

Alembic Pharma

Estimate change	↔
TP change	↑
Rating change	↔

Bloomberg	ALPM IN
Equity Shares (m)	197
M.Cap.(INRb)/(USDb)	178.3 / 2
52-Week Range (INR)	1304 / 823
1, 6, 12 Rel. Per (%)	-11/-22/-12
12M Avg Val (INR M)	273

Financials & Valuations (INR b)

Y/E MARCH	FY25E	FY26E	FY27E
Sales	65.6	73.0	81.7
EBITDA	9.8	11.8	14.1
Adj. PAT	5.4	7.1	8.9
EBIT Margin (%)	10.7	12.1	13.3
Cons. Adj. EPS (INR)	27.6	36.0	45.4
EPS Gr. (%)	-12.1	30.2	26.3
BV/Sh. (INR)	267.0	297.3	337.0

Ratios

Net D:E	0.0	0.0	0.0
RoE (%)	10.7	12.6	14.2
RoCE (%)	11.1	12.8	14.2
Payout (%)	21.4	16.7	13.2

Valuations

P/E (x)	32.9	25.3	20.0
EV/EBITDA (x)	19.5	16.3	13.6
Div. Yield (%)	0.6	0.6	0.6
FCF Yield (%)	-0.1	2.9	3.4
EV/Sales (x)	2.9	2.6	2.3

Shareholding pattern (%)

As On	Dec-24	Sep-24	Dec-23
Promoter	69.6	69.6	69.6
DII	16.1	16.1	14.5
FII	4.2	3.9	4.5
Others	10.2	10.4	11.4

FII Includes depository receipts

CMP: INR910 TP: INR970 (+7%) Neutral
Muted India business and lower operating leverage drag earnings

US sales show gradual signs of revival

- Alembic Pharma (ALPM) delivered operationally in-line 3QFY25 performance. Higher interest outgo and tax led to lower-than-expected earnings for the quarter. The US business has witnessed an uptick to USD63m (up 10%/12% YoY/QoQ) for the quarter on the back of new launches and steady market share gain. The India business exhibited muted YoY growth due to the adverse performance of acute therapies.
- We cut our earnings estimate by 13%/5%/4% for FY25/FY26/FY27 to factor in: 1) weakness in the acute segment of domestic formulations (DF), 2) reduced operating leverage, and 3) higher interest outgo. We value ALPM at 24x 12M forward earnings to arrive at our TP of INR970.
- ALPM is likely to end FY25 with an earnings decline due to unfavorable seasonality in the DF segment and increased operational costs, which are yet to show meaningful commercial benefits. Having said this, 3QFY25 has shown some signs of revival in the US business, and this business is expected to scale up going forward, aided by new launches. Improved analysis of prescriptions in the DF segment is likely to drive a calibrated approach for growth over the next two years. Accordingly, we factor in a 28% earnings CAGR over FY25-27. **We reiterate our Neutral rating on the stock due to the limited upside from current levels.**

Improved product mix offset by reduced operating leverage

- ALPM's sales grew 3.8% YoY to INR16.9b (our est: INR16.8b). DF sales grew 3% YoY to INR6.1b (36% of sales). The US generics sales grew 9.9% YoY to INR5.2b (USD63m; 31% of sales). Ex-US generics, export sales grew 9.9% YoY to INR3b (18% of sales). API sales rose 3.8% YoY to INR2.6b (15% of sales).
- Gross margin expanded 230bp YoY to 74% due to superior product mix and lower RM costs.
- EBITDA margin contracted 100bp YoY to 15.4% (our est: 15.8%), as favorable product mix was offset by higher employee costs (+210bp as a % of sales).
- Consequently, EBITDA dipped 2.4% YoY to INR2.6b (our est: INR2.7b)
- Adj. PAT dipped 23.5% YoY to INR1.4b (our est: INR1.6b) owing to a higher tax burden (22.6% in 3QFY25 vs. 2.2% in 3QFY24)
- During 9MFY25, revenue/EBITDA grew 4%/9%, while PAT declined 5% YoY.

