

Alembic Pharma

Estimate change	↔
TP change	↔
Rating change	↔

CMP: INR887 **TP: INR930 (+5%)** **Neutral**

Exports outshine; API witnesses gradual recovery

Building peptides category of products for regulated markets

- Alembic Pharma (ALPM) delivered a better-than-expected performance in 4QFY25. A strong performance in export markets was offset partly by a muted show in domestic formulation (DF) segment. API business also witnessed healthy recovery during the quarter.
- ALPM plans to build a product pipeline in the peptide space for regulated markets and scale up its injectables and ophthalmics product offerings.
- We largely maintain our estimates for FY26/FY27. We value ALPM at 21x 12M forward earnings to arrive at a TP of INR930.
- ALPM ended FY25 with a modest 7%/8% YoY growth in revenue/EBITDA and an earnings decline of 7% YoY. A weak performance in DF and API segment, coupled with financial leverage, impacted its FY25 performance.
- Having said this, ALPM is enhancing its product offerings in the US market and implementing efforts to improve growth in the DF market. Accordingly, we estimate a 23% earnings CAGR over FY25-27. We maintain Neutral rating due to limited upside from current levels.

Segmental mix/geography mix dent margins YoY

- ALPM sales grew 16.7% YoY to INR17.6b (our est: INR16.4b). US generics sales rose 20% YoY to INR5b (USD61m; 29% of sales). Ex-US generic export sales grew 43% YoY to INR3.8b (21% of sales). DF sales increased 4% YoY to INR5.5b (31% of sales). API sales grew 4% YoY to INR3.4b (19% of sales).
- Gross margin contracted 500bp YoY to 70% due to an inferior product mix.
- EBITDA margin contracted at a lower pace of 180bp YoY to 15.4% (our est: 14.1%), as lower gross margin was offset by better operating leverage (employee costs down 420bp as % of sales). R&D expenses rose 100bp YoY as % of sales to 9% for the quarter.
- Consequently, EBITDA grew 4.6% YoY to INR2.7b (our est: INR2.3b).
- Adj. PAT declined 12.3% YoY to INR1.6b (our est: INR1.1b) owing to higher tax burden (18.3% in 4QFY25 vs. 2.5% in 4QFY24).
- FY25 revenue/EBITDA grew 7%/8% to INR66.7b/INR10b, while PAT declined 7% YoY to INR5.7b.

Key highlights from the management commentary

- For FY26, ALPM expects mid-teens YoY growth in US revenue and 10% YoY growth in DF.
- Out of INR5.5b-INR6.5b spent on R&D, 30-35% was spent on complex products like peptides/ophthalmics.
- About 45% of new filings would be for injectables and the remaining for ophthalmics/oral solids dosage form in FY26.
- ALPM expects better operating leverage and lower R&D spending to drive profitability in the coming years.

Bloomberg	ALPM IN
Equity Shares (m)	197
M.Cap.(INRb)/(USDb)	174.3 / 2.1
52-Week Range (INR)	1304 / 725
1, 6, 12 Rel. Per (%)	-6/-22/-22
12M Avg Val (INR M)	283

Financials & Valuations (INR b)

Y/E MARCH	FY25	FY26E	FY27E
Sales	66.7	71.3	78.6
EBITDA	10.1	12.3	14.3
Adj. PAT	5.7	7.2	8.6
EBIT Margin (%)	11.0	13.2	14.0
Cons. Adj. EPS (INR)	29.2	36.5	44.0
EPS Gr. (%)	-7.4	25.1	20.5
BV/Sh. (INR)	264.1	294.9	333.2

Ratios

Net D:E	0.2	0.2	0.1
RoE (%)	11.5	12.9	13.9
RoCE (%)	10.9	11.9	12.8
Payout (%)	20.3	16.5	13.7

Valuations

P/E (x)	30.2	24.1	20.0
EV/EBITDA (x)	19.9	16.4	13.8
Div. Yield (%)	0.6	0.6	0.6
FCF Yield (%)	1.5	2.8	3.3
EV/Sales (x)	3.0	2.8	2.5

Shareholding pattern (%)

As On	Mar-25	Dec-24	Mar-24
Promoter	69.7	69.6	69.6
DII	16.4	16.1	15.4
FII	3.9	4.2	4.5
Others	10.0	10.2	10.5

FII Includes depository receipts

Quarterly perf. (Consol.)
(INR m)

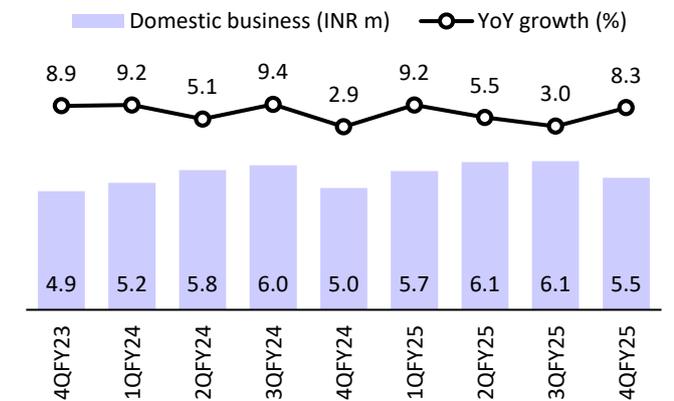
Y/E March	FY24				FY25E				FY24	FY25	FY25E
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4Q			
Net Sales	14,862	15,949	16,309	15,170	15,617	16,480	16,927	17,696	62,290	66,721	16,368
YoY Change (%)	17.7	8.1	8.1	7.9	5.1	3.3	3.8	16.7	10.2	7.1	7.9
Total Expenditure	12,874	13,867	13,642	12,569	13,249	14,087	14,325	14,977	52,953	56,639	14,055
EBITDA	1,987	2,083	2,667	2,601	2,368	2,393	2,602	2,719	9,337	10,082	2,313
YoY Change (%)	73.3	-10.5	7.2	16.5	19.2	14.9	-2.4	4.6	14.0	8.0	-11.1
Margins (%)	13.4	13.1	16.4	17.1	15.2	14.5	15.4	15.4	15.0	15.1	14.1
Depreciation	662	676	695	695	690	705	700	690	2,727	2,786	714
EBIT	1,325	1,407	1,973	1,906	1,678	1,688	1,902	2,029	6,611	7,297	1,599
YoY Change (%)	111.9	-22.3	8.9	-2.4	26.6	19.9	-3.6	6.5	12.4	10.4	-16.1
Interest	144	157	152	109	132	188	223	245	562	788	223
Other Income	117	102	29	36	21	167	95	142	283	425	57
PBT before EO expense	1,298	1,352	1,850	1,832	1,567	1,667	1,774	1,926	6,332	6,934	1,432
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	1,926	6,332	7,063	1,432
Tax	92	-19	41	46	225	273	401	353	160	1,252	197
Rate (%)	7.0	-1.4	2.2	2.5	14.4	15.2	22.6	18.3	2.5	17.7	13.7
MI & P/L of Asso. Cos.	0	-5	-1	-4	-5	-11	-11	4	-10	-23	96
Reported PAT	1,207	1,376	1,809	1,790	1,347	1,534	1,384	1,569	6,182	5,834	1,140
Adj PAT	1,207	1,376	1,809	1,790	1,347	1,425	1,384	1,569	6,182	5,725	1,140
YoY Change (%)	160.9	-6.7	36.6	73.1	11.6	3.6	-23.5	-12.3	43.9	-7.4	-36.3
Margins (%)	8.1	8.6	11.1	11.8	8.6	8.6	8.2	8.9	9.9	8.6	7.0
EPS	6.1	7.0	9.2	9.1	6.9	7.2	7.0	8.0	31.5	29.2	5.8

Key performance Indicators (Consolidated)
(INR m)

