MOFSL, Company, Bloomberg

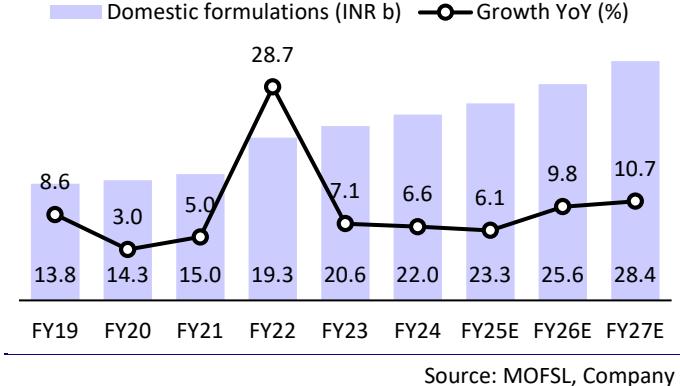
Story in charts

Exhibit 7: Formulation sales CAGR to be 11% over FY25-27



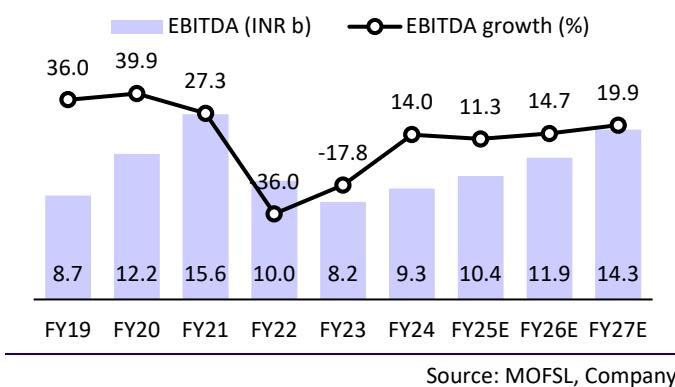
Source: MOFSL, Company

Exhibit 8: Expect DF to exhibit 10.2% CAGR over FY25-27



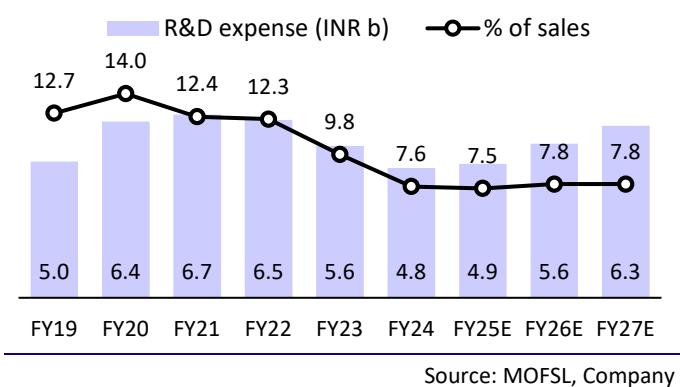
Source: MOFSL, Company

Exhibit 9: EBITDA CAGR to be 17.3% during FY25-27



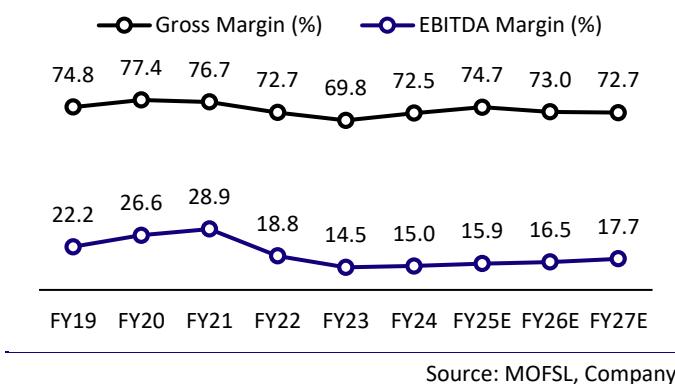
Source: MOFSL, Company

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



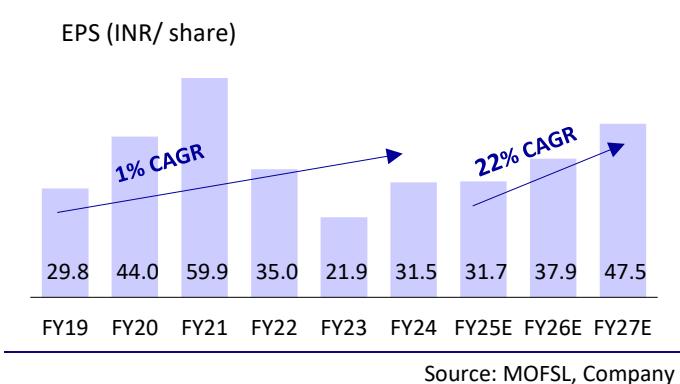
Source: MOFSL, Company

Exhibit 11: Margin to improve over FY25-27



Source: MOFSL, Company

Exhibit 12: Earnings CAGR to be 22% over FY25-27



Source: MOFSL, Company

Financials and valuations

Consolidated - Income Statement									(INRm)
Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Net Sales	39,357	46,060	53,931	53,058	56,526	62,290	65,345	72,209	80,741
Change (%)	25.7	17.0	17.1	-1.6	6.5	10.2	4.9	10.5	11.8
EBITDA	8,746	12,233	15,575	9,972	8,194	9,337	10,390	11,914	14,291
Change (%)	36.0	39.9	27.3	-36.0	-17.8	14.0	11.3	14.7	19.9
Margin (%)	22.2	26.6	28.9	18.8	14.5	15.0	15.9	16.5	17.7
Depreciation	1,152	1,573	1,835	2,218	2,314	2,727	2,810	2,943	3,172
EBIT	7,594	10,660	13,741	7,754	5,880	6,611	7,580	8,972	11,119
Int. and Finance Charges	184	272	160	177	502	562	622	379	375
Other Income - Rec.	94	49	100	505	27	283	340	195	190
PBT bef. EO Exp.	7,503	10,437	13,681	8,081	5,405	6,332	7,298	8,788	10,934
EO Expense/(Income)	0	436	0	1,880	1,550	0	-129	0	0
PBT after EO Exp.	7,503	10,001	13,681	6,201	3,855	6,332	7,426	8,788	10,934
Current Tax	1,781	2,046	2,629	1,279	42	658	1,678	2,021	2,515
Deferred Tax	-214	-54	-96	-235	84	-498	-657	-747	-984
Tax Rate (%)	20.9	19.9	18.5	16.8	3.3	2.5	13.8	14.5	14.0
MI & P/L of Asso. Cos.	82.0	-284.7	-633.5	-300.3	309.2	-9.8	69.0	69.0	69.0
Reported PAT	5,854	8,294	11,781	5,457	3,420	6,182	6,336	7,444	9,335
PAT Adj for EO items	5,854	8,643	11,781	6,889	4,296	6,182	6,227	7,444	9,335
