

Estimate change 

TP change

Rating change 

Bloomberg	ALPM IN
Equity Shares (m)	197
M.Cap.(INRb)/(USD\$b)	196.8 / 2.4
52-Week Range (INR)	1094 / 537
1, 6, 12 Rel. Per (%)	4/23/55
12M Avg Val (INR M)	213

Financials & Valuations (INR b)

Y/E MARCH	FY24	FY25E	FY26E
Sales	62.3	68.0	74.7
EBITDA	9.3	10.9	12.4
Adj. PAT	6.2	7.0	7.9
EBIT Margin (%)	10.6	12.0	12.7
Cons. Adj. EPS (INR)	31.5	35.7	40.2
EPS Gr. (%)	43.9	13.7	12.6
BV/Sh. (INR)	245.1	275.2	309.8

Ratios

Net D:E	0.1	0.0	0.0
RoE (%)	13.5	13.6	13.6
RoCE (%)	12.9	13.3	13.3
Payout (%)	19.1	16.8	15.0

Valuations

P/E (x)	32.0	28.1	25.0
EV/EBITDA (x)	19.9	16.8	14.7
Div. Yield (%)	0.5	0.5	0.5
FCF Yield (%)	2.2	3.3	3.2
EV/Sales (x)	3.0	2.7	2.4

Shareholding pattern (%)

As On	Mar-24	Dec-23	Mar-23
Promoter	69.6	69.6	69.6
DII	15.4	14.5	13.3
FII	4.5	4.5	4.6
Others	10.5	11.4	12.5

FII Includes depository receipts

CMP: INR1,001

TP: INR960 (-4%)

Neutral

Exports drive earnings; weak show in DF segment

Robust pace of launches to remain intact in US generics in FY25

- Alembic Pharma (ALPM) delivered better-than-expected 4QFY24 earnings, led by better gross margin and improved off-take in the API segment. After two consecutive years of weak financial performance, ALPM ended FY24 with 10%/14%/43% YoY growth in sales/EBITDA/PAT to INR62b/INR9.3b/INR6b.
- We slightly raise our earnings estimates by 3%/2% for FY25/FY26, factoring in a healthy pace of launches in US generics and robust execution in the animal health segment, partially offset by higher R&D spending. We value ALPM at 23x 12M forward earnings to arrive at a TP of INR960.
- We expect a 13% earnings CAGR over FY24-26, led by a 10% sales CAGR in both domestic formulation (DF)/US segments and improved operating leverage (160bp margin expansion over FY24-26). ALPM continues to build a product pipeline in injectables, ophthalmics and inhalation segments for the US market with a sound compliance track record. ALPM focuses on improving MR productivity in the DF segment. We believe the current valuation adequately factors in the upside in earnings. Hence, we maintain our Neutral rating on the stock.

Product mix benefit offset by higher employee expense in 4Q

- Sales grew 8% YoY to INR15.1b (our est. INR15.4b). DF sales rose 3% YoY to INR5b (35% of sales). Excluding US generics, exports grew 5% YoY to INR2.6b (17% of sales). US generics sales increased by 20% YoY to INR4.2b (USD51m; 28% of sales). API sales grew 7% YoY to INR1.2b (20% of sales).
- Gross margin expanded 580bp YoY to 75% due to a superior product mix and lower RM costs.
- EBITDA margin expanded by 130bp YoY to 17.1% (our est. 15.9%), as a favorable product mix was offset by higher employee costs (+530bp as % of sales). Other expenses decreased by 90bp YoY as % of sales.
- Consequently, EBITDA grew 16.5% YoY to INR2.6b (our est. INR2.5b).
- Adj. PAT grew 73% YoY to INR1.8b (our est. INR1.3b) due to lower tax expenses and interest expenses.
- FY24 revenue/EBITDA/PAT grew 10%/14%/44% YoY to INR62b/INR9.3b/INR6.2b.

Highlights from the management commentary

- ALPM expects to sustain gross margin at 70%+ going forward.
- It targets R&D spending of INR5.5b-6b in FY25 (vs. INR4.8b in FY24), mainly for developing injectable, ophthalmic, oncology and inhalation. ALPM plans to launch 25 ANDAs in the US generics segment in FY25.
- The company witnessed high single-digit to low double digit price erosion in US generics base business.

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Investors are advised to refer through important disclosures made at the last page of the Research Report.

Motilal Oswal research is available on www.motilaloswal.com/Institutional-Equities, Bloomberg, Thomson Reuters, Factset and S&P Capital.

Quarterly perf. (Consol.)

(INR m)

Y/E March	FY23				FY24				FY23	FY24	FY24E 4QE	vs Est
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q				
Net Sales	12,621	14,750	15,090	14,065	14,862	15,949	16,309	15,170	56,526	62,290	15,382	-1.4%
YoY Change (%)	-4.8	14.1	18.7	-0.7	17.7	8.1	8.1	7.9	6.5	10.2	9.4	
Total Expenditure	11,475	12,423	12,603	11,833	12,874	13,867	13,642	12,569	48,333	52,953	12,931	
EBITDA	1,147	2,328	2,488	2,232	1,987	2,083	2,667	2,601	8,194	9,337	2,451	6.1%
YoY Change (%)	-51.4	-9.5	-2.7	-21.2	73.3	-10.5	7.2	16.5	-17.8	14.0	9.8	
Margins (%)	9.1	15.8	16.5	15.9	13.4	13.1	16.4	17.1	14.5	15.0	15.9	121.0
Depreciation	521	517	535	741	662	676	695	695	2,314	2,727	646	
EBIT	626	1,811	1,953	1,490	1,325	1,407	1,973	1,906	5,880	12,064	1,804	5.6%
YoY Change (%)	-65.8	-10.6	-2.2	-33.8	111.9	-22.3	8.9	-2.4	-24.2	105.2	-7.6	
Interest	88	124	146	144	144	157	152	109	502	562	143	
Other Income	11	3	4	9	117	102	29	36	27	283	33	
PBT before EO expense	548	1,690	1,811	1,356	1,298	1,352	1,850	1,832	5,405	6,332	1,695	8.1%
Extra-Ord expense	1,150	160	130	110	0	0	0	0	1,550	0	0	
PBT	-602	1,530	1,681	1,246	1,298	1,352	1,850	1,832	3,855	6,332	1,695	8.1%
Tax	-15	180	326	-364	92	-19	41	46	126	160	320	
Rate (%)	2.5	11.7	19.4	-29.2	7.0	-1.4	2.2	2.5	3.3	2.5	18.9	
MI & P/L of Asso. Cos.	72	17	136	85	0	-5	-1	-4	309	-10	60	
Reported PAT	-659	1,334	1,220	1,525	1,207	1,376	1,809	1,790	3,420	6,182	1,315	36.2%
Adj PAT	463	1,475	1,324	1,034	1,207	1,376	1,809	1,790	4,296	6,182	1,315	36.2%
YoY Change (%)	-71.9	-12.9	-24.9	-42.1	160.9	-6.7	36.6	73.1	-37.6	43.9	27.2	
Margins (%)	3.7	10.0	8.8	7.4	8.1	8.6	11.1	11.8	7.6	9.9	8.5	

Key performance Indicators (Consolidated)

(INR m)

Y/E March	FY23				FY24				FY23	FY24
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
India	4,800	5,490	5,450	4,890	5,240	5,770	5,960	5,030	20,630	22,000
YoY Change (%)	(0.2)	7.9	11.7	8.9	9.2	5.1	9.4	2.9	7.1	6.6
Exports	5,490	6,330	6,380	6,040	6,570	6,960	7,460	6,850	24,240	27,820
YoY Change (%)	(3.0)	16.1	8.9	(18.9)	19.7	10.0	16.9	13.4	(0.7)	14.8
APIs	2,330	2,940	3,260	3,130	3,050	3,220	2,890	3,300	11,660	12,460
YoY Change (%)	(16.5)	23.0	64.6	41.0	30.9	9.5	(11.3)	5.4	24.2	6.9
Cost Break-up										
RM Cost (% of Sales)	30.0	30.0	30.2	30.8	27.8	28.9	28.3	25.0	30.2	27.5
Staff Cost (% of Sales)	23.0	19.6	19.3	21.2	23.4	21.8	21.4	26.5	20.7	23.2
R&D Expenses (% of Sales)	11.6	10.3	9.5	8.9	8.0	7.6	7.0	8.0	9.8	7.6
Other Cost (% of Sales)	26.3	24.3	24.5	23.3	27.4	28.7	27.0	23.4	24.8	26.6
Gross Margins(%)	70.0	70.0	69.8	69.2	72.2	71.1	71.7	75.0	69.8	72.5
EBITDA Margins(%)	9.1	15.8	16.5	15.9	13.4	13.1	16.4	17.1	14.5	15.0
EBIT Margins(%)	5.0	12.3	12.9	10.6	8.9	8.8	12.1	12.6	10.4	19.4

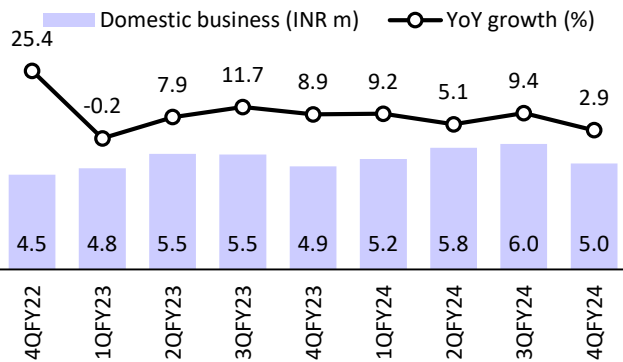


Key takeaways from the management commentary

- ALPM filed three ANDAs and launched seven in 4QFY24.
- DF business growth was impacted by a high base in acute category and some moderation in specialty segment at industry level.
- Net borrowing stood at INR2.2b at the end of FY24.
- ALPM expects to sustain growth momentum in animal health segment, led by volume off-take, regional expansion and higher benefit from new division.
- ALPM does not expect to add MRs in FY25.
- It may incur a capex of INR3b in FY25, largely for maintenance and de-bottlenecking.

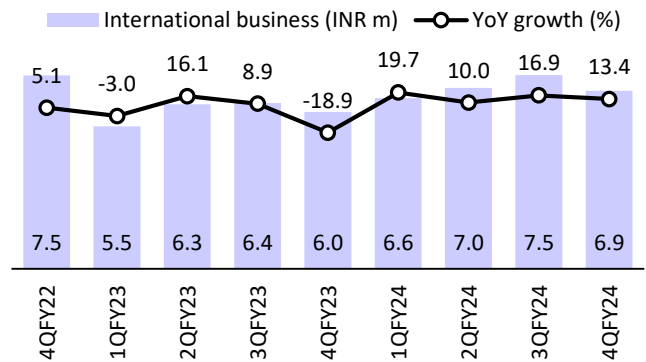
Key exhibits

Exhibit 1: DF sales grew 2.9% YoY in 4QFY24



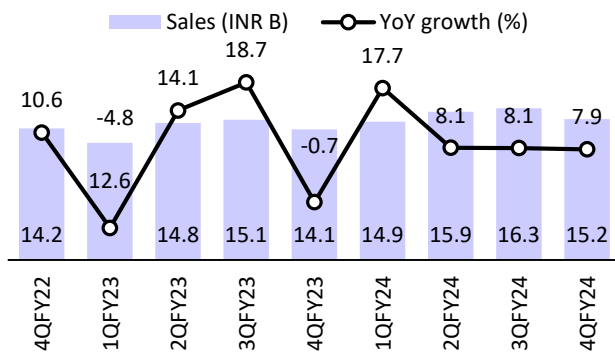
Source: MOFSL, Company

Exhibit 2: International business grew 13.4% YoY in 4QFY24



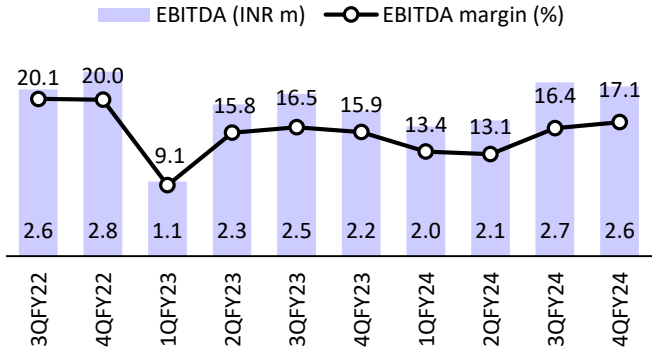
Source: MOFSL, Company

Exhibit 3: Sales increased 7.9% YoY in 4QFY24



Source: MOFSL, Company

Exhibit 4: EBITDA margin expanded 130bp YoY in 4QFY24



Source: MOFSL, Company

Working on multiple fronts to improve business prospects

US: enhancing pipeline in complex generics space

- In FY24, ALPM’s US business grew 9% YoY to USD214m, led by new launches and increased volume, offset by pricing erosion.
- ALPM filed 15 ANDAs in FY24 and received approval for 15 products in the US market. ALPM is investing more in complex injectable, ophthalmic, oncology and inhalation products.
- It has launched 27 products in FY24 and plans to launch 25 products in FY25.
- Almost all sites of ALPM are under compliance; however, in Mar’24, its Panelav plant was inspected and received Form 483 with four observations.
- Considering new launches of complex products and a scale-up in existing products, we expect a 10% sales CAGR to USD258m over FY24-26.

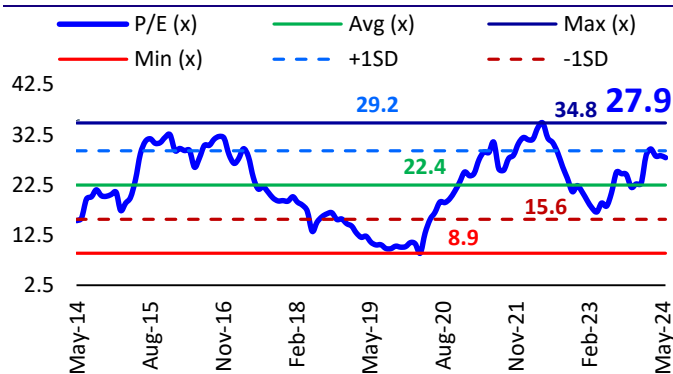
India: Prescription segment on recovery mode; animal health on robust growth mode

- In FY24, ALPM’s overall India business grew 7% YoY to INR22b. The growth was led by a 7% YoY growth in the specialty segment, largely driven by strong performance in gynaec segment.
- In FY24, ALPM’s animal health segment registered a growth of 26% YoY to INR3.5b, led by strong brand recall and enhanced efforts by MRs.
- The acute segment registered a decline of 1.5% YoY in FY24, led by a decline in anti-infective and respiratory segments.
- In MAT Mar’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 10% sales CAGR to INR26.7b over FY24-26.

Reiterate Neutral

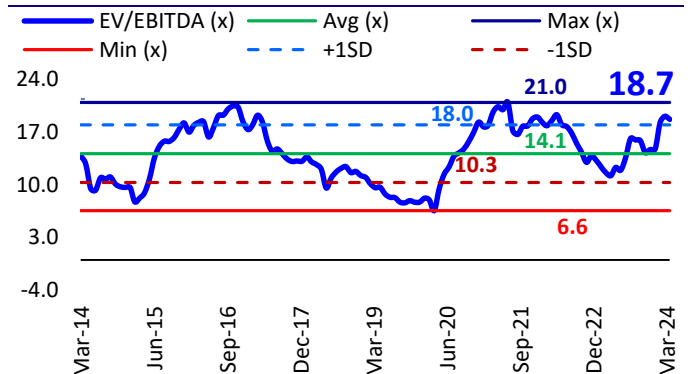
- We slightly raise our earnings estimates by 3%/2% for FY25/FY26, factoring in a healthy pace of launches in the US generics segment and robust execution in the animal health segment, partially offset by higher R&D spending. We value ALPM at 23x 12M forward earnings to arrive at TP of INR960.
- We expect a 13% earnings CAGR over FY24-26, led by a 10% sales CAGR in both DF/US segments and improved operating leverage (160bp margin expansion over FY24-26). ALPM continues to build its product pipeline for injectables, ophthalmics and inhalation segments for the US market with a sound compliance track record. The company focuses on improving MR productivity in the DF segment. We believe the current valuation adequately factors in the upside in earnings. Hence, we maintain our Neutral rating on the stock.

Exhibit 5: P/E chart



Source: MOFSL, Company, Bloomberg

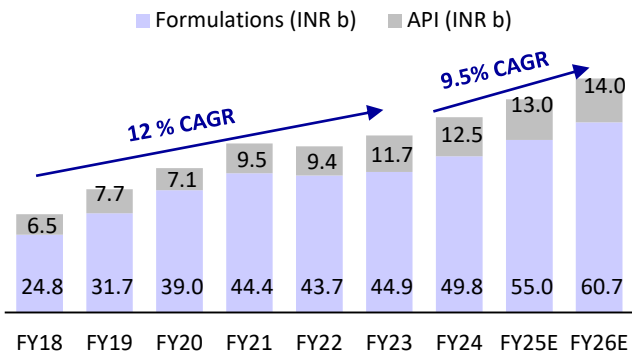
Exhibit 6: EV/EBITDA chart



Source: MOFSL, Company, Bloomberg

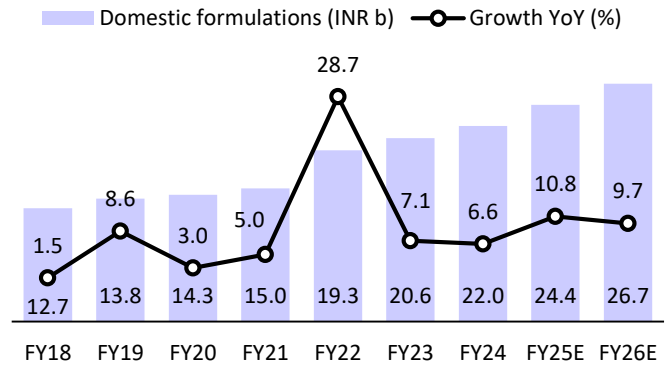
Story in charts

Exhibit 7: Formulation sales CAGR to be 9.5% over FY24-26



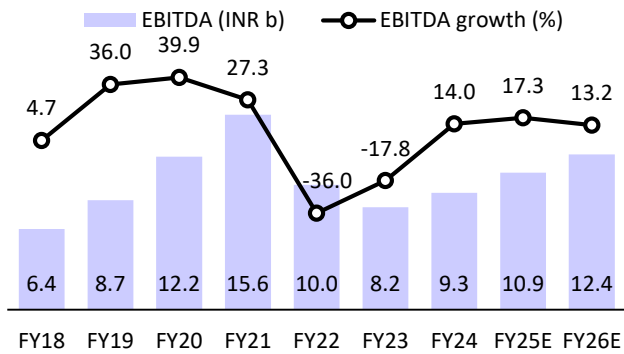
Source: MOFSL, Company

Exhibit 8: Expect DF to exhibit 10% CAGR over FY24-26



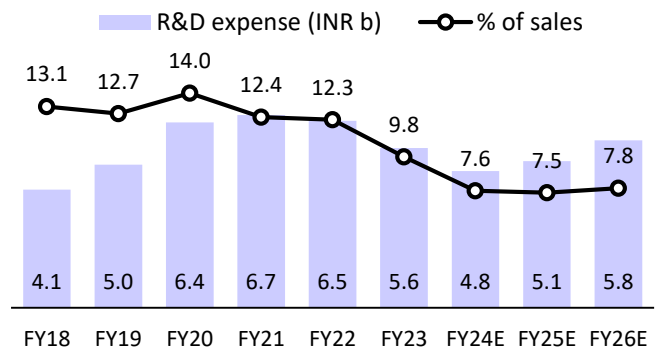
Source: MOFSL, Company

Exhibit 9: EBITDA CAGR to be 15% during FY24-26



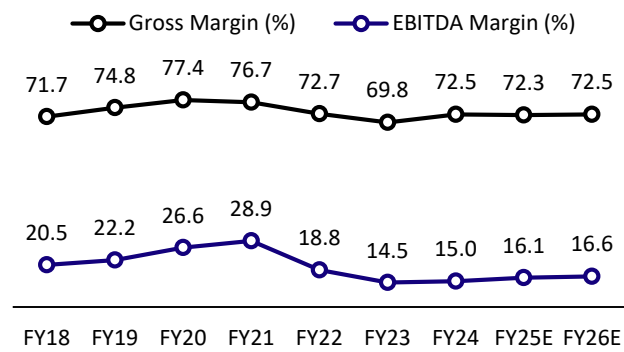
Source: MOFSL, Company

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



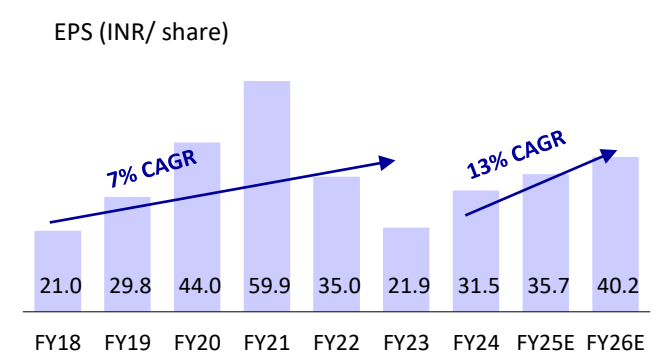
Source: MOFSL, Company

Exhibit 11: Margin to improve over FY24-26



Source: MOFSL, Company

Exhibit 12: Earnings CAGR to be 13% 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	68,004	74,678
Change (%)	25.7	17.0	17.1	-1.6	6.5	10.2	9.2	9.8
EBITDA	8,746	12,233	15,575	9,972	8,194	9,337	10,949	12,396
Change (%)	36.0	39.9	27.3	-36.0	-17.8	14.0	17.3	13.2
Margin (%)	22.2	26.6	28.9	18.8	14.5	15.0	16.1	16.6
Depreciation	1,152	1,573	1,835	2,218	2,314	2,727	2,806	2,935
EBIT	7,594	10,660	13,741	7,754	5,880	6,611	8,143	9,461
Int. and Finance Charges	184	272	160	177	502	562	383	379
Other Income - Rec.	94	49	100	505	27	283	490	530
PBT bef. EO Exp.	7,503	10,437	13,681	8,081	5,405	6,332	8,250	9,612
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	8,250	9,612
Current Tax	1,781	2,046	2,629	1,279	42	658	1,898	2,211
Deferred Tax	-214	-54	-96	-235	84	-498	-743	-577
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	7,026	7,909
PAT Adj for EO items	5,854	8,643	11,781	6,889	4,296	6,182	7,026	7,909
Change (%)	41.8	47.7	36.3	-41.5	-37.6	43.9	13.7	12.6
Margin (%)	14.9	18.8	21.8	13.0	7.6	9.9	10.3	10.6

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	53,701	60,497
Preference Capital	0	0	0	0	0	0	0	0
Net Worth	27,188	32,197	51,276	52,375	43,705	48,182	54,094	60,890
Minority Interest	-8	-290	-606	0	0	0	0	0
Deferred Liabilities	188	122	42	0	0	0	-743	-1,319
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	58,187	64,308
Gross Block	15,156	20,700	24,909	27,221	35,532	39,741	46,585	51,251
Less: Accum. Deprn.	3,608	5,181	7,016	9,234	11,548	14,274	17,080	20,015
Net Fixed Assets	11,585	15,518	17,893	17,987	23,985	25,467	29,505	31,236
Capital WIP	15,512	18,462	21,817	23,034	6,013	5,244	3,400	3,734
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	36,652	41,893
Inventory	9,673	11,875	14,862	16,097	14,753	16,435	18,063	19,692
Account Receivables	4,889	8,648	3,486	8,071	10,464	10,248	11,365	12,685
Cash and Bank Balance	2,056	808	1,058	694	823	1,266	2,302	4,528
Loans and Advances	3,576	4,404	5,612	4,153	4,828	4,866	4,922	4,988
Curr. Liability & Prov.	11,125	9,656	13,663	11,824	11,073	11,341	12,300	13,486
Account Payables	6,443	6,259	6,688	7,064	6,798	7,356	8,206	9,058
Other Current Liabilities	3,838	2,270	5,601	3,165	2,512	2,237	2,442	2,681
Provisions	844	1,127	1,375	1,595	1,763	1,748	1,653	1,746
Net Current Assets	9,068	16,078	11,354	17,192	19,795	21,474	24,352	28,408
Appl. of Funds	36,652	50,238	53,426	59,397	50,756	53,115	58,187	64,308

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	35.7	40.2
Cash EPS	37.2	54.2	69.3	46.3	33.6	45.3	50.0	55.2
BV/Share	144.2	170.8	260.9	266.5	222.4	245.1	275.2	309.8
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	16.8	15.0
Valuation (x)								
P/E	33.7	22.9	16.8	28.7	46.0	32.0	28.1	25.0
Cash P/E	27.0	18.5	14.5	21.7	29.9	22.2	20.1	18.2
P/BV	7.0	5.9	3.9	3.8	4.5	4.1	3.7	3.2
EV/Sales	4.8	4.3	3.4	3.5	3.3	3.0	2.7	2.4
EV/EBITDA	21.6	16.3	11.8	18.9	23.0	19.9	16.8	14.7
Dividend Yield (%)	0.5	1.0	1.0	1.0	0.4	0.5	0.5	0.5
Return Ratios (%)								
RoE	23.4	30.1	29.7	13.9	8.3	13.5	13.6	13.6
RoCE	18.5	19.7	21.6	12.1	10.4	12.9	13.3	13.3
RoIC	31.8	34.6	38.0	20.6	14.7	14.5	14.4	14.7
Working Capital Ratios								
Asset Turnover (x)	1.1	0.9	1.0	0.9	1.1	1.2	1.2	1.2
Inventory (Days)	90	94	101	111	95	96	97	96
Debtor (Days)	45	69	24	56	68	60	61	62
Creditor (Days)	60	50	45	49	44	43	44	44
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

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
(INR m)								
Net Profit / (Loss) Before Tax	7,493	9,998	13,681	6,201	3,546	6,318	8,250	9,612
Depreciation	1,152	1,573	1,835	2,868	2,754	2,727	2,806	2,935
Interest & Finance Charges	184	272	160	131	502	562	-107	-151
Direct Taxes Paid	1,665	2,361	2,454	1,234	607	199	1,898	2,211
(Inc)/Dec in WC	1,116	-5,844	2,395	-3,673	-576	-957	-1,841	-1,830
CF from Operations	8,281	3,638	15,617	4,292	5,619	8,452	7,210	8,356
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	7,210	8,356
(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	2,210	3,356
(Pur)/Sale of Investments	39	23	-1,796	523	-64	-63	0	0
Others	-1,055	-613	0	17	22	32	490	530
CF from Investments	-7,556	-7,316	-8,388	-3,702	-4,476	-3,190	-4,510	-4,470
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	-383	-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	-1,664	-1,660
Inc/Dec of Cash	1,156	-1,249	252	-364	129	64	1,036	2,226
Add: Beginning Balance	900	2,055	807	1,059	694	823	1,266	2,302
Closing Balance	2,055	807	1,058	694	823	887	2,302	4,528
Total Cash and Cash Eq	2,056	807	1,059	694	823	1,266	2,302	4,528

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NOTES

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