Alembic Pharmaceutical Ltd
Q3FY25

RESULT UPDATE

06th February, 2025

Alembic Pharmaceutical Ltd

Challenges in API business weigh on the performance

CMP	Target	Potential Upside	Market Cap (INR Mn)	Recommendation	Sector
INR 889	**INR 909**	**2.3%**	**INR 173,309**	**HOLD**	**Pharmaceuticals**

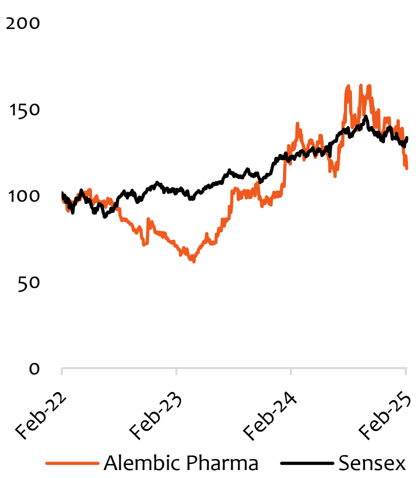
Result Highlights of Q3FY25:

- Alembic Pharma's revenue missed our estimates (-2.2%) due to weak growth in domestic and API business. EBITDA fell short of our estimates due to a miss in revenue and higher operating expenses. Adj. PAT missed our estimates due to higher-than-expected tax expenses and lower-than-expected other income.
- We decrease our FY26E/FY27E EPS estimates by 6.3% and 7.9% to INR 40.8 and INR 53.5 respectively factoring in weak Q3FY25 performance coupled with ongoing struggle in the API business, and muted growth in the domestic market.
- Currently, the stock is trading at PE multiple of 21.8x/16.6x based on FY26E/FY27E EPS, respectively. We roll over our valuation multiple to FY27E and assign a PE multiple of 17.0x to arrive at a target price of INR 909 (previously: INR 1,122) and maintain our "HOLD" rating on the stock.

MARKET DATA

Shares outs (Mn)	197
Mkt Cap (INR Mn)	173,309
52 Wk H/L (INR)	1,304/823
Volume Avg (3m K)	145
Face Value (INR)	2
Bloomberg Code	ALPM IN

SHARE PRICE PERFORMANCE



MARKET INFO

SENSEX	78,271
NIFTY	23,696

KEY FINANCIALS

INR Millions	FY23	FY24	FY25E	FY26E	FY27E
Revenue	56,526	62,286	64,876	69,939	75,988
EBITDA	7,084	9,334	9,382	12,589	15,578
Adj PAT	3,420	6,158	5,078	8,026	10,513
Adj. EPS	17.4	31.3	25.8	40.8	53.5
EBITDA Margin	12.5%	15.0%	14.5%	18.0%	20.5%
NPM	6.1%	9.9%	7.8%	11.5%	13.8%

Source: Company, DevenChoksey Research

Weak top-line growth due to intense competition

- For Q3FY25, the revenue increased 3.8% YoY (+2.7% QoQ) to INR 16,927 Mn, due to muted growth in domestic business and pricing pressure in the API segment.
- Revenue from India (36.3% of revenue) segment grew 3.0% YoY (+0.3% QoQ) to INR 6,140 Mn, primarily due to headwinds in the acute segment, moderate growth in the specialty segment, and competitive pressures.
- Revenue from the API (15.3% of revenue) segment declined 10.4% YoY (-5.5% QoQ) to INR 2,590 Mn, impacted by pricing headwinds, lower demand from select customers, and intense market competition.
- Revenue from the USA (30.8% of revenue) segment grew 9.9% YoY (+11.6% QoQ) to INR 5,210 Mn, primarily driven by the ramp-up of key product launches and market share gains in a few existing products.
- Revenue from the Ex-USA (17.7% of revenue) segment grew 9.9% YoY (+0.3% QoQ) to INR 2,990 Mn, driven by high demand across multiple markets, indicating strong market penetration and sustained product performance.

Gross profit increases but overall profitability declines due to cost and tax pressures

- Gross profit increased 7.1% YoY (+2.8% QoQ) to INR 12,532 Mn. Gross margin expanded 229 bps YoY (+7 bps QoQ) to 74.0% supported by better product mix with higher contribution from US Generic.
- EBITDA decreased 2.3% YoY (+8.8% QoQ) to INR 2,602 Mn. EBITDA margin contracted 96 bps YoY (+85 bps QoQ) to 15.4%, due to cost impact from AI & Automation implementation to enhance field force efficiency, and higher SG&A expenses.
- Adj. Net profit decreased 23.3% YoY (-1.5% QoQ) to INR 1,384 Mn, due to an increase in effective tax rate when compared with Q3FY24.

SHARE HOLDING PATTERN (%)

Particulars	Dec-24 (%)	Sept-24 (%)	Jun-24 (%)
Promoters	69.6	69.6	69.6
FIIs	4.2	3.9	4.3
DIIs	16.1	16.1	15.5
Others	10.2	10.4	10.6
Total	100	100	100

Note: All the market data is as of previous closing

6.9%

Revenue CAGR between FY24 and FY27E

19.5%

Adj. PAT CAGR between FY24 and FY27E

RESEARCH ANALYST
Dipak Saha, research5@krchoksey.com, +91-22-6696 5408

Alembic Pharmaceutical Ltd

Other Highlights:

- **Two new product launches** in the US market contributed to the revenue increase during the quarter. The company received **6 final ANDA approvals** in Q3FY25, indicating continued product portfolio expansion.
- Cumulatively, 159 products have been launched in the US market, with more than **five product launches** expected in **Q4FY25E.**
- The **capacity expansion in oral solids** is currently underway to meet immediate demand in the US and Ex-US markets.
- The **Ex-US growth** was fuelled by **strategic partnerships in key geographies,** including Europe, Canada, Australia Brazil, and South Africa. The company **intensified its sales operations in Chile**, marking its expansion in the Latin American market.
- Additionally, **product registrations were initiated in the** UAE, positioning Alembic for further growth in the MENA (Middle East and North Africa) region.
- In domestic business **acute therapies typically see seasonal demand,** and weaker sales in this category limited overall revenue expansion.
- In domestic business, **specialty therapies** recorded **only 6.0% growth,** though it was positive, but not strong enough to drive higher overall growth.
- The global API industry is highly competitive, with **pricing pressures from China and other low-cost manufacturers** affecting Indian API exports.

Valuation and view:

Alembic Pharmaceuticals faced a challenging quarter in Q3FY25, with muted growth in the domestic market and a sharp decline in API revenue, offsetting the strong performance in the US and Ex-US segments. The company struggled with headwinds in its acute therapy business, which saw seasonal weakness, while specialty therapies failed to generate strong momentum, growing at a modest pace. The API business continued to struggle, facing pricing headwinds, lower demand from key customers, and stiff competition from low-cost manufacturers, particularly from China.

We decrease our FY26E/FY27E EPS estimates by 6.3% and 7.9% to INR 40.8 and INR 53.5 respectively factoring in weak Q3FY25 performance coupled with ongoing struggle in the API business and weak growth in the domestic market. We expect the revenue to grow at 6.9% CAGR and PAT to grow at 19.5% CAGR over FY24-FY27E. Currently, the stock is trading at PE multiple of 21.8x/16.6x based on FY26E/FY27E EPS, respectively. We roll over our valuation multiple to FY27E and assign a PE multiple of 17.0x to arrive at a target price of INR 909 (previously: INR 1,122) and maintain our "HOLD" rating on the stock with an upside potential of 2.3%.

Revenue segments

Segments Result (INR Mn)	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25
Total	**16,310**	**15,180**	**15,630**	**16,480**	**16,930**
Formulation	**13,420**	**11,880**	**13,040**	**13,740**	**14,340**
USA	4,740	4,230	4,610	4,670	5,210
Ex-USA	2,720	2,620	2,710	2,980	2,990
India	5,770	5,960	5,030	5,720	6,090
API	**2,890**	**3,300**	**2,590**	**2,740**	**2,590**

Segments Result (% YoY)	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25
Total	**8.1%**	**8.0%**	**5.2%**	**3.3%**	**3.8%**
Formulation	**13.4%**	**8.7%**	**10.4%**	**7.9%**	**6.9%**
USA	9.7%	19.5%	18.1%	5.2%	9.9%
Ex-USA	32.0%	5.2%	1.8%	18.3%	9.9%
India	9.4%	2.7%	9.1%	5.5%	3.0%
API	**-11.3%**	**5.4%**	**-15.2%**	**-14.9%**	**-10.4%**

Revenue Mix (%)	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**
Formulation	**82.3%**	**78.3%**	**83.4%**	**83.4%**	**84.7%**
USA	29.1%	27.9%	29.5%	28.3%	30.8%
Ex-USA	16.7%	17.3%	17.3%	18.1%	17.7%
India	35.4%	39.3%	32.2%	34.7%	36.0%
API	**17.7%**	**21.7%**	**16.6%**	**16.6%**	**15.3%**

Source: Company, DevenChoksey Research

RESEARCH ANALYST
Dipak Saha, research5@krchoksey.com, +91-22-6696 5408

Alembic Pharmaceutical Ltd

Result Snapshot

Particulars (Mn)	Q3FY25	Q2FY25	Q3FY24	QoQ	YoY	9MFY25	9MFY24	YoY
Revenue from Operations	**16,927**	**16,480**	**16,306**	**2.7%**	**3.8%**	**49,025**	**47,117**	**4.0%**
Total Expenditure	**14,325**	**14,087**	**13,642**	**1.7%**	**5.0%**	41,661	40,383	3.2%
Cost of Raw Materials	4,469	3,931	3,176	13.7%	40.7%	12,460	10,656	16.9%
Change in Inventory	-1,276	1,026	-223	-224.3%	NM	-1,323	-743	78.0%
Purchase of Stock	1,202	-667	1,655	-280.3%	-27.4%	1,490	3,444	-56.7%
Employee Cost	3,975	3,915	3,493	1.5%	13.8%	11,688	10,444	11.9%
Other Expenses	5,955	5,881	5,542	1.2%	7.5%	17,346	16,582	4.6%
EBITDA	**2,602**	**2,393**	**2,664**	**8.8%**	**-2.3%**	**7,363**	**6,733**	**9.4%**
EBITDA Margin (%)	15.4%	14.5%	16.3%	*85 bps*	*-96 bps*	15.0%	14.3%	*73 bps*
Depreciation	700	705	695	-0.7%	0.8%	2,096	2,032	3.1%
EBIT	**1,902**	**1,688**	**1,969**	**12.7%**	**-3.4%**	**5,267**	**4,701**	**12.0%**
Other Income	95	167	29	-43.2%	228.7%	283	247	14.7%
Interest Expense	223	188	152	18.3%	46.7%	543	453	19.9%
PBT before Exceptional Items	**1,774**	**1,667**	**1,846**	**6.4%**	**-3.9%**	**5,008**	**4,496**	**11.4%**
Exceptional Items	0	129	0	NA	NA	129	**0**	**NA**
PBT	**1,774**	**1,796**	**1,846**	**-1.2%**	**-3.9%**	5,137	4,496	14.3%
Tax	401	273	41	46.9%	870.5%	899	114	690.9%
Share of Associates & JV	4	9	-1	NA	NA	15	-6	-361.0%
Minority interest	7	3	0	NA	NA	10	0	NA
PAT	**1,384**	**1,534**	**1,805**	**-9.8%**	**-23.3%**	**4,264**	**4,376**	**-2.6%**
PAT Margin (%)	8.2%	9.3%	11.1%	*-113 bps*	*-289 bps*	8.7%	9.3%	*-59 bps*
EPS	**7.0**	**7.8**	**9.2**	**-10.0%**	**-23.6%**	**21.6**	**22.3**	**-2.8%**
Adj. PAT	**1,384**	**1,405**	**1,805**	**-1.5%**	**-23.3%**	4,135	4,376	-5.5%
Adj. PAT Margin	8.2%	8.5%	11.1%	*-35 bps*	*-289 bps*	8.4%	9.3%	*-1 bps*
Adj. EPS	**7.0**	**7.8**	**9.2**	**-9.6%**	**-23.3%**	**21.7**	**22.3**	**-2.7%**

Source: Company, DevenChoksey Research

RESEARCH ANALYST
Dipak Saha, research5@krchoksey.com, +91-22-6696 5408

Alembic Pharmaceutical Ltd

Exhibit 1: Profit & Loss Statement

INR Mn	FY23	FY24	FY25E	FY26E	FY27E
Revenues	**56,526**	**62,286**	**64,876**	**69,939**	**75,988**
COGS	17,088	17,151	17,161	18,324	19,149
Gross profit	**39,438**	**45,136**	**47,715**	**51,615**	**56,839**
Employee cost	11,691	14,463	15,410	15,037	15,198
Other expenses	20,663	21,339	22,923	23,989	26,064
EBITDA	**7,084**	**9,334**	**9,382**	**12,589**	**15,578**
Depreciation	2,754	2,727	2,810	2,979	3,111
EBIT	**4,330**	**6,607**	**6,572**	**9,610**	**12,467**
Finance Costs	502	562	710	699	699
Other Income	27	283	372	406	441
PBT	**3,855**	**6,328**	**6,234**	**9,316**	**12,208**
Tax	126	160	1,176	1,304	1,709
PAT	**3,420**	**6,158**	**5,078**	**8,026**	**10,513**
EPS (INR)	17.4	31.3	25.8	40.8	53.5
Adj. PAT	**3,420**	**6,158**	**5,078**	**8,026**	**10,513**
Adj EPS (INR)	17.4	31.3	25.8	40.8	53.5

Exhibit 3: Cash Flow Statement

INR Mn	FY23	FY24	FY25E	FY26E	FY27E
CFFO	7,240	8,032	7,169	8,293	9,471
CFFI	(4,476)	(3,206)	(4,530)	(4,620)	(4,641)
CFFF	(2,620)	(4,379)	(2,219)	(2,203)	(2,196)
Net Inc/Dec in cash	**144**	**447**	**420**	**1,470**	**2,635**
Opening Cash	611	755	1,202	1,622	3,092
Adjustment	0	0	0	0	0
Closing Cash	**755**	**1,202**	**1,622**	**3,092**	**5,727**

Exhibit 4: Key Ratio

INR Mn	FY23	FY24	FY25E	FY26E	FY27E
EBITDA Margin (%)	12.5%	15.0%	14.5%	18.0%	20.5%
Tax rate (%)	3.6%	2.5%	18.4%	14.2%	14.1%
Net Profit Margin (%)	6.1%	9.9%	7.8%	11.5%	13.8%
RoE (%)	7.8%	12.8%	10.0%	13.6%	15.5%
RoCE (%)	9.8%	12.4%	11.6%	15.2%	17.3%
Current Ratio (x)	1.6	1.8	3.0	2.9	3.2
P/E(x)	51.1	28.4	34.4	21.8	16.6

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	51,423	57,748	66,560
Total Equity	**43,705**	**48,182**	**51,816**	**58,141**	**66,953**
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 Paybles	6,798	7,356	8,228	8,785	8,656
Other current liabilities	9,571	(1,416)	(699)	(352)	18
Total Current Liabilities	**16,369**	**10,245**	**11,834**	**12,738**	**12,979**
Total Liabilities	**18,123**	**16,274**	**18,035**	**19,128**	**19,578**
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	16,221	17,320	18,624
Trade Receivables	10,464	10,248	10,665	13,413	16,655
Cash and Bank	755	1,202	1,622	3,092	5,727
Oher current assets	3,060	2,836	5,904	6,365	6,915
Total Current Assets	**29,032**	**30,722**	**34,412**	**40,189**	**47,921**
Total Assets	**61,828**	**64,456**	**69,850**	**77,269**	**86,530**

Source: Company, DevenChoksey Research

RESEARCH ANALYST
Dipak Saha, research5@krchoksey.com, +91-22-6696 5408

Alembic Pharmaceutical Ltd

Alembic Pharmaceuticals Ltd.			
Date	CMP (INR)	TP (INR)	Recommendation
06-Feb-25	889	909	HOLD
08-Nov-24	1,080	1,122	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

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%

ANALYST CERTIFICATION:

I, **Dipak Saha** (MBA, Finance), Research Analyst, author and the name subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect my views about the subject issuer(s) or securities. I also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report.

Terms & Conditions and other disclosures:

KRChoksey Shares and Securities Pvt. Ltd (hereinafter referred to as KRCSSPL) is a registered member of National Stock Exchange of India Limited and Bombay Stock Exchange Limited. KRCSSPL is a registered entity with SEBI for Research Analyst in terms of SEBI (Research Analyst) Regulations, 2014 vide registration number INH000001295. It is also registered as a Depository Participant with CDSL, CDSL Registration No IN-DP-425-2019.

KRChoksey Shares & Securities Pvt Ltd. and DRChoksey Finserv Private Ltd. (Demerged entity from KRChoksey Shares & Securities Limited) are regulated by the Securities and Exchange Board of India ("SEBI") and is licensed to carry on the business of Research Analysts including preparing and distribution of Research Reports. This research report is prepared and distributed by DRChoksey Finserv Private Ltd in the capacity of a Research Analyst as per Regulation 22(1) of SEBI (Research Analysts) Regulations 2014 having SEBI Registration No. INH000011246. It may be further notified that KRCSSPL carries on the activity of preparation as well as distribution of reports in the capacity of a Research Analyst as per Regulation 22(1) of SEBI (Research Analysts) Regulations 2014 having SEBI Registration No. INH000001295.

Deven Choksey Research is a brand name of DRChoksey Finserv Private Limited. The information and opinions in this report are subject to change without any notice. The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of KRCSSPL. While we would endeavour to update the information herein on a reasonable basis, KRCSSPL is not under any obligation to update the information. Also, there may be regulatory, compliance or other reasons that may prevent KRCSSPL from doing so. Non-rated securities indicate that rating on a particular security has been suspended temporarily and such suspension follows applicable regulations and/or KRCSSPL policies, in circumstances where KRCSSPL might be acting in an advisory capacity to this company, or in certain other circumstances.

This report is based on information obtained from public sources and sources believed to be reliable, but no independent verification has been made nor is its accuracy or completeness guaranteed. This report and information herein is solely for informational purpose and shall not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. KRCSSPL will not treat recipients as customers by virtue of their receiving this report. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. The recipient should independently evaluate the investment risks. The value and return on investment may vary because of changes in interest rates, foreign exchange rates or any other reason. KRCSSPL accepts no liabilities whatsoever for any loss or damage of any kind arising out of the use of this report. Past performance is not necessarily a guide to future performance. Investors are advised to see Risk Disclosure Document to understand the risks associated before investing in the securities markets. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice. Our employees in sales and marketing team, dealers and other professionals may provide oral or written market commentary or trading strategies that reflect opinions that are contrary to the opinions expressed herein, in reviewing these materials, you should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest.

We submit that no material disciplinary action has been taken on KRCSSPL and its associates (Group Companies) by any Regulatory Authority impacting Equity Research Analysis activities. KRCSSPL prohibits its associate, analysts, persons reporting to analysts and their relatives from maintaining a financial interest in the securities or derivatives of any companies that the analyst covers.
KRCSSPL or its associates (Group Companies) collectively or its research analyst, or relatives do not hold any financial interest/beneficial ownership of more than 1% (at the end of the month immediately preceding the date of publication of the research report) in the company covered by Analyst and has not been engaged in market making activity of the company covered by research analyst.
It is confirmed that, I, Dipak Saha Research Analyst of this report have not received any compensation from the companies mentioned in the report in the preceding twelve months. Compensation of our Research Analysts is not based on any specific brokerage service transactions.
KRCSSPL or its Associates (Group Companies) have not managed or co-managed public offering of securities for the subject company in the past twelve months.
KRCSSPL or its associates (Group Companies) collectively or its research analyst, or relatives might have received any commission/compensation from the companies mentioned in the report during the period preceding twelve months from the date of this report for services in respect of brokerage services or specific transaction or for products and services other than brokerage services.
KRCSSPL or its associates (Group Companies) collectively or its research analyst, or relatives might have received any commission/compensation from the companies mentioned in the report during the period preceding twelve months from the date of this report other than investment banking or merchant banking or brokerage services from the subject company
KRCSSPL encourages the practice of giving independent opinion in research report preparation by the analyst and thus strives to minimize the conflict in preparation of research report. KRCSSPL or its analysts did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report. Accordingly, neither KRCSSPL nor Research Analysts his associate or his relative, have any material conflict of interest at the time of publication of this report.
It is confirmed that, Dipak Saha, Research Analyst do not serve as an officer, director or employee of the companies mentioned in the report.
KRCSSPL or its associates (Group Companies) or its research analyst has may been engaged in market making activity for the subject company.
This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other Jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject KRCSSPL and affiliates to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform them of and to observe such restriction.
Please send your feedback to research.insti@krchoksey.com

In case of any grievances, please write to grievance@krchoksey.com
Visit us at www.krchoksey.com
KRChoksey Shares and Securities Pvt. Ltd.
CIN-U67120MH1997PTC108958
Registered Office: 1102, Stock Exchange Tower, Dalal Street, Fort, Mumbai – 400 001.
Phone: 91-22-6633 5000; Fax: 91-22-6633 8060
Corporate Office: 701-702, DLH Plaza, Opp Shoppers Stop, S V Road, Andheri (W), Mumbai 400 058
Phone: 91-22-66535000
Compliance Officer: Varsha Shinde
Email: varsha.shinde@krchoksey.com

DIPAK SAHA

Digitally signed by DIPAK SAHA
Date: 2025.02.06 12:01:08 +05'30'