Change (%)	41.8	47.7	36.3	-41.5	-37.6	43.9	0.7	19.6	25.4
Margin (%)	14.9	18.8	21.8	13.0	7.6	9.9	9.5	10.3	11.6

Consolidated - Balance Sheet									(INRm)
Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Equity Share Capital	377	377	393	393	393	393	393	393	393
Total Reserves	26,811	31,820	50,883	51,982	43,312	47,789	52,882	59,213	67,433
Preference Capital	0	0	0	0	0	0	0	0	0
Net Worth	27,188	32,197	51,276	52,375	43,705	48,182	53,275	59,606	67,827
Minority Interest	-8	-290	-606	0	0	0	0	0	0
Deferred Liabilities	188	122	42	0	0	0	-657	-1,404	-2,388
Total Loans	9,284	18,208	2,715	7,021	7,051	4,933	4,835	4,737	4,639
Capital Employed	36,652	50,237	53,426	59,397	50,756	53,115	57,454	62,939	70,078
Gross Block	15,156	20,700	24,909	27,221	35,532	39,741	46,718	51,375	56,141
Less: Accum. Deprn.	3,608	5,181	7,016	9,234	11,548	14,274	17,084	20,027	23,199
Net Fixed Assets	11,585	15,518	17,893	17,987	23,985	25,467	29,634	31,348	32,942
Capital WIP	15,512	18,462	21,817	23,034	6,013	5,244	3,267	3,610	4,844
Total Investments	488	179	2,363	1,184	963	930	930	930	930
Curr. Assets, Loans&Adv.	20,193	25,734	25,017	29,015	30,868	32,815	34,821	39,988	46,082
Inventory	9,673	11,875	14,862	16,097	14,753	16,435	15,853	18,695	21,740
Account Receivables	4,889	8,648	3,486	8,071	10,464	10,248	10,921	12,266	14,378
Cash and Bank Balance	2,056	808	1,058	694	823	1,266	3,152	4,063	4,915
Loans and Advances	3,576	4,404	5,612	4,153	4,828	4,866	4,896	4,964	5,049
Curr. Liability & Prov.	11,125	9,656	13,663	11,824	11,073	11,341	11,198	12,937	14,721
Account Payables	6,443	6,259	6,688	7,064	6,798	7,356	7,202	8,600	9,964
Other Current Liabilities	3,838	2,270	5,601	3,165	2,512	2,237	2,346	2,593	2,899
Provisions	844	1,127	1,375	1,595	1,763	1,748	1,651	1,744	1,857
Net Current Assets	9,068	16,078	11,354	17,192	19,795	21,474	23,623	27,051	31,362
Misc Expenditure	0	0	0	0	0	0	0	0	0
Appl. of Funds	36,652	50,238	53,426	59,397	50,756	53,115	57,454	62,939	70,078