Key highlights from the management commentary

- With 27 launches to date, ALPM intends to enhance the complex products in the US portfolio.
- ALPM is likely to invest in new facilities to drive growth in the DF segment.
- Management is focusing on animal health with therapy-leading products.

Quarterly perf. (Consol.)

(INR m)

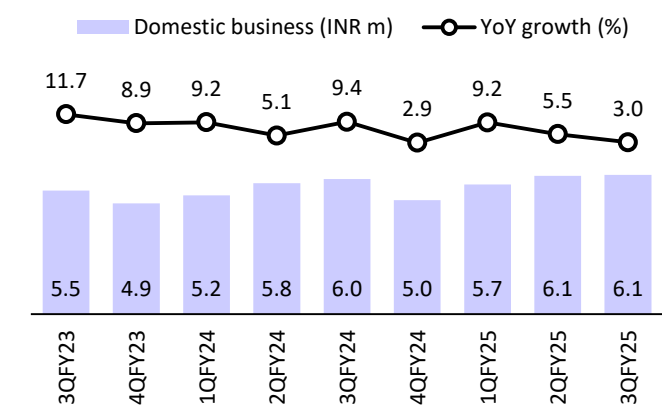
Y/E March	FY24				FY25E				FY24	FY25E	FY25E
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE			3QE
Net Sales	14,862	15,949	16,309	15,170	15,617	16,480	16,927	16,528	62,290	65,555	16,921
YoY Change (%)	17.7	8.1	8.1	7.9	5.1	3.3	3.8	9.0	10.2	5.2	3.8
Total Expenditure	12,874	13,867	13,642	12,569	13,249	14,087	14,325	14,060	52,953	55,722	14,248
EBITDA	1,987	2,083	2,667	2,601	2,368	2,393	2,602	2,468	9,337	9,833	2,674
YoY Change (%)	73.3	-10.5	7.2	16.5	19.2	14.9	-2.4	-5.1	14.0	5.3	0.2
Margins (%)	13.4	13.1	16.4	17.1	15.2	14.5	15.4	14.9	15.0	15.0	15.8
Depreciation	662	676	695	695	690	705	700	714	2,727	2,810	705
EBIT	1,325	1,407	1,973	1,906	1,678	1,688	1,902	1,754	6,611	7,024	1,969
YoY Change (%)	111.9	-22.3	8.9	-2.4	26.6	19.9	-3.6	-8.0	12.4	6.2	-0.2
Interest	144	157	152	109	132	188	223	223	562	766	182
Other Income	117	102	29	36	21	167	95	57	283	340	80
PBT before EO expense	1,298	1,352	1,850	1,832	1,567	1,667	1,774	1,587	6,332	6,598	1,867
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	1,774	1,587	6,332	6,727	1,867
Tax	92	-19	41	46	225	273	401	223	160	1,122	261
Rate (%)	7.0	-1.4	2.2	2.5	14.4	15.2	22.6	14.1	2.5	16.7	14.0
MI & P/L of Asso. Cos.	0	-5	-1	-4	-5	-11	-11	96	-10	69	-11
Reported PAT	1,207	1,376	1,809	1,790	1,347	1,534	1,384	1,268	6,182	5,536	1,616
Adj PAT	1,207	1,376	1,809	1,790	1,347	1,425	1,384	1,268	6,182	5,427	1,616
YoY Change (%)	160.9	-6.7	36.6	73.1	11.6	3.6	-23.5	-29.1	43.9	-12.1	-10.6
Margins (%)	8.1	8.6	11.1	11.8	8.6	8.6	8.2	7.7	9.9	8.3	9.6
EPS	6.1	7.0	9.2	9.1	6.9	7.2	7.0	6.5	31.5	27.6	8.2

Key performance Indicators (Consolidated, INR m)