Y/E March	FY24				FY25E				FY24	FY25	FY25E	vs Est
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4Q				
India	5,240	5,770	5,960	5,030	5,720	6,090	6,140	5,450	22,000	23,400	5,220	4%
YoY Change (%)	9.2	5.1	9.4	2.9	9.2	5.5	3.0	8.3	6.6	6.4	3.8	
Exports	6,570	6,960	7,460	6,850	7,320	7,650	8,200	8,830	27,820	32,000	8,496	4%
YoY Change (%)	19.7	10.0	16.9	13.4	11.4	9.9	9.9	28.9	14.8	15.0	24.0	
APIs	3,050	3,220	2,890	3,300	2,590	2,740	2,590	3,420	12,460	11,340	2,639	30%
YoY Change (%)	30.9	9.5	(11.3)	5.4	(15.1)	(14.9)	(10.4)	3.6	6.9	(9.0)	(20.0)	
Cost Break-up												
RM Cost (% of Sales)	27.8	28.9	28.3	25.0	25.2	26.0	26.0	30.0	27.5	26.9	25.5	
Staff Cost (% of Sales)	23.4	21.8	21.4	26.5	24.3	23.8	23.5	22.2	23.2	23.4	24.1	
R&D Expenses (% of Sales)	8.0	7.6	7.0	8.0	7.0	8.0	7.0	9.1	7.6	7.8	8.0	
Other Cost (% of Sales)	27.4	28.7	27.0	23.4	28.3	27.7	28.2	23.3	26.6	26.8	28.3	
Gross Margins(%)	72.2	71.1	71.7	75.0	74.8	74.0	74.0	70.0	72.5	73.1	74.5	
EBITDA Margins(%)	13.4	13.1	16.4	17.1	15.2	14.5	15.4	15.4	15.0	15.1	14.1	
EBIT Margins(%)	8.9	8.8	12.1	12.6	10.7	10.2	11.2	11.5	10.6	10.9	9.8	

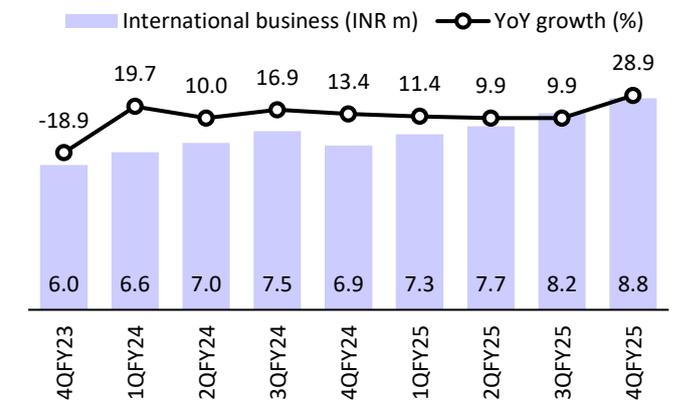
Key exhibits

Exhibit 1: DF sales grew 8.3% YoY in 4QFY25



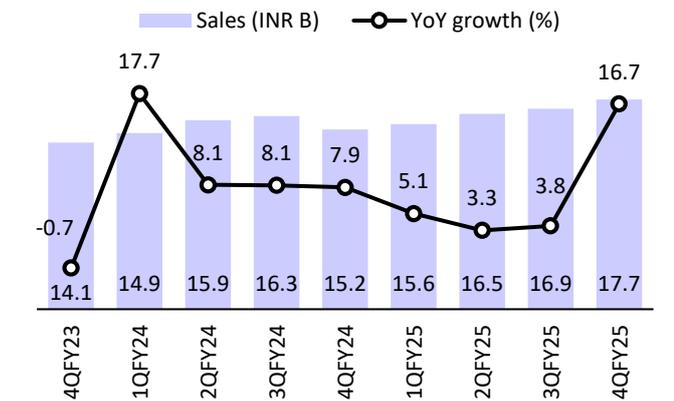
Source: MOFSL, Company

Exhibit 2: International business grew 28.9% YoY



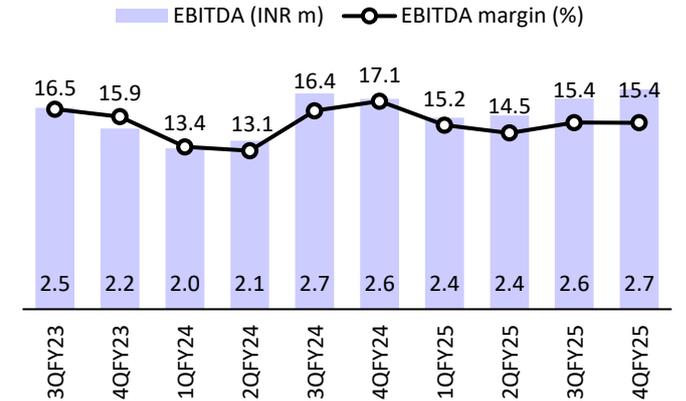
Source: MOFSL, Company

Exhibit 3: Sales increased 16.7% YoY for 4QFY25



Source: MOFSL, Company

Exhibit 4: EBITDA margin contracted 180bp YoY in 4QFY25



Source: MOFSL, Company

Overall return ratios remain under control

US: Adds peptide as additional growth driver for US market

- In FY25, ALPM's US business grew 13% YoY to INR19.5b (USD234m), led by 16 product launches in FY25 and higher off-take of products commercialized in earlier years. Overall, 163 products are now commercialized in the US.
- ALPM filed eight ANDAs in FY25 and received approval for 24 products in the US market. ALPM is investing more in complex injectables, ophthalmic, oncology, and inhalation products. Notably, ALPM is also investing in the product pipeline for the peptide category to support growth in regulated markets. ALPM largely has manufacturing capacity in place and expects to implement efforts toward product development and filings.
- It plans to launch more than 15 products in FY26.
- Further, ALPM is raising its capacity in oral solids to support growth in the US as well as non-US markets over the medium term.
- As of today, ALPM has a total of 220 approved ANDAs, comprising 151 oral solids, 30 dermatological products, 20 ophthalmic formulations, 17 injectables, and 1 inhalation product.

- Considering the new launches of complex products and a scale-up in existing products, we expect a 14% sales CAGR to USD306m over FY25-27.

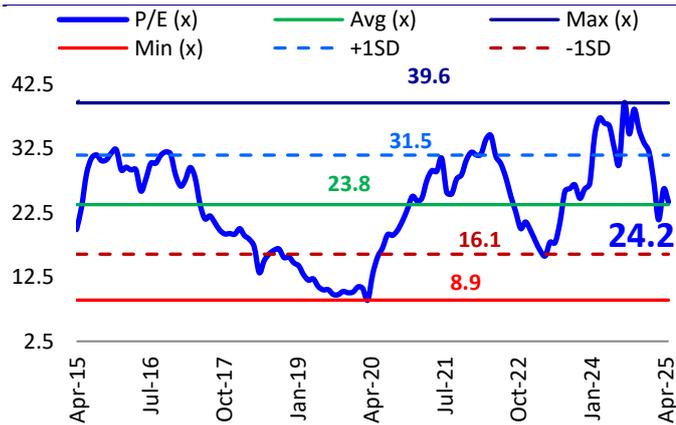
India: Efforts underway to improve growth prospects

- In FY25, ALPM's overall India business grew 6.4% YoY to INR23.4b, led by ~7% YoY growth in the specialty segment. Specifically, ALPM delivered a superior performance in gynaec/anti-diabetic/ophthalmology/dermatology.
- In FY25, ALPM's animal health segment grew 22.4% YoY to INR4.3b, led by a well-established portfolio and enhanced efforts by MRs.
- The acute segment declined 3.2% YoY in FY25, led by a muted performance in the anti-infective and respiratory segments.
- In FY25, sales per MR were largely stable at INR44Lacs PCPM, despite an increase in the field force from 5,000 to 5,500 representatives.
- In FY25, ALPM's prescription base was stable at 129m.
- We expect a 6% sales CAGR to INR26.2b over FY25-27.

Reiterate Neutral

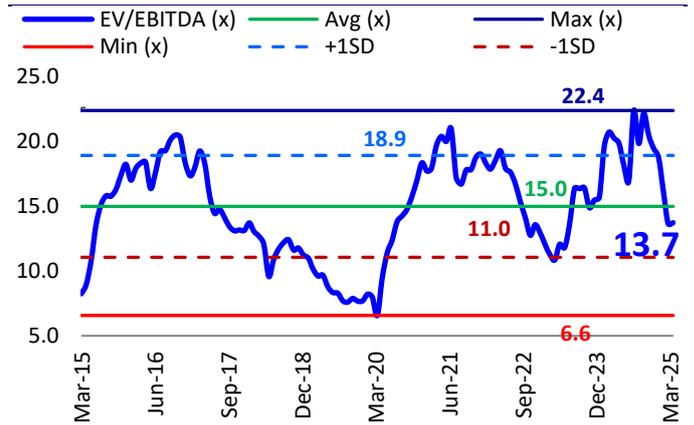
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- Having said this, ALPM is enhancing its product offering in the US market and implementing efforts to improve growth in the DF market. Accordingly, we estimate a 23% earnings CAGR over FY25-27. We maintain Neutral rating due to limited upside from current levels.

Exhibit 5: P/E chart



Source: MOFSL, Company, Bloomberg

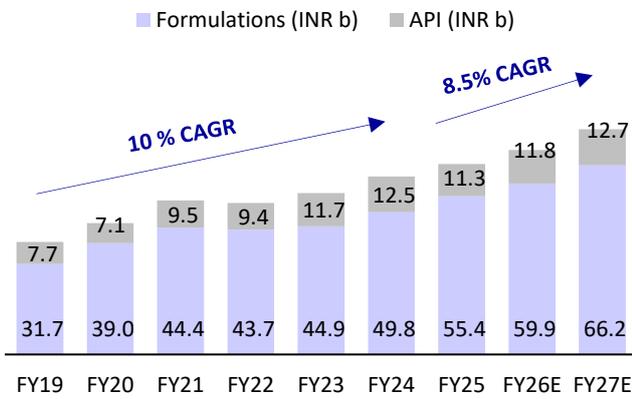
Exhibit 6: EV/EBITDA chart



Source: MOFSL, Company, Bloomberg

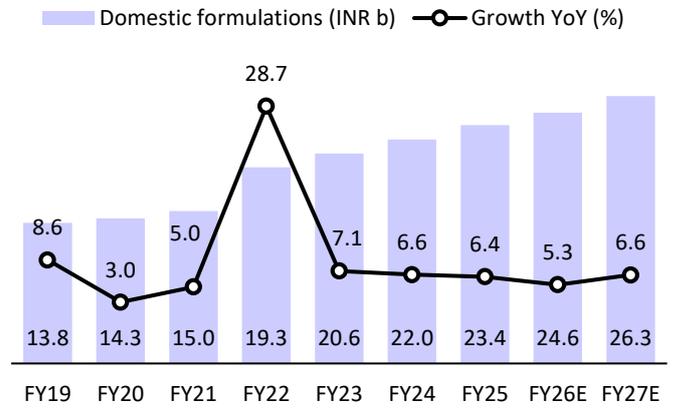
Story in charts

Exhibit 7: Formulation sales CAGR to be 8.5% over FY25-27



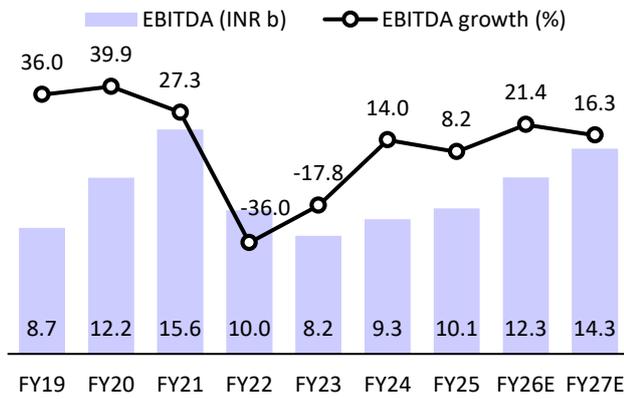
Source: MOFSL, Company

Exhibit 8: Expect DF to exhibit 6% CAGR over FY25-27



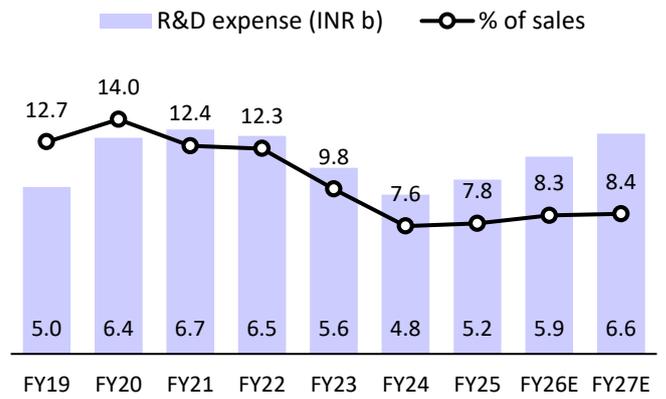
Source: MOFSL, Company

Exhibit 9: EBITDA CAGR to be 19% during FY25-27



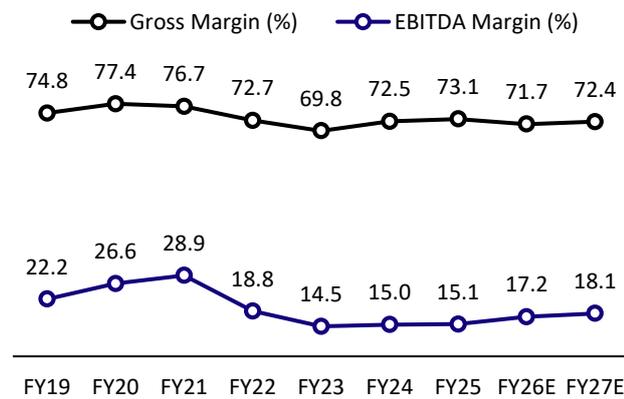
Source: MOFSL, Company

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



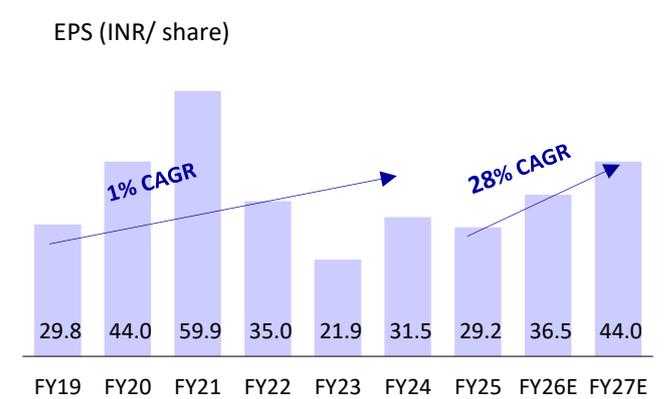
Source: MOFSL, Company

Exhibit 11: Margin to improve over FY25-27



Source: MOFSL, Company

Exhibit 12: Earnings CAGR to be 23% over FY25-27



Source: MOFSL, Company

Financials and valuations

Consolidated - Income Statement								(INRm)
Y/E March	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
Net Sales	46,060	53,931	53,058	56,526	62,290	66,740	71,316	78,638
Change (%)	17.0	17.1	-1.6	6.5	10.2	7.1	6.9	10.3
EBITDA	12,233	15,575	9,972	8,194	9,337	10,102	12,259	14,253
Change (%)	39.9	27.3	-36.0	-17.8	14.0	8.2	21.4	16.3
Margin (%)	26.6	28.9	18.8	14.5	15.0	15.1	17.2	18.1
Depreciation	1,573	1,835	2,218	2,314	2,727	2,786	2,832	3,217
EBIT	10,660	13,741	7,754	5,880	6,611	7,316	9,427	11,036
Int. and Finance Charges	272	160	177	502	562	788	950	900
Other Income - Rec.	49	100	505	27	283	425	540	550
PBT bef. EO Exp.	10,437	13,681	8,081	5,405	6,332	6,953	9,017	10,686
EO Expense/(Income)	436	0	1,880	1,550	0	-129	0	0
PBT after EO Exp.	10,001	13,681	6,201	3,855	6,332	7,082	9,017	10,686
Current Tax	2,046	2,629	1,279	42	658	1,629	2,074	2,458
Deferred Tax	-54	-96	-235	84	-498	-377	-295	-483
Tax Rate (%)	19.9	18.5	16.8	3.3	2.5	17.7	19.7	18.5
MI & P/L of Asso. Cos.	-284.7	-633.5	-300.3	309.2	-9.8	-5.4	69.0	72.0
Reported PAT	8,294	11,781	5,457	3,420	6,182	5,834	7,169	8,639
PAT Adj for EO items	8,643	11,781	6,889	4,296	6,182	5,725	7,169	8,639
Change (%)	47.7	36.3	-41.5	-37.6	43.9	-7.4	25.1	20.5
Margin (%)	18.8	21.8	13.0	7.6	9.9	8.6	10.1	11.0

Consolidated - Balance Sheet								(INRm)
Y/E March	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
Equity Share Capital	377	393	393	393	393	393	393	393
Total Reserves	31,820	50,883	51,982	43,312	47,789	51,516	57,572	65,100
