

**BUY****TP: Rs 1,101 | ▲ 16%****ALEMBIC PHARMA**

Pharmaceuticals

06 August 2025

## Strong product mix to drive margins

- Earnings reported in-line where sales/EBITDA/PAT were -2.6/3.4%/-0.7% above estimates. EBITDA margin was 90 bps above estimates
- Due to sustainable growth in US & ROW markets and moderation in API prices, we expect EBITDA margin to report 16.9% in FY26E
- Due to healthy product mix, we raise ascribed PE to 23x (earlier 21x) on June'27 roll forward basis to arrive at TP of Rs 1101 (earlier Rs 1,032)

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**In-line result:** ALPM earnings were in-line where sales/EBITDA/PAT grew by 9.5%/18.8%/15.2% respectively. Sales growth was driven by 21% growth in the ROW market, 13% growth in the US region, 5% growth in the domestic region and 1% growth in the API segment. Healthy product mix and RM cost rationalisation led to a 142 bps increase in gross margin at 76.2% and a 128bps increase in EBITDA margin at 16.4%. Healthy operations led to 15% growth in PAT.

**New product launches to drive US sales** - ALPM launched 4 products in the US in Q1FY26 and will likely launch 10-15 new products in 9MFY26. On the back of volume growth, new product launches including Entresto and market share gain in a few products, we expect this segment to grow at 11% CAGR from FY26-28E.

**ROW market to sustain growth momentum on a higher base:** ROW market has been growing at 15-20% CAGR for a decade, led by strong execution in focused geographies and healthy supply chain enabling trust amongst partners and high margins. We expect the momentum to continue, driven by new launches; hence expect the segment to continue growing at a CAGR of 15% from FY26-28.

**Domestic region to grow at par with IPM** – Domestic region reported 5% growth on lower traction in specialty sales and single-digit growth in the acute segment. Animal Health segment continues to grow in double digits at 17%. The company has taken measures to resolve issues in domestic region, which would enable growth back in specialty sales. ALPM's 4 brands crossed Rs 1bn sales. Due to active measures and healthy traction in the animal health segment, we expect this segment to report growth at 9% CAGR from FY26-28.

**Valuation:** US and ROW regions are likely to keep up the growth momentum on new product launches. We have introduced FY28 estimates and arrive at sales/EBITDA/PAT CAGR of 10%/16%/21%. Due to a healthy product mix across geographies, we increase our ascribed PE to 23x (earlier 21x) on June'27 roll forward basis to arrive at TP of Rs 1,101 (earlier Rs 1,032).

## Key changes

Target	Rating
▲	◀ ▶

Ticker/Price	ALPM IN/Rs 947
Market cap	US\$ 2.1bn
Free float	31%
3M ADV	US\$ 4.9mn
52wk high/low	Rs 1,304/Rs 725
Promoter/FPI/DII	70%/5%/13%

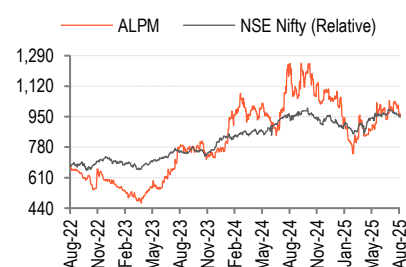
Source: NSE | Price as of 5 Aug 2025

## Key financials

Y/E 31 Mar	FY25A	FY26E	FY27E
Total revenue (Rs mn)	66,721	73,596	81,725
EBITDA (Rs mn)	10,082	12,442	14,575
Adj. net profit (Rs mn)	5,697	7,386	8,973
Adj. EPS (Rs)	29.0	37.6	45.7
Consensus EPS (Rs)	36.7	36.2	46.7
Adj. ROAE (%)	11.8	14.0	15.2
Adj. P/E (x)	32.6	25.2	20.7
EV/EBITDA (x)	19.0	15.6	13.4
Adj. EPS growth (%)	(7.4)	29.5	21.5