Financials and valuations

Ratios

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Basic (INR)									
EPS	29.8	44.0	59.9	35.0	21.9	31.5	31.7	37.9	47.5
Cash EPS	37.2	54.2	69.3	46.3	33.6	45.3	46.0	52.8	63.6
BV/Share	144.2	170.8	260.9	266.5	222.4	245.1	271.1	303.3	345.1
DPS	5.5	10.0	10.4	10.4	4.2	5.2	5.2	5.2	5.2
Payout (%)	21.3	27.4	20.1	43.4	27.7	19.1	18.7	15.9	12.7
Valuation (x)									
P/E	36.0	24.4	17.9	30.6	49.1	34.1	33.9	28.3	22.6
Cash P/E	28.9	19.8	15.5	23.2	31.9	23.7	23.3	20.3	16.9
P/BV	7.4	6.3	4.1	4.0	4.8	4.4	4.0	3.5	3.1
EV/Sales	4.8	4.3	3.4	3.5	3.3	3.0	2.8	2.5	2.2
EV/EBITDA	21.6	16.3	11.8	18.9	23.0	19.9	17.7	15.3	12.7
Dividend Yield (%)	0.5	0.9	1.0	1.0	0.4	0.5	0.5	0.5	0.5
Return Ratios (%)									
RoE	23.4	30.1	29.7	13.9	8.3	13.5	12.1	13.1	14.5
RoCE	18.5	19.7	21.6	12.1	10.4	12.9	12.3	12.8	14.2
RoIC	31.8	34.6	38.0	20.6	14.7	14.5	13.7	14.7	16.8
Working Capital Ratios									
Asset Turnover (x)	1.1	0.9	1.0	0.9	1.1	1.2	1.1	1.1	1.2
Inventory (Days)	90	94	101	111	95	96	89	95	98
Debtor (Days)	45	69	24	56	68	60	61	62	65
Creditor (Days)	60	50	45	49	44	43	40	43	45
Leverage Ratio (x)									
Net Debt/Equity	0.3	0.5	0.0	0.1	0.1	0.1	0.0	0.0	0.0

Consolidated - Cash Flow Statement

(INRm)

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Net Profit / (Loss) Before Tax	7,493	9,998	13,681	6,201	3,546	6,318	7,298	8,788	10,934
Depreciation	1,152	1,573	1,835	2,868	2,754	2,727	2,810	2,943	3,172
Interest & Finance Charges	184	272	160	131	502	562	282	184	185
Direct Taxes Paid	1,665	2,361	2,454	1,234	607	199	1,678	2,021	2,515
(Inc)/Dec in WC	1,116	-5,844	2,395	-3,673	-576	-957	-262	-2,517	-3,459
CF from Operations	8,281	3,638	15,617	4,292	5,619	8,452	8,449	7,376	8,318
Others	-161	853	-983	1,231	1,620	-819	0	0	0
CF from Operating incl EO	8,119	4,491	14,634	5,524	7,239	7,633	8,449	7,376	8,318
(inc)/dec in FA	-6,539	-6,726	-6,592	-4,243	-4,434	-3,159	-5,000	-5,000	-6,000
Free Cash Flow	1,580	-2,235	8,041	1,281	2,805	4,474	3,449	2,376	2,318
(Pur)/Sale of Investments	39	23	-1,796	523	-64	-63	0	0	0
Others	-1,055	-613	0	17	22	32	340	195	190
CF from Investments	-7,556	-7,316	-8,388	-3,702	-4,476	-3,190	-4,660	-4,805	-5,810
Issue of Shares	0	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	-98
Interest Paid	-703	-1,111	6,611	-519	-497	-494	-622	-379	-375
Dividend Paid	-909	-3,260	0	-2,752	-1,966	-1,573	-1,183	-1,183	-1,183
Others	-1	27	-208	-214	0	0	0	0	0
CF from Fin. Activity	592	1,576	-5,994	-2,186	-2,635	-4,379	-1,903	-1,660	-1,656
Inc/Dec of Cash	1,156	-1,249	252	-364	129	64	1,886	911	852
Add: Beginning Balance	900	2,055	807	1,059	694	823	1,266	3,152	4,064
Closing Balance	2,055	807	1,058	694	823	887	3,152	4,063	4,915
Total Cash and Cash Eq	2,056	807	1,059	694	823	1,266	3,152	4,063	4,915

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NOTES

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Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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