Preference Capital	0	0	0	0	0	0	0	0
Net Worth	32,197	51,276	52,375	43,705	48,182	51,909	57,965	65,493
Total Loans	18,208	2,715	7,021	7,051	4,933	12,423	12,325	12,227
Capital Employed	50,237	53,426	59,397	50,756	53,115	64,508	70,170	77,117
Gross Block	20,700	24,909	27,221	35,532	39,741	42,295	52,102	56,949
Less: Accum. Deprn.	5,181	7,016	9,234	11,548	14,274	17,060	19,892	23,109
Net Fixed Assets	15,518	17,893	17,987	23,985	25,467	25,235	32,210	33,840
Capital WIP	18,462	21,817	23,034	6,013	5,244	8,372	3,566	4,718
Total Investments	179	2,363	1,184	963	930	1,272	1,272	1,272
Curr. Assets, Loans&Adv.	25,734	25,017	29,015	30,868	32,815	42,850	45,840	51,583
Inventory	11,875	14,862	16,097	14,753	16,435	22,881	25,687	26,468
Account Receivables	8,648	3,486	8,071	10,464	10,248	13,998	14,459	15,297
Cash and Bank Balance	808	1,058	694	823	1,266	901	610	4,709
Loans and Advances	4,404	5,612	4,153	4,828	4,866	5,070	5,085	5,110
Curr. Liability & Prov.	9,656	13,663	11,824	11,073	11,341	13,222	12,718	14,296
Account Payables	6,259	6,688	7,064	6,798	7,356	8,799	8,493	9,705
Other Current Liabilities	2,270	5,601	3,165	2,512	2,237	2,321	2,480	2,735
Provisions	1,127	1,375	1,595	1,763	1,748	2,102	1,745	1,857
Net Current Assets	16,078	11,354	17,192	19,795	21,474	29,628	33,122	37,286
Misc Expenditure	0	0	0	0	0	0	0	0
Appl. of Funds	50,238	53,426	59,397	50,756	53,115	64,508	70,170	77,117

Financials and valuations

Ratios								
Y/E March	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
Basic (INR)								
EPS	44.0	59.9	35.0	21.9	31.5	29.2	36.5	44.0
Cash EPS	54.2	69.3	46.3	33.6	45.3	43.3	50.9	60.3
BV/Share	170.8	260.9	266.5	222.4	245.1	264.1	294.9	333.2
DPS	10.0	10.4	10.4	4.2	5.2	5.2	5.2	5.2
Payout (%)	27.4	20.1	43.4	27.7	19.1	20.3	16.5	13.7
Valuation (x)								
P/E	20.0	14.7	25.1	40.3	28.0	30.2	24.1	20.0
Cash P/E	16.2	12.7	19.0	26.2	19.4	20.3	17.3	14.6
P/BV	5.2	3.4	3.3	4.0	3.6	3.3	3.0	2.6
EV/Sales	4.5	3.5	3.7	3.5	3.1	3.0	2.8	2.5
EV/EBITDA	16.9	12.3	19.7	23.9	20.7	19.9	16.4	13.8
Dividend Yield (%)	1.1	1.2	1.2	0.5	0.6	0.6	0.6	0.6
Return Ratios (%)								
RoE	30.1	29.7	13.9	8.3	13.5	11.5	12.9	13.9
RoCE	19.7	21.6	12.1	10.4	12.9	10.9	11.9	12.8
RoIC	34.6	38.0	20.6	14.7	14.5	12.1	12.8	13.7
Working Capital Ratios								
Asset Turnover (x)	0.9	1.0	0.9	1.1	1.2	1.0	1.0	1.0
Inventory (Days)	94	101	111	95	96	125	131	123
Debtor (Days)	69	24	56	68	60	77	74	71
Creditor (Days)	50	45	49	44	43	48	43	45
Leverage Ratio (x)								
Net Debt/Equity	0.5	0.0	0.1	0.1	0.1	0.2	0.2	0.1

Consolidated - Cash Flow Statement								(INRm)
Y/E March	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
Net Profit / (Loss) Before Tax	9,998	13,681	6,201	3,546	6,318	7,072	9,017	10,686
Depreciation	1,573	1,835	2,868	2,754	2,727	2,786	2,832	3,217
Interest & Finance Charges	272	160	131	502	562	788	410	350
Direct Taxes Paid	2,361	2,454	1,234	607	199	714	2,074	2,458
(Inc)/Dec in WC	-5,844	2,395	-3,673	-576	-957	-9,214	-3,785	-65
CF from Operations	3,638	15,617	4,292	5,619	8,452	718	6,399	11,730
Others	853	-983	1,231	1,620	-819	383	0	0
CF from Operating incl EO	4,491	14,634	5,524	7,239	7,633	1,101	6,399	11,730
(inc)/dec in FA	-6,726	-6,592	-4,243	-4,434	-3,159	-5,539	-5,000	-6,000
Free Cash Flow	-2,235	8,041	1,281	2,805	4,474	-4,437	1,399	5,730
(Pur)/Sale of Investments	23	-1,796	523	-64	-63	55	0	0
Others	-613	0	17	22	32	-146	540	550
CF from Investments	-7,316	-8,388	-3,702	-4,476	-3,190	-5,629	-4,460	-5,450
Issue of Shares	0	0	0	0	0	0	0	0
(Inc)/Dec in Debt	5,919	-12,398	1,300	-172	-2,312	7,385	-98	-98
Interest Paid	-1,111	6,611	-519	-497	-494	-786	-950	-900
Dividend Paid	-3,260	0	-2,752	-1,966	-1,573	-2,162	-1,183	-1,183
CF from Fin. Activity	1,576	-5,994	-2,186	-2,635	-4,379	4,437	-2,231	-2,181
Inc/Dec of Cash	-1,249	252	-364	129	64	-91	-291	4,099
Add: Beginning Balance	2,055	807	1,059	694	823	1,266	901	609
Closing Balance	807	1,058	694	823	887	1,175	609	4,708
Total Cash and Cash Eq	807	1,059	694	823	1,266	901	609	4,708

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NOTES

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