Source: Company, Bloomberg, BOBCAPS Research

## Stock performance



Source: NSE



**Fig 1 – Financial Highlights**

(Rs mn)	Q1FY26	Q1FY25	YoY (%)	Q4FY25	QoQ (%)	FY25	FY26E	FY27E	FY28E
Net Sales	17,107	15,617	9.5	17,696	(3.3)	66,721	73,596	81,725	89,788
Total Expenses	14,294	13,249	7.9	14,977	(4.6)	56,639	61,155	67,150	72,969
(%) of net sales	84	85		85		85	83	82	81
Raw material consumed	4,074	3,941	3.4	5,306	(23.2)	17,934	19,135	20,840	22,896
(%) of net sales	24	25		30		27	26	26	26
Staff cost	4,228	3,798	11.3	3,936	7.4	15,623	17,498	19,248	21,173
(%) of net sales	25	24		22		23	24	24	24
R&D cost	1,450	1,093	32.6	1,416	2.4	5,200	6,200	6,500	6,500
(%) of net sales	8	7		8		8	8	8	7
SG&A	4,542	4,417	2.8	4,319	5.2	17,882	18,321	20,562	22,400
(%) of net sales	27	28		24		27	25	25	25
EBITDA	2,814	2,368	18.8	2,719	3.5	10,082	12,442	14,575	16,819
Depreciation	738	690	6.9	690	6.9	2,786	2,987	3,270	3,564
EBIT	2,076	1,678	23.7	2,029	2.3	7,297	9,455	11,306	13,255
Interest	235	132		245		788	748	713	570
Other Income	65	21		142		426	300	350	400
PBT	1,906	1,567	21.6	1,926	(1.1)	6,934	9,007	10,943	13,085
Less: Taxation	365	225		353		1,252	1,621	1,970	2,355
Less: Minority Interest	(3)	2		4		(9)	0	0	0
Recurring PAT	1,544	1,341	15.2	1,569	(1.6)	5,691	7,386	8,973	10,730
Exceptional items	0	0		0		129		0	0
Reported PAT	1,544	1,341	15.2	1,569	(1.6)	5,820	7,386	8,973	10,730
<b>Key Ratios (%)</b>									
Gross Margin	76.2	74.8	142	70.0	617	73.1	74.0	74.5	74.5
EBITDA Margin	16.4	15.2	128	15.4	108	15.1	16.9	17.8	18.7
Tax / PBT	19.1	14.4		18.3		18.1	18.0	18.0	18.0
NPM	9.0	8.6		8.9	16	8.5	10.0	11.0	11.9
EPS	7.9	6.8	15.2	8.0	(2.1)	29.0	37.6	45.7	54.6

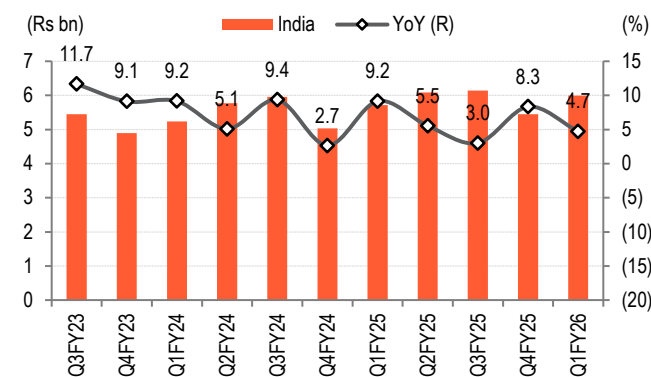
Source: Company, BOBCAPS Research

**Fig 2 – Revenue Mix**

(Rs mn)	Q1FY26	Q1FY25	YoY (%)	Q4FY25	QoQ (%)	FY25	FY26E	FY27E	FY28E
Formulations	14,500	13,040	11.2	14,280	1.5	55,390	62,040	69,591	77,047
India	5,990	5,720	4.7	5,450	9.9	23,390	24,781	27,233	29,617
US	5,230	4,610	13.4	5,080	3.0	19,570	22,840	25,777	28,361
ROW	3,280	2,710	21.0	3,750	(12.5)	12,430	14,419	16,582	19,069
API	2,610	2,590	0.8	3,420	(23.7)	11,330	11,557	12,134	12,741
Net Sales	17,110	15,630	9.5	17,701	(3.3)	66,720	73,596	81,725	89,788