Y/E March	FY24				FY25E				FY24	FY25E	FY25E	
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE			3QE	vs Est
India	5,240	5,770	5,960	5,030	5,720	6,090	6,140	5,418	22,000	23,368	6258	-2%
YoY Change (%)	9.2	5.1	9.4	2.9	9.2	5.5	3.0	7.7	6.6	6.2	5.0	
Exports	6,570	6,960	7,460	6,850	7,320	7,650	8,200	8,017	27,820	31,187	7,918	4%
YoY Change (%)	19.7	10.0	16.9	13.4	11.4	9.9	9.9	17.0	14.8	12.1	6.1	
APIs	3,050	3,220	2,890	3,300	2,590	2,740	2,590	3,079	12,460	10,999	2,746	-6%
YoY Change (%)	30.9	9.5	(11.3)	5.4	(15.1)	(14.9)	(10.4)	(6.7)	6.9	(11.7)	(5.0)	
Cost Break-up												
RM Cost (% of Sales)	27.8	28.9	28.3	25.0	25.2	26.0	26.0	25.5	27.5	25.7	25.6	
Staff Cost (% of Sales)	23.4	21.8	21.4	26.5	24.3	23.8	23.5	23.3	23.2	23.7	23.0	
R&D Expenses (% of Sales)	8.0	7.6	7.0	8.0	7.0	8.0	7.0	8.0	7.6	7.5	8.2	
Other Cost (% of Sales)	27.4	28.7	27.0	23.4	28.3	27.7	28.2	28.3	26.6	28.1	27.4	
Gross Margin (%)	72.2	71.1	71.7	75.0	74.8	74.0	74.0	74.5	72.5	74.3	74.4	
EBITDA Margin (%)	13.4	13.1	16.4	17.1	15.2	14.5	15.4	14.9	15.0	15.0	15.8	
EBIT Margin (%)	8.9	8.8	12.1	12.6	10.7	10.2	11.2	10.6	10.6	10.7	11.6	

