Alembic Pharma Reduce

Pharmaceuticals | Q3FY25 Result Update

CMP: Rs.907 | TP: Rs 1,004 | Upside 10%

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Earnings below estimates

- **ALPM's Q3FY25 sales were below estimate due to lower domestic and API sales. EBITDA was also below estimate due to higher than expected other expenses.**
- **US growth is expected to be driven by new launches in the upcoming quarters with 5+ product launches expected in Q4FY25.**
- **We downgrade our FY25E/FY26E/FY27E EPS estimates by 13.2%/12.2%11.4% assuming lower API & domestic sales and higher operating costs. Maintain 'Reduce' rating at 22x FY27E P/E with revised TP of Rs1,004.**

New launches supported US growth

US business revenues grew 9.9%/11.6% YoY/QoQ in Q3FY25 driven by the ramp-up of the key launches and market share gain in a few existing products. The company launched two products in Q3FY25 and expects to launch more than five products in Q4FY25. It has 43 pending ANDAs. Products from new facilities are expected to drive growth. We believe continuous launch momentum will be critical to offset price erosion & expect US sales CAGR of 14% over FY24-27E on a low base.

Muted domestic growth

India formulation showed a muted growth of 3.3% YoY and flattish growth QoQ in Q3FY25 on the back of decline in Acute segment which has high base of anti-biotic segment. The acute segment declined 10% YoY on high base of Azithral and muted cough & cold segment. Specialty segment also reported subdued growth of 6% YoY. However, the Animal Health business grew 22% in Q3FY25 with the outperformance of strong brands. We expect India revenue CAGR of 9% over FY24-27E with revival expected in acute segment and ramp up in specialty segment led by new launches.

Valuation

We downgrade our FY25E/FY26E/FY27E EPS estimates by 13.2%/12.2%/11.4% assuming lower API and domestic sales and higher operating costs post 9MFY25 result. We believe Q4FY25 will be better with recovery in sales aided by ramp-up in new launches and stable price erosion in the US, recovery in domestic and RoW markets. However, with limited upside, we maintain 'Reduce' rating with revised TP of Rs1,004 at 22x FY27E P/E. Key upsides: Higher than expected launches and growth in the US business.

Key Data

Nifty	23,361
Equity / FV	Rs 393mn / Rs 2
Market Cap	Rs 178bn
	USD 2.0bn
52-Week High/Low	Rs 1,304/ 823
Avg. Volume (no)	144,767
Bloom Code	ALPM IN

	Current	Previous
Rating	**Reduce**	**Reduce**
Target Price	**1,004**	**1,133**

Change in Estimates

(Rs.bn)	Current		Chg (%)/bps	
	FY25E	FY26E	FY25E	FY26E
Revenue	66	74	(1.1)	(1.4)
EBITDA	10	12	(8.3)	(8.4)
EBITDA (%)	15.3	16.3	(120)	(123)
APAT	6	7	(13.2)	(12.2)
EPS (Rs)	29.2	36.9	(13.2)	(12.2)

Valuation (x)

	FY25E	FY26E	FY27E
P/E	31.1	24.6	19.9
EV/EBITDA	17.9	14.8	12.3
ROE (%)	12.2	14.0	15.8
RoACE (%)	11.6	13.5	15.2

Q3FY25 Result (Rs Mn)

Particulars	Q3FY25	YoY (%)	QoQ (%)
Revenue	16,927	3.8	2.7
Total Expense	14,325	5.0	1.7
EBITDA	2,602	(2.3)	8.8
Depreciation	700	0.8	(0.7)
EBIT	1,902	(3.4)	12.7
Other Income	95	228.7	(43.2)
Interest	223	46.7	18.3
EBT	1,774	(3.9)	(1.2)
Tax	401	870.5	46.9
RPAT	1,384	(23.3)	(9.8)
APAT	1,384	(23.3)	(2.8)
		(bps)	(bps)
Gross Margin	74.0	229	7
EBITDA (%)	15.4	(96)	85
NPM (%)	8.2	(289)	(113)
Tax Rate (%)	22.6	2035	740
EBIT (%)	11.2	(84)	100