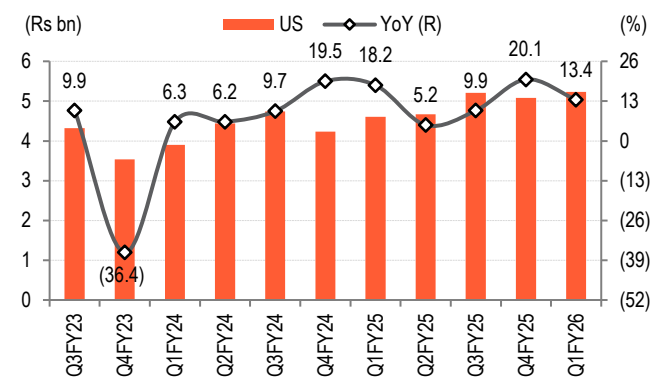
Source: BOBCAPS Research, Company

**Fig 3 – Domestic Sales declined due to lower specialty sales**



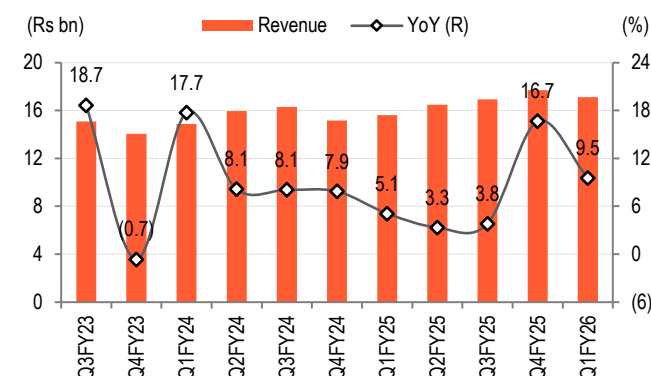
Source: Company, BOBCAPS Research

**Fig 4 – US Sales increased due to new product launches**



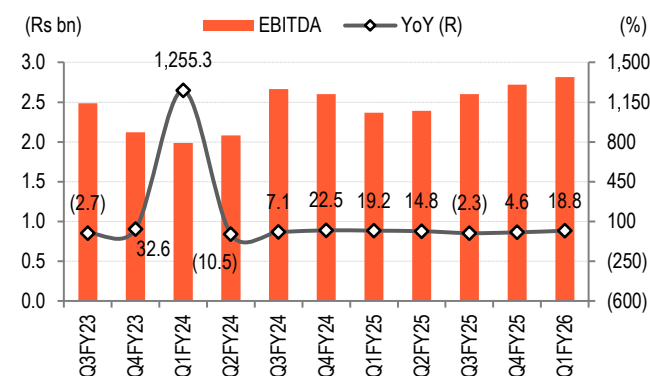
Source: Company, BOBCAPS Research

**Fig 5 – Total sales growth lowered due to lower Domestic and API price**



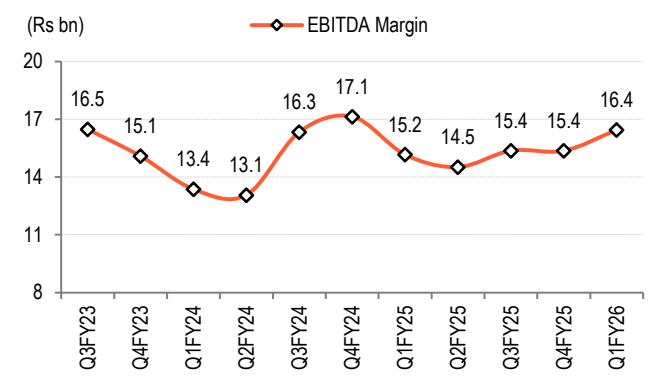
Source: Company, BOBCAPS Research

**Fig 6 – EBITDA increased due to healthy product mix and cost rationalisation**



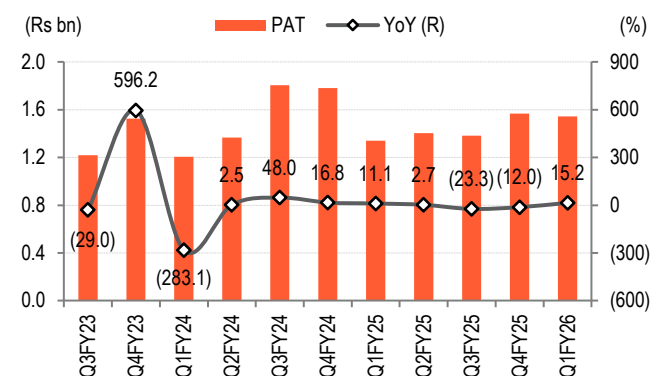
Source: Company, BOBCAPS Research

**Fig 7 – EBITDA Margin increased due to healthy product mix**



Source: Company, BOBCAPS Research

**Fig 8 – Healthy operations led to healthy PAT**



Source: Company, BOBCAPS Research

## Earnings Call Highlights

### Outlook

India region likely to grow by 10% in FY26

US region to grow by 15%, driven by new product launches

ROW market to grow by 10-15%

Raw material cost contribution to be ~26-30%

ETR to be around 17-18%

Capex of Rs 4bn in FY26

### Segment update

#### India Region

**Animal Health** - continues to do well because of robust execution in that area and hopes to match the remaining product categories to that level.

Outlook – Expect this segