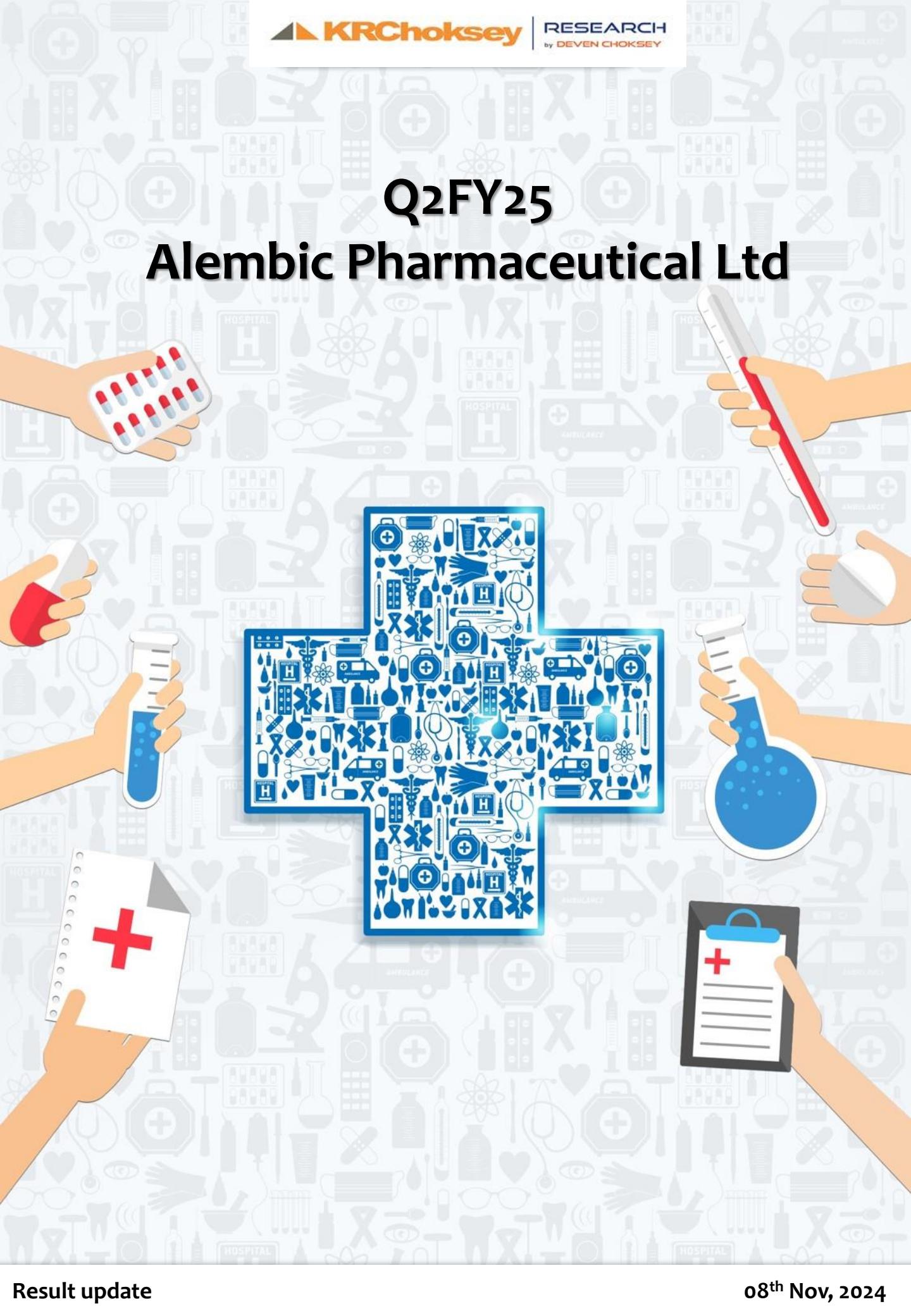
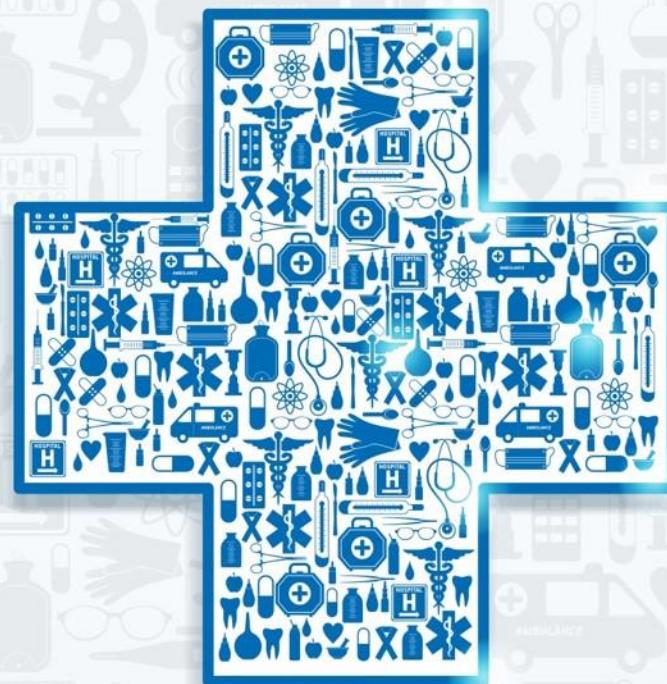


Q2FY25

Alembic Pharmaceutical Ltd



Alembic Pharmaceutical Ltd.

New launches in US and market share gains in Ex-USA will drive growth

CMP INR 1,038	Target INR 1,087	Potential Upside 4.7%	Market Cap (INR Mn) INR 2,03,442	Recommendation HOLD	Sector Pharmaceuticals
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Result Highlights of Q2FY25:

- Alembic Pharma's revenue missed our estimate (-4.8%) due to decline in API segment and moderate growth in India and US. However, EBITDA was in-line and Adj. PAT was largely in-line (+2.5%) with our estimate.
- We expect the revenue to grow 8.5% CAGR and Adj. PAT to grow at 18.0% CAGR for FY24-FY26E. Currently, the stock is trading at a PE multiple of 34.1x/24.7x, based on FY25E/FY26E EPS, respectively.
- We maintain our FY26E EPS estimates of INR 43.6 and assign a PE multiple of 24.9x as we believe product pipeline will expand with significant new launches and approvals in the US, strong growth to continue in Ex-USA segment and recovery will happen in API segment by starting of FY26E. Therefore, we arrive at a target price of INR 1,087 and maintain our "HOLD" rating on the stock.

MARKET DATA

Shares outs (Mn)	197
Mkt Cap (INR Mn)	2,03,442
52 Wk H/L (INR)	1,304/710
Volume Avg (3m K)	290
Face Value (INR)	2
Bloomberg Code	ALPM IN

KEY FINANCIALS

INR Millions	FY23	FY24	FY25E	FY26E	FY27E
Revenue	56,526	62,286	65,579	73,271	80,839
EBITDA	7,084	9,334	10,267	13,189	16,572
Adj PAT	3,420	6,158	6,227	8,579	11,413
Adj. EPS	17.4	31.3	31.7	43.6	58.1
EBITDA Margin	12.5%	15.0%	15.7%	18.0%	20.5%
NPM	6.1%	9.9%	9.5%	11.7%	14.1%

Source: Company, KRChoksey Research

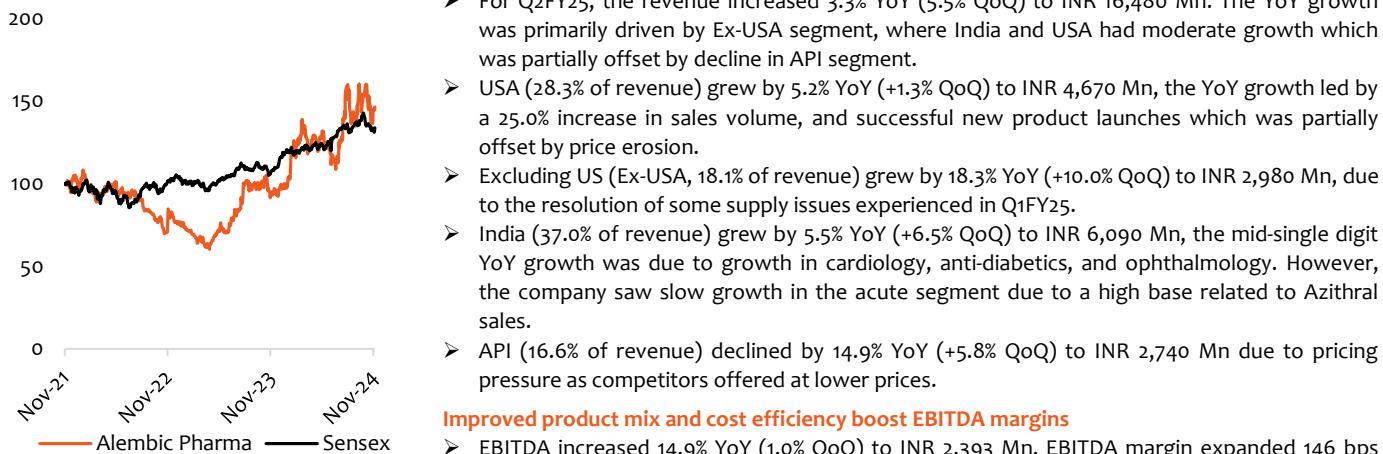
Ex-USA drives top-line growth while API segment declines

- For Q2FY25, the revenue increased 3.3% YoY (5.5% QoQ) to INR 16,480 Mn. The YoY growth was primarily driven by Ex-USA segment, where India and USA had moderate growth which was partially offset by decline in API segment.
- USA (28.3% of revenue) grew by 5.2% YoY (+1.3% QoQ) to INR 4,670 Mn, the YoY growth led by a 25.0% increase in sales volume, and successful new product launches which was partially offset by price erosion.
- Excluding US (Ex-USA, 18.1% of revenue) grew by 18.3% YoY (+10.0% QoQ) to INR 2,980 Mn, due to the resolution of some supply issues experienced in Q1FY25.
- India (37.0% of revenue) grew by 5.5% YoY (+6.5% QoQ) to INR 6,090 Mn, the mid-single digit YoY growth was due to growth in cardiology, anti-diabetics, and ophthalmology. However, the company saw slow growth in the acute segment due to a high base related to Azithral sales.
- API (16.6% of revenue) declined by 14.9% YoY (+5.8% QoQ) to INR 2,740 Mn due to pricing pressure as competitors offered at lower prices.

Improved product mix and cost efficiency boost EBITDA margins

- EBITDA increased 14.9% YoY (1.0% QoQ) to INR 2,393 Mn. EBITDA margin expanded 146 bps YoY (-65 bps QoQ) to 14.5%. The YoY expansion was primarily due to improvement in gross margins led by favourable product mix shifts, particularly with high-margin products in the U.S. and ex-U.S. markets.
- The company maintained other expenses without significant one-offs. Efficient cost management, especially in the India business, helped to improve profitability margins. Adj. Net profit increased 2.7% YoY (4.3% QoQ) to INR 1,403 Mn.

SHARE PRICE PERFORMANCE



MARKET INFO

SENSEX	79,486
NIFTY	24,148

SHARE HOLDING PATTERN (%)

Particulars	Sept-24 (%)	Jun-24 (%)	Mar-24 (%)
Promoters	69.6	69.6	69.6
FII	3.9	4.3	4.5
DII	16.1	15.5	15.4
Others	10.4	10.6	10.5
Total	100	100	100

*Based on the Today's closing

Note: All the market data is as of Today's closing

8.5%

18.0%

Revenue CAGR between FY24 and FY26E

Adj. PAT CAGR between FY24 and FY26E

Alembic Pharmaceutical Ltd.

Key Call Highlights:

- **R&D expense** was **8.0% of sales** at **INR 1,330 Mn** for Q2FY25.
- The company filed **one ANDA** (Abbreviated New Drug Application) and received **nine approvals** and **launched eight products** in the US during Q2FY25. The company **will launch about 10 products** in H2FY25.
- The company had **three launches** in India during Q2FY25, and these new launches are doing well.
- In **domestic** business, the **monsoon season and seasonal infection** rates also **affected demand**. Market-wide changes, including **increased presence of trade generics** in certain regions, **added to this slowdown**.
- Management expects to see **high single-digit growth** for the **domestic business** in H2FY25E.
- The **API segment** faced **stiff competition**, particularly from **Chinese companies**, which have become more aggressive in the market.
- Some **customers** shifted to **alternative suppliers offering lower prices**. Additionally, certain customers using Alembic Pharma's APIs lost market share, which impacted the demand for the company's API products in those markets.
- Despite these short-term challenges, Alembic Pharma remains **optimistic about the long-term potential of the API segment**, noting it as a **high-margin business**. The company expects **stabilization** in API revenue towards the **end of FY25E** and **anticipates a recovery in FY26E**.
- Alembic Pharma expects **H2FY25E to be much stronger** compared to H1FY25, driven by **back-ended launches** and **market share gains in the US and Rest of the World (ROW) markets**.
- The company expects that the **international generics** business will grow between **15.0% to 20.0%** in H2FY25.

Valuation and view:

Alembic Pharmaceuticals reported moderate revenue growth in Q2FY25, driven by a strong performance in its Ex-USA segment whereas API segment saw a heavy decline. The US market saw mid-single digit growth led by volume gains and successful product launches, which helped offset ongoing price erosion. India segment saw mid-single digit growth due to acute segment growth was limited by a high base and seasonal factors. The company's profitability margins improved, benefiting from a favourable product mix, particularly with higher-margin products in the US and Ex-USA regions.

We expect the revenue to grow 8.5% CAGR and Adj. PAT to grow at 18.0% CAGR for FY24-FY26E. Currently, the stock is trading at a PE multiple of 34.1x/24.7x, based on FY25E/FY26E EPS, respectively. We maintain our FY26E EPS estimates of INR 43.6 and assign a PE multiple of 24.9x as we believe product pipeline will expand with significant new launches and approvals in the US, strong growth to continue in Ex-USA segment and recovery will happen in API segment by starting of FY26E. Therefore, we arrive at a target price of INR 1,087 and maintain our "HOLD" rating on the stock which will have an upside potential of 4.7%.

Revenue segments

Segments Result (INR Mn)	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25
Total	15,950	16,310	15,180	15,630	16,480
Formulation	12,730	13,420	11,880	13,040	13,740
USA	4,440	4,740	4,230	4,610	4,670
Ex-USA	2,520	2,720	2,620	2,710	2,980
India	5,243	5,770	5,960	5,030	5,720
API	3,220	2,890	3,300	2,590	2,740

Segments Result (% YoY)	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25
Total	100.0%	100.0%	100.0%	100.0%	100.0%
Formulation	79.8%	82.3%	78.3%	83.4%	83.4%
USA	27.8%	29.1%	27.9%	29.5%	28.3%
Ex-USA	15.8%	16.7%	17.3%	17.3%	18.1%
India	32.9%	35.4%	39.3%	32.2%	34.7%
API	20.2%	17.7%	21.7%	16.6%	16.6%

Revenue Mix (%)	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25
Total	8.1%	8.1%	8.0%	5.2%	3.3%
Formulation	7.7%	13.4%	8.7%	10.4%	7.9%
USA	6.2%	9.7%	19.5%	18.1%	5.2%
Ex-USA	17.2%	32.0%	5.2%	1.8%	18.3%
India	5.1%	9.4%	2.7%	9.1%	5.5%
API	9.5%	-11.3%	5.4%	-15.2%	-14.9%

Source: Company, KRChoksey Research

Alembic Pharmaceutical Ltd.**Result Snapshot**

Particulars (Mn)	Q2FY25	Q1FY25	Q2FY24	QoQ	YoY
Revenue from Operations	16,480	15,617	15,949	5.5%	3.3%
Total Expenditure	14,087	13,249	13,867	6.3%	1.6%
Cost of Raw Materials	3,931	4,059	4,139	-3.2%	-5.0%
Change in Inventory	1,026	-1,073	-411	NA	NA
Purchase of Stock	-667	955	887	NA	NA
Employee Cost	3,915	3,798	3,470	3.1%	12.8%
Other Expenses	5,881	5,510	5,783	6.7%	1.7%
EBITDA	2,393	2,368	2,083	1.0%	14.9%
EBITDA Margin (%)	14.5%	15.2%	13.1%	-65 bps	146 bps
Depreciation	705	690	676	2.1%	4.4%
EBIT	1,688	1,678	1,407	0.6%	19.9%
Other Income	167	21	102	697.1%	64.9%
Interest Expense	188	132	157	42.7%	19.9%
PBT before Exceptional Items	1,667	1,567	1,352	6.4%	23.3%
Exceptional Items	129	0	0	NA	NA
PBT	1,796	1,567	1,352	14.6%	32.9%
Tax	273	225	-19	21.3%	NA
Share of Associates & JV	9	3	-5	NA	NA
Minority interest	0	0	0	NA	NA
PAT	1,531	1,345	1,366	13.8%	12.1%
PAT Margin (%)	9.3%	8.6%	8.6%	68 bps	73 bps
EPS	7.8	6.8	7.0	13.9%	12.1%
Adj. PAT	1,403	1,345	1,366	4.3%	2.7%
Adj. PAT Margin	8.5%	8.6%	8.6%	-10 bps	-5 bps
Adj. EPS	7.1	6.8	7.0	4.3%	2.7%

Source: Company, KRChoksey Research

Alembic Pharmaceutical Ltd.**Exhibit 1: Profit & Loss Statement**

INR Mn	FY23	FY24	FY25E	FY26E	FY27E
Revenues	56,526	62,286	65,579	73,271	80,839
COGS	17,088	17,151	16,956	19,197	20,371
Gross profit	39,438	45,136	48,623	54,074	60,468
Employee cost	11,691	14,463	15,413	15,753	16,168
Other expenses	20,663	21,339	22,943	25,132	27,728
EBITDA	7,084	9,334	10,267	13,189	16,572
Depreciation	2,754	2,727	2,825	2,979	3,111
EBIT	4,330	6,607	7,442	10,209	13,461
Finance Costs	502	562	655	699	699
Other Income	27	283	529	425	469
PBT	3,855	6,328	7,316	9,935	13,231
Tax	126	160	1,118	1,391	1,852
PAT	3,420	6,158	6,227	8,579	11,413
EPS (INR)	17.4	31.3	31.7	43.6	58.1
Adj. PAT	3,420	6,158	6,227	8,579	11,413
Adj EPS (INR)	17.4	31.3	31.7	43.6	58.1

Exhibit 3: Cash Flow Statement

INR Mn	FY23	FY24	FY25E	FY26E	FY27E
CFFO	7,240	8,032	8,174	7,607	9,588
CFPI	(4,476)	(3,206)	(4,530)	(4,620)	(4,641)
CFFF	(2,620)	(4,379)	(2,164)	(2,203)	(2,196)
Net Inc/Dec in cash	144	447	1,480	784	2,751
Opening Cash	611	755	1,202	2,682	3,467
Adjustment	0	0	0	0	0
Closing Cash	755	1,202	2,682	3,467	6,218

Exhibit 4: Key Ratio

INR Mn	FY23	FY24	FY25E	FY26E	FY27E
EBITDA Margin (%)	12.5%	15.0%	15.7%	18.0%	20.5%
Tax rate (%)	3.6%	2.5%	15.0%	14.1%	14.1%
Net Profit Margin (%)	6.1%	9.9%	9.5%	11.7%	14.1%
RoE (%)	7.8%	12.8%	12.0%	14.1%	16.2%
RoCE (%)	9.8%	12.4%	12.8%	15.7%	18.0%
Current Ratio (x)	1.6	1.8	3.0	3.0	3.2
P/E(x)	62.1	34.5	34.1	24.7	18.6

Source: Company, KRChoksey Research

Exhibit 2: Balance Sheet

INR Mn	FY23	FY24	FY25E	FY26E	FY27E
Equity					
Equity Capital	393	393	393	393	393
Other Equity	43,312	47,789	52,572	59,450	69,161
Total Equity	43,705	48,182	52,965	59,843	69,554
Non-Current Liabilities					
Long-term borrowings	692	629	692	761	837
Long-term provisions	1,062	1,095	1,205	1,325	1,458
Other Non-Current Liabilities	0	4,305	4,305	4,305	4,305
Total Non-Current Liabilities	1,754	6,028	6,201	6,390	6,599
Current Liabilities					
Borrowings	0	4,305	4,305	4,305	4,305
Trade Payables	6,798	7,356	8,130	9,204	9,209
Other current liabilities	9,571	(1,416)	(704)	(330)	49
Total Current Liabilities	16,369	10,245	11,730	13,178	13,562
Total Liabilities	18,123	16,274	17,931	19,569	20,161
Non-Current Assets					
Property Plants and Equipments	23,985	25,467	26,998	28,382	29,636
Capital WIP	6,013	5,244	5,244	5,244	5,244
Other Non-current assets	2,731	2,960	3,197	3,453	3,729
Total Non-Current Assets	32,728	33,670	35,438	37,079	38,608
Current Assets					
Inventories	14,753	16,435	16,027	18,145	19,813
Trade Receivables	10,464	10,248	10,780	14,052	17,718
Cash and Bank	755	1,202	2,682	3,467	6,218
Other current assets	3,060	2,836	5,968	6,668	7,357
Total Current Assets	29,032	30,722	35,458	42,332	51,106
Total Assets	61,828	64,456	70,896	79,411	89,715

Alembic Pharmaceutical Ltd.

Alembic Pharmaceuticals Ltd.			
Date	CMP (INR)	TP (INR)	Recommendation
08-Nov-24	1,038	1,087	HOLD
13-Aug-24	1,111	1,122	HOLD
14-May-24	951	986	HOLD
08-Feb-24	977	1,023	HOLD
17-Nov-24	738	770	HOLD
28-Aug-23	753	770	HOLD
06-May-23	554	704	BUY

Rating Legend (Expected over a 12-month period)	
Our Rating	Upside
Buy	More than 15%
Accumulate	5% – 15%
Hold	0 – 5%
Reduce	-5% – 0
Sell	Less than – 5%

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