Director Research: Rashmi Shetty
+9122 40969724
rashmis@dolatcapital.com

Associate: Candice Pereira
+9122 61764808
candicep@dolatcapital.com

Associate: Zain Gulam Hussain
+9122 40969790
zain@dolatcapital.com

Exhibit 1: Quarterly revenue mix

Particulars (Rs mn)	Q3FY25	Q3FY24	YoY (%)	Q2FY25	QoQ (%)	9MFY25	9MFY24	YoY (%)
India	6,140	5,960	3.0	6,090	0.8	17,950	16,970	5.8
US	5,210	4,740	9.9	4,670	11.6	14,490	13,080	10.8
Non-US	2,990	2,720	9.9	2,980	0.3	8,680	7,900	9.9
API	2,590	2,890	(10.4)	2,740	(5.5)	7,920	9,160	(13.5)
TOTAL	16,930	16,310	3.8	16,480	2.7	49,040	47,110	4.1

Source: Company, Dolat Capital

Exhibit 2: Actual vs DART estimates

Particulars (Rs mn)	Q3FY25	Q3FY25E	Variance (%)	Comments
Revenue	16,927	17,192	(1.5)	Below estimate due to lower Domestic and API sales
EBITDA	2,602	2,785	(6.6)	Below estimate due to higher-than-expected other expense.
EBITDA Margin (%)	15.4	16.2	(83bps)	
Adjusted PAT	1,384	1,607	(13.9)	Below estimate due to higher interest expense and tax rate.
EPS	7.0	8.2	(13.9)	

Source: Company, Dolat Capital

Exhibit 3: Change in estimates

Particulars (Rs mn)	FY25E			FY26E			FY27E		
	Old	New	Chg (%)	Old	New	Chg (%)	Old	New	Chg (%)
Revenue	66,730	65,980	(1.1)	75,186	74,110	(1.4)	84,243	82,591	(2.0)
EBITDA	11,011	10,095	(8.3)	13,166	12,062	(8.4)	15,543	14,264	(8.2)
EBITDA Margin (%)	16.5	15.3	(120bps)	17.5	16.3	(123bps)	18.5	17.3	(118bps)
PAT	6,612	5,741	(13.2)	8,266	7,257	(12.2)	10,122	8,970	(11.4)
EPS (Rs per share)	33.6	29.2	(13.2)	42.1	36.9	(12.2)	51.5	45.6	(11.4)

Source: Company, Dolat Capital

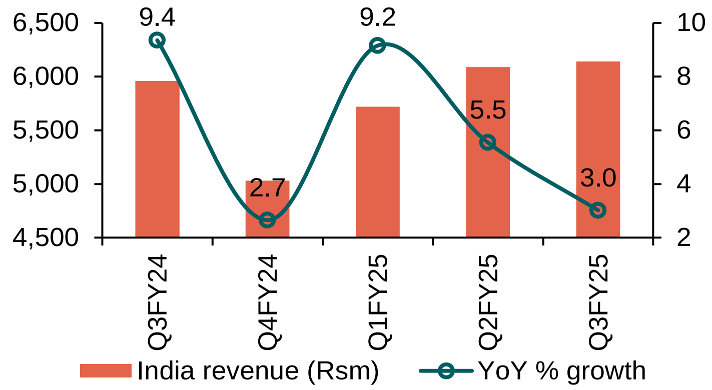
Exhibit 4: Annual revenue assumption

Particulars (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
India	20,630	22,000	23,320	25,652	28,217
% of sales	36.5	35.3	35.3	34.6	34.2
% yoy	7.1	6.6	6.0	10.0	10.0
US	15,720	17,300	19,768	22,694	25,362
% of sales	27.8	27.8	30.0	30.6	30.7
% yoy	(5.6)	10.1	14.3	14.8	11.8
Non US	8,520	10,520	11,677	13,429	15,443
% of sales	15.1	16.9	17.7	18.1	18.7
% yoy	9.9	23.5	11.0	15.0	15.0
API	11,660	12,460	11,214	12,335	13,569
% of sales	20.6	20.0	17.0	16.6	16.4
% yoy	24.2	6.9	(10.0)	10.0	10.0
Total	56,530	62,280	65,980	74,110	82,591

Source: Company, Dolat Capital

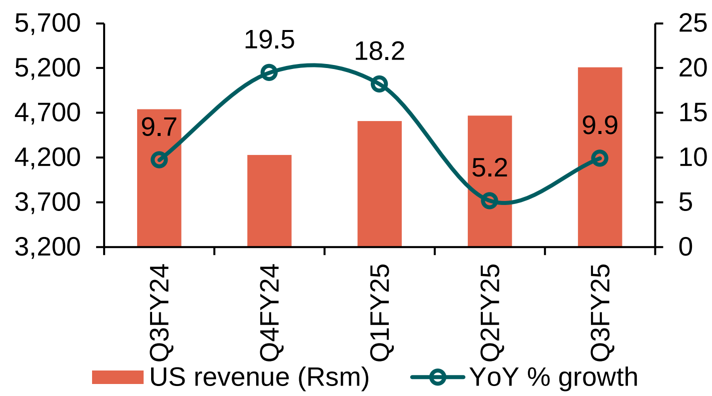
Story in charts

Exhibit 5: Muted India formulation growth



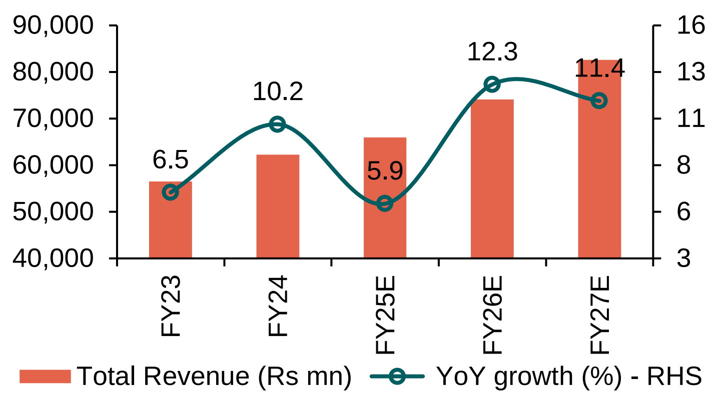
Source: Company, Dolat Capital

Exhibit 6: US growth driven by launches



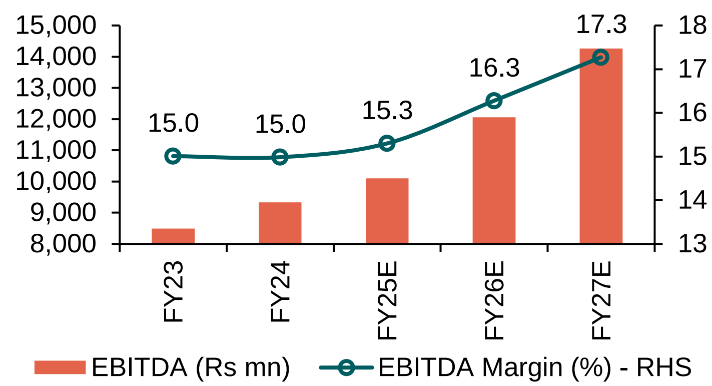
Source: Company, Dolat Capital

Exhibit 7: Revenue CAGR of 10% over FY24-27E



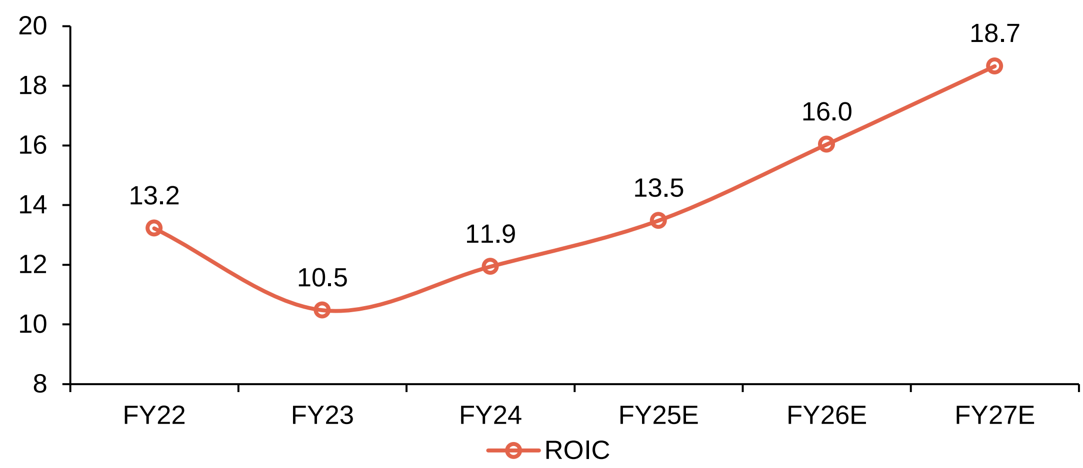
Source: Company, Dolat Capital

Exhibit 8: EBITDA margin to expand over FY24-27E



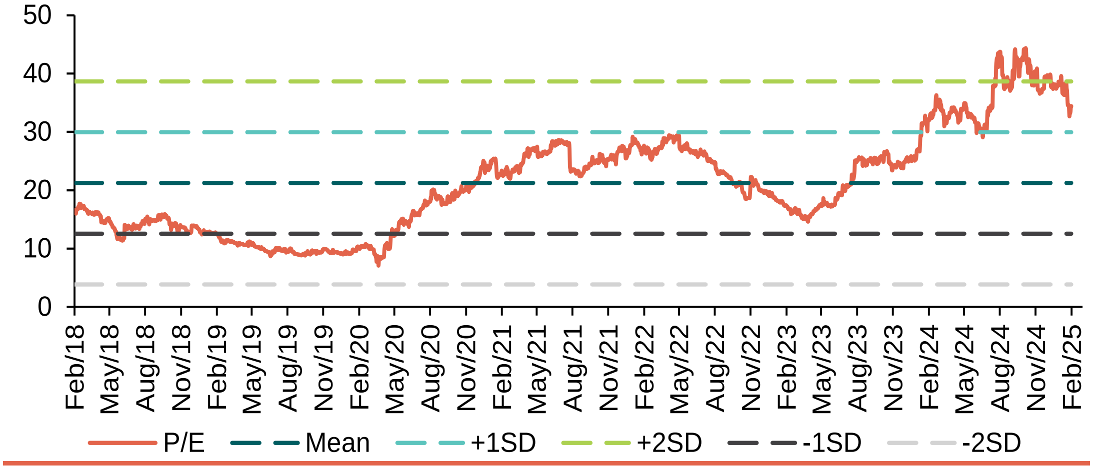
Source: Company, Dolat Capital

Exhibit 9: ROIC to expand with improvement in profitability



Source: Company, Dolat Capital

Exhibit 10: One year forward P/E band



Source: Company, Dolat Capital

Financial Performance

Profit and Loss Account

(Rs Mn)	FY24A	FY25E	FY26E	FY27E
Revenue	**62,286**	**65,980**	**74,110**	**82,591**
Total Expense	**52,953**	**55,885**	**62,048**	**68,327**
COGS	17,151	17,023	18,898	21,061
Employees Cost	14,463	15,571	17,342	19,161
Other expenses	21,339	23,291	25,808	28,105
EBIDTA	**9,334**	**10,095**	**12,062**	**14,264**
Depreciation	2,727	2,797	2,968	3,138
EBIT	**6,607**	**7,298**	**9,094**	**11,126**
Interest	562	768	775	783
Other Income	283	368	405	445
Exc. / E.O. items	0	129	0	0
EBT	**6,328**	**7,027**	**8,724**	**10,788**
Tax	160	1,195	1,483	1,834
Minority Interest	10	(16)	(16)	(16)
Profit/Loss share of associates	0	0	0	0
RPAT	**6,158**	**5,848**	**7,257**	**8,970**
Adjustments	0	(107)	0	0
APAT	**6,158**	**5,741**	**7,257**	**8,970**

Balance Sheet

(Rs Mn)	FY24A	FY25E	FY26E	FY27E
Sources of Funds				
Equity Capital	393	393	393	393
Minority Interest	0	0	0	0
Reserves & Surplus	47,789	51,279	55,784	61,609
Net Worth	**48,182**	**51,672**	**56,177**	**62,002**
Total Debt	4,503	4,953	5,003	5,053
Net Deferred Tax Liability	2,376	2,463	2,642	2,827
Total Capital Employed	**55,061**	**59,088**	**63,821**	**69,882**
Applications of Funds				
Net Block	**25,467**	**25,670**	**25,202**	**24,565**
CWIP	5,244	5,244	5,244	5,244
Investments	2,960	2,984	3,009	3,035
Current Assets, Loans & Advances	**30,786**	**33,850**	**39,774**	**47,209**
Current Investments	0	0	0	0
Inventories	16,435	17,410	19,555	21,793
Receivables	10,248	10,856	12,194	13,589
Cash and Bank Balances	1,266	2,304	4,213	7,376
Loans and Advances	0	0	0	0
Other Current Assets	2,836	3,280	3,812	4,451
Less: Current Liabilities & Provisions	**9,395**	**8,659**	**9,407**	**10,170**
Payables	7,356	6,600	7,328	8,070
Other Current Liabilities	2,038	2,059	2,079	2,100
sub total				
Net Current Assets	21,391	25,191	30,367	37,039
Total Assets	**55,061**	**59,088**	**63,821**	**69,882**

E – Estimates

Important Ratios

Particulars	FY24A	FY25E	FY26E	FY27E
(A) Margins (%)				
Gross Profit Margin	72.5	74.2	74.5	74.5
EBIDTA Margin	15.0	15.3	16.3	17.3
EBIT Margin	10.6	11.1	12.3	13.5
Tax rate	2.5	17.0	17.0	17.0
Net Profit Margin	9.9	8.9	9.8	10.9
(B) As Percentage of Net Sales (%)				
COGS	27.5	25.8	25.5	25.5
Employee	23.2	23.6	23.4	23.2
Other	34.3	35.3	34.8	34.0
(C) Measure of Financial Status				
Gross Debt / Equity	0.1	0.1	0.1	0.1
Interest Coverage	11.8	9.5	11.7	14.2
Inventory days	96	96	96	96
Debtors days	60	60	60	60
Average Cost of Debt	9.6	14.4	16.1	15.7
Payable days	43	37	36	36
Working Capital days	125	139	150	164
FA T/O	2.4	2.6	2.9	3.4
(D) Measures of Investment				
AEPS (Rs)	31.3	29.2	36.9	45.6
CEPS (Rs)	45.2	43.4	52.0	61.6
DPS (Rs)	11.0	12.0	14.0	16.0
Dividend Payout (%)	35.1	41.1	37.9	35.1
BVPS (Rs)	245.1	262.9	285.8	315.5
RoANW (%)	12.8	12.2	14.0	15.8
RoACE (%)	12.0	11.6	13.5	15.2
RoAIC (%)	11.9	13.5	16.0	18.7
(E) Valuation Ratios				
CMP (Rs)	907	907	907	907
Mcap (Rs Mn)	178,330	178,330	178,330	178,330
EV	181,567	180,979	179,120	176,007
MCap/ Sales	2.9	2.7	2.4	2.2
EV/Sales	2.9	2.7	2.4	2.1
P/E	29.0	31.1	24.6	19.9
EV/EBITDA	19.5	17.9	14.8	12.3
P/BV	3.7	3.5	3.2	2.9
Dividend Yield (%)	1.2	1.3	1.5	1.8
(F) Growth Rate (%)				
Revenue	10.2	5.9	12.3	11.4
EBITDA	10.0	8.2	19.5	18.3
EBIT	12.4	10.5	24.6	22.3
PBT	64.2	11.0	24.2	23.7
APAT	23.9	(6.8)	26.4	23.6
EPS	23.9	(6.8)	26.4	23.6

E – Estimates

Cash Flow

Particulars	FY24A	FY25E	FY26E	FY27E
Profit before tax	**6,045**	**6,659**	**8,319**	**10,343**
Depreciation & w.o.	2,727	2,797	2,968	3,138
Net Interest Exp	562	768	775	783
Direct taxes paid	(658)	(1,195)	(1,483)	(1,834)
Change in Working Capital	(1,329)	(2,691)	(3,106)	(3,342)
Non Cash	0	0	0	0
(A) CF from Operating Activities	**7,347**	**6,338**	**7,473**	**9,088**
Capex {(Inc.)/ Dec. in Fixed Assets n WIP}	(3,440)	(3,000)	(2,500)	(2,500)
Free Cash Flow	**3,907**	**3,338**	**4,973**	**6,588**
(Inc)./ Dec. in Investments	0	0	0	0
Other	283	368	405	445
(B) CF from Investing Activities	**(3,157)**	**(2,632)**	**(2,095)**	**(2,055)**
Issue of Equity/ Preference	0	0	0	0
Inc./(Dec.) in Debt	(2,025)	450	50	50
Interest exp net	(562)	(768)	(775)	(783)
Dividend Paid (Incl. Tax)	(2,162)	(2,359)	(2,752)	(3,145)
Other	1,002	9	8	8
(C) CF from Financing	**(3,747)**	**(2,667)**	**(3,469)**	**(3,870)**
Net Change in Cash	443	1,038	1,909	3,163
Opening Cash balances	**823**	**1,266**	**2,304**	**4,213**
Closing Cash balances	**1,266**	**2,304**	**4,213**	**7,376**

E – Estimates

Notes

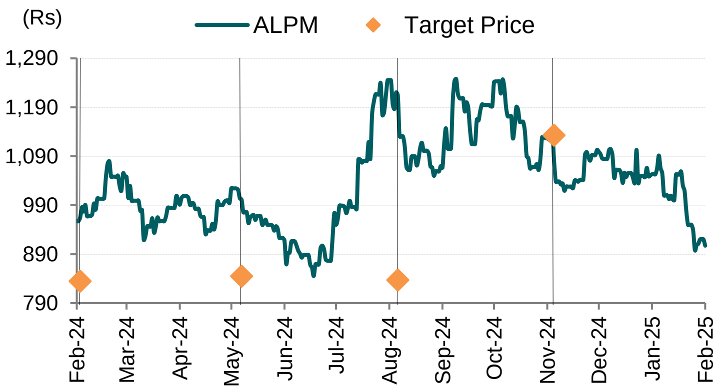
Stock Info and Rating History

Price Performance

Particulars	1M	3M	12M
Absolute (%)	(14)	(19)	(5)
Rel to NIFTY (%)	(11)	(16)	(12)

Shareholding Pattern

Particulars	Jun'24	Sep'24	Dec'24
Promoters	69.6	69.6	69.6
MF/Banks/FIs	15.5	16.1	11.7
FIIs	4.3	3.9	6.0
Public / Others	10.6	10.4	12.6



Month	Rating	TP (Rs.)	Price (Rs.)
Feb-24	SELL	835	965
May-24	SELL	845	1,001
Aug-24	SELL	837	1,214
Nov-24	Reduce	1,133	1,080

*Price as on recommendation date

Notes

Dolat Rating Matrix

Total Return Expectation (12 Months)

Buy	**> 20%**
Accumulate	**10 to 20%**
Reduce	**0 to 10%**
Sell	**< 0%**

Dolat Team

Purvag Shah	**Managing Director**	**purvag@dolatcapital.com**	**+9122 4096 9747**
Amit Khurana, CFA	**Head of Equities**	**amit@dolatcapital.com**	**+9122 4096 9745**

CONTACT DETAILS

Equity Sales	**Designation**	**E-mail**	**Direct Lines**
Dinesh Bajaj	Director - Equity Sales	dineshb@dolatcapital.com	+9122 4096 9709
Kapil Yadav	Director - Equity Sales & Corporate Access	kapil@dolatcapital.com	+9122 4096 9735
Jubbin Shah	Director - Equity Sales	jubbins@dolatcapital.com	+9122 4096 9779
Girish Raj Sankunny	Director - Equity Sales	girishr@dolatcapital.com	+9122 4096 9625
Pratik Shroff	AVP - Equity Sales	pratiks@dolatcapital.com	+9122 4096 9621
Rajeev Lala	AVP - Equity Sales	rajeevl@dolatcapital.com	+9122 4096 9767
Equity Trading	**Designation**	**E-mail**	
P. Sridhar	Director and Head of Sales Trading	sridhar@dolatcapital.com	+9122 4096 9728
Chandrakant Ware	Director - Sales Trading	chandrakant@dolatcapital.com	+9122 4096 9707
Shirish Thakkar	Director - Sales Trading	shirisht@dolatcapital.com	+9122 4096 9702
Kartik Mehta	Director - Sales Trading	kartikm@dolatcapital.com	+9122 4096 9715
Bhavin Mehta	Director Research - Derivatives Strategist	bhavinm@dolatcapital.com	+9122 4096 9705

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Dolat Capital Market Private Limited.

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Member: BSE Limited and National Stock Exchange of India Limited.
SEBI Registration No: BSE - INZ000274132, NSE - INZ000274132, Research: INH000014012
Regd. office: 1401-1409, Dalal Street Commercial, Block 53 (Bldg. No.53E) Zone-5, Road-5E, Gift City, Sector 9, Gandhinagar-382355 Gujarat, India.
Board: +9122 40969700 | Fax: +9122 22651278 | Email: research@dolatcapital.com | www.dolatresearch.com