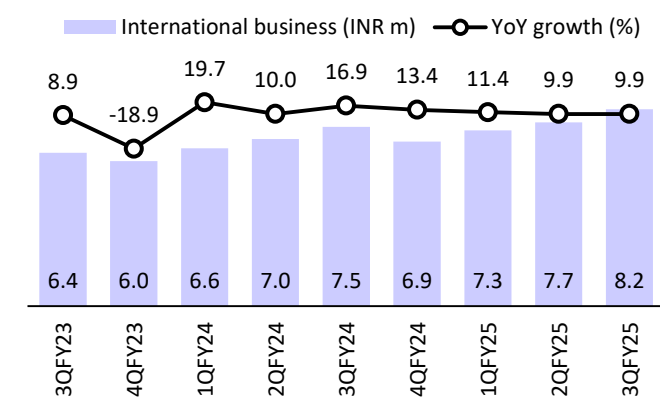
Key exhibits

Exhibit 1: DF sales grew 3% YoY in 3QFY25



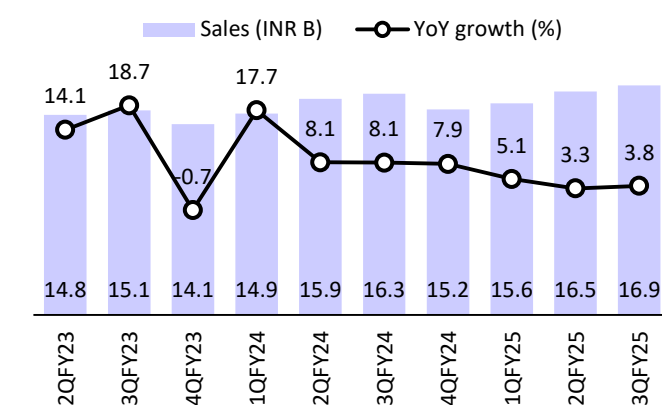
Source: MOFSL, Company

Exhibit 2: International business grew 9.9% YoY



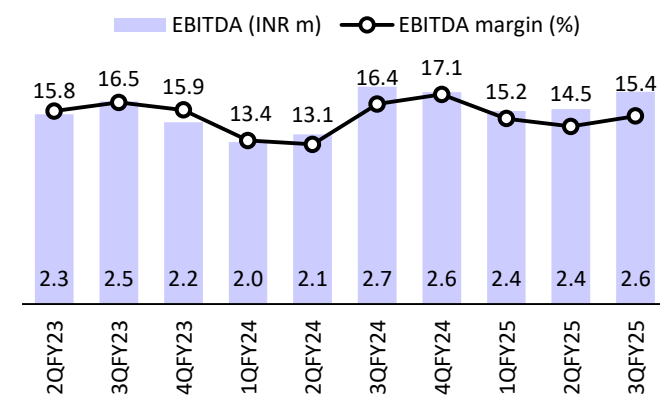
Source: MOFSL, Company

Exhibit 3: Sales increased 3.8% YoY



Source: MOFSL, Company

Exhibit 4: EBITDA margin contracted 100bp YoY in 3QFY25



Source: MOFSL, Company

Enhanced measures to revive growth across segments

US: Focus on expanding niche product pipeline

- In 9MFY25, ALPM's US business grew 9.9% YoY to USD175m, led by market share gains in a few products and the scaling up of the recently commercialized products.
- ALPM filed four ANDAs in 9MFY25 and received approval for 22 products in the US market. ALPM is investing more in complex injectables, ophthalmic, oncology, and inhalation products.
- It plans to launch more than five products in 4QFY25. Moreover, the launch of new products from the new facilities will 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 a 15% sales CAGR to USD316m over FY25-27.

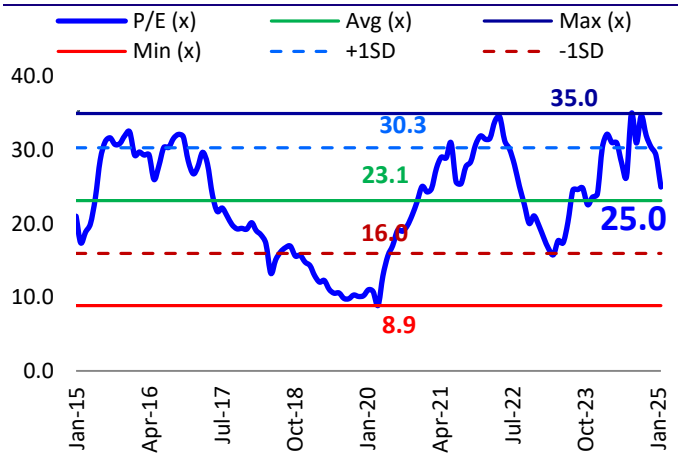
India: Weak show in Acute therapies affect overall performance

- In 9MFY25, ALPM's overall India business grew 5.8% YoY to INR18b. The growth was led by ~6-7% YoY growth in the specialty segment, largely driven by strong performance in gynaec/cardio/anti-diabetic/ophthalmology.
- In 9MFY25, ALPM's animal health segment registered a growth of 21.5% YoY to INR3.3b, led by strong brand recall and enhanced efforts by MRs.
- The acute segment registered a decline of 5.5% YoY in 9MFY25, led by a muted performance in the anti-infective and respiratory segments.
- In MAT Dec'24, ALPM's prescription base was stable at 128m. Additionally, the company plans to launch key products in FY25 and improve the depth of the products launched in FY24, which would drive growth.
- Accordingly, we expect a 10.2% sales CAGR to INR28.4b over FY25-27.

Reiterate Neutral

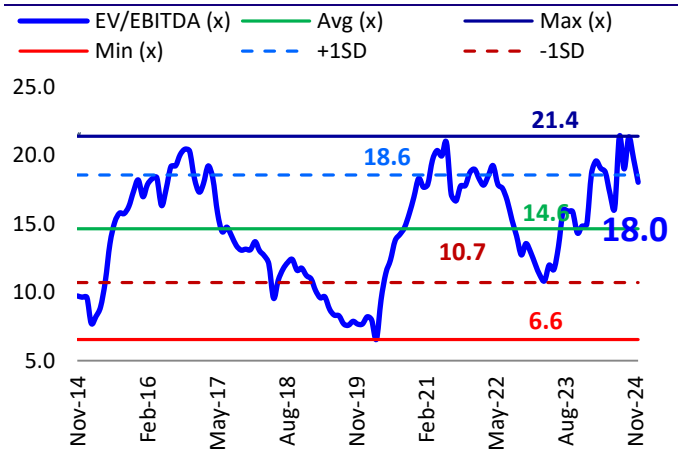
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- ALPM is likely to end FY25 with an earnings decline due to unfavorable seasonality in the DF segment and increased operational costs, which are yet to show meaningful commercial benefits. Having said this, 3QFY25 has shown some signs of revival in the US business, and this business is expected to scale up going forward, aided by new launches. Improved analysis of prescriptions in the DF segment is likely to drive a calibrated approach for growth over the next two years. Accordingly, we factor in a 28% earnings CAGR over FY25-27. **We reiterate our Neutral rating on the stock due to the limited upside from current levels.**

Exhibit 5: P/E chart



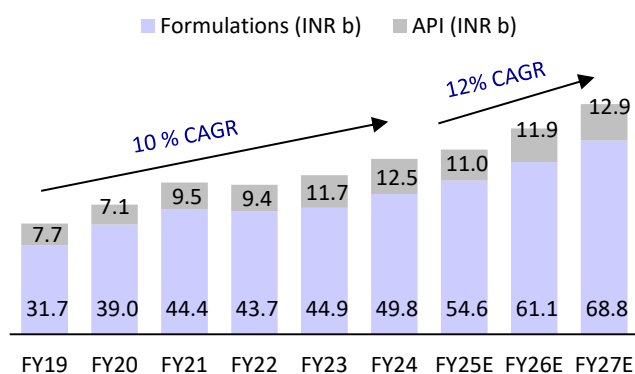
Source: MOFSL, Company, Bloomberg

Exhibit 6: EV/EBITDA chart

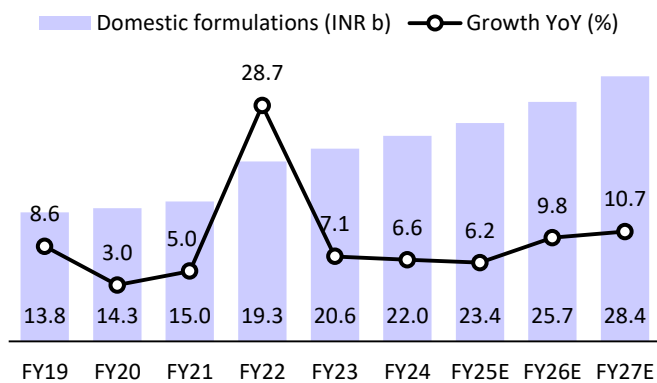


Source: MOFSL, Company, Bloomberg

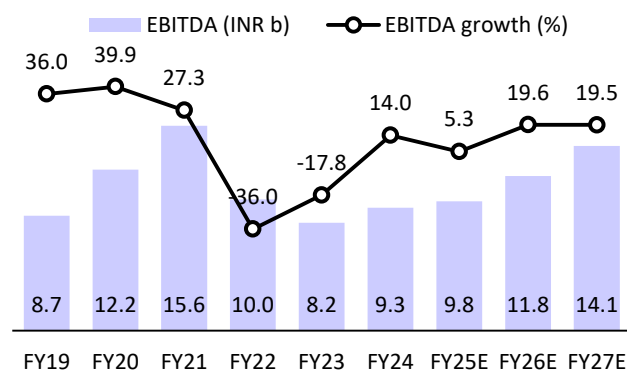
Story in charts

Exhibit 7: Formulation sales CAGR to be 12% over FY25-27


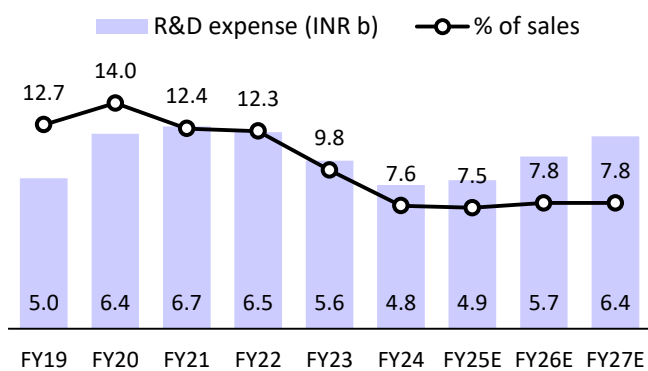
Source: MOFSL, Company

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


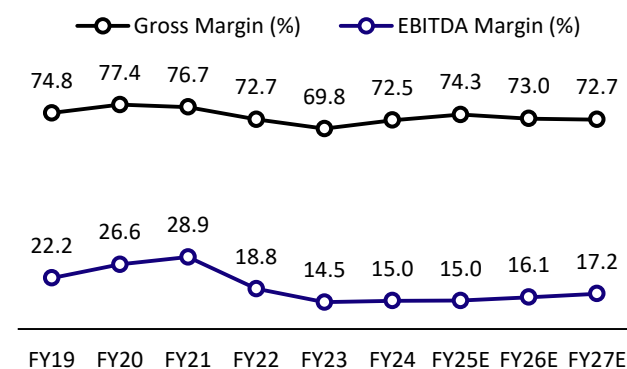
Source: MOFSL, Company

Exhibit 9: EBITDA CAGR to be 19.5% during FY25-27


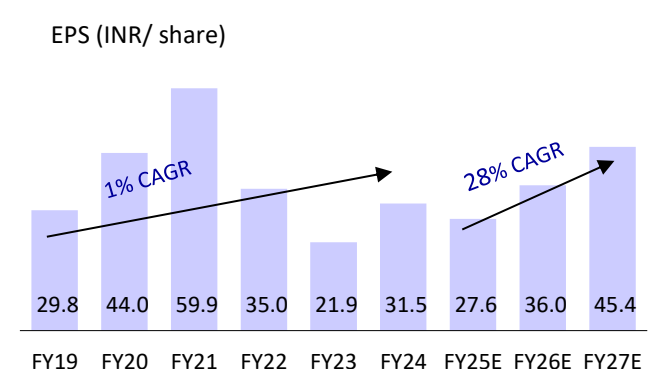
Source: MOFSL, Company

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


Source: MOFSL, Company

Exhibit 11: Margin to stabilize over FY25-27


Source: MOFSL, Company

Exhibit 12: Earnings CAGR to be 28% 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	65,555	73,034	81,692
Change (%)	25.7	17.0	17.1	-1.6	6.5	10.2	5.2	11.4	11.9
EBITDA	8,746	12,233	15,575	9,972	8,194	9,337	9,833	11,758	14,051
Change (%)	36.0	39.9	27.3	-36.0	-17.8	14.0	5.3	19.6	19.5
Margin (%)	22.2	26.6	28.9	18.8	14.5	15.0	15.0	16.1	17.2
Depreciation	1,152	1,573	1,835	2,218	2,314	2,727	2,810	2,941	3,169
EBIT	7,594	10,660	13,741	7,754	5,880	6,611	7,024	8,817	10,882
Int. and Finance Charges	184	272	160	177	502	562	766	663	609
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	6,598	8,349	10,463
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	6,727	8,349	10,463
Current Tax	1,781	2,046	2,629	1,279	42	658	1,518	1,920	2,406
Deferred Tax	-214	-54	-96	-235	84	-498	-396	-710	-942
Tax Rate (%)	20.9	19.9	18.5	16.8	3.3	2.5	16.7	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	5,536	7,069	8,929
PAT Adj for EO items	5,854	8,643	11,781	6,889	4,296	6,182	5,431	7,069	8,929
Change (%)	41.8	47.7	36.3	-41.5	-37.6	43.9	-12.1	30.2	26.3
Margin (%)	14.9	18.8	21.8	13.0	7.6	9.9	8.3	9.7	10.9

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	52,082	58,038	65,853
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	52,475	58,431	66,246
Minority Interest	-8	-290	-606	0	0	0	0	0	0
Deferred Liabilities	188	122	42	0	0	0	-396	-1,106	-2,047
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	56,915	62,063	68,838
Gross Block	15,156	20,700	24,909	27,221	35,532	39,741	46,707	51,333	56,083
Less: Accum. Deprn.	3,608	5,181	7,016	9,234	11,548	14,274	17,084	20,025	23,194
Net Fixed Assets	11,585	15,518	17,893	17,987	23,985	25,467	29,623	31,308	32,890
Capital WIP	15,512	18,462	21,817	23,034	6,013	5,244	3,278	3,652	4,902
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	34,425	39,236	44,988
Inventory	9,673	11,875	14,862	16,097	14,753	16,435	16,155	18,909	21,996
Account Receivables	4,889	8,648	3,486	8,071	10,464	10,248	10,956	12,406	14,548
Cash and Bank Balance	2,056	808	1,058	694	823	1,266	2,416	2,950	3,386
Loans and Advances	3,576	4,404	5,612	4,153	4,828	4,866	4,898	4,972	5,058
Curr. Liability & Prov.	11,125	9,656	13,663	11,824	11,073	11,341	11,342	13,064	14,871
Account Payables	6,443	6,259	6,688	7,064	6,798	7,356	7,339	8,698	10,082
Other Current Liabilities	3,838	2,270	5,601	3,165	2,512	2,237	2,354	2,622	2,933
Provisions	844	1,127	1,375	1,595	1,763	1,748	1,649	1,743	1,856
Net Current Assets	9,068	16,078	11,354	17,192	19,795	21,474	23,084	26,173	30,117
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	56,915	62,063	68,838

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	27.6	36.0	45.4
Cash EPS	37.2	54.2	69.3	46.3	33.6	45.3	41.9	50.9	61.5
BV/Share	144.2	170.8	260.9	266.5	222.4	245.1	267.0	297.3	337.0
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	21.4	16.7	13.2
Valuation (x)									
P/E	30.6	20.7	15.2	26.0	41.6	28.9	32.9	25.3	20.0
Cash P/E	24.5	16.8	13.1	19.6	27.1	20.1	21.7	17.9	14.8
P/BV	6.3	5.3	3.5	3.4	4.1	3.7	3.4	3.1	2.7
EV/Sales	5.0	4.5	3.5	3.7	3.5	3.1	2.9	2.6	2.3
EV/EBITDA	22.5	16.9	12.3	19.7	23.9	20.7	19.5	16.3	13.6
Dividend Yield (%)	0.6	1.1	1.1	1.1	0.5	0.6	0.6	0.6	0.6
Return Ratios (%)									
RoE	23.4	30.1	29.7	13.9	8.3	13.5	10.7	12.6	14.2
RoCE	18.5	19.7	21.6	12.1	10.4	12.9	11.1	12.8	14.2
RoIC	31.8	34.6	38.0	20.6	14.7	14.5	12.2	14.4	16.4
Working Capital Ratios									
Asset Turnover (x)	1.1	0.9	1.0	0.9	1.1	1.2	1.2	1.2	1.2
Inventory (Days)	90	94	101	111	95	96	90	95	98
Debtor (Days)	45	69	24	56	68	60	61	62	65
Creditor (Days)	60	50	45	49	44	43	41	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	6,598	8,349	10,463
Depreciation	1,152	1,573	1,835	2,868	2,754	2,727	2,810	2,941	3,169
Interest & Finance Charges	184	272	160	131	502	562	426	468	419
Direct Taxes Paid	1,665	2,361	2,454	1,234	607	199	1,518	1,920	2,406
(Inc)/Dec in WC	1,116	-5,844	2,395	-3,673	-576	-957	-458	-2,556	-3,508
CF from Operations	8,281	3,638	15,617	4,292	5,619	8,452	7,857	7,282	8,137
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	7,857	7,282	8,137
(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	2,857	2,282	2,137
(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	-766	-663	-609
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	-2,047	-1,944	-1,890
Inc/Dec of Cash	1,156	-1,249	252	-364	129	64	1,151	533	436
Add: Beginning Balance	900	2,055	807	1,059	694	823	1,266	2,416	2,949
Closing Balance	2,055	807	1,058	694	823	887	2,416	2,949	3,386
Total Cash and Cash Eq	2,056	807	1,059	694	823	1,266	2,416	2,949	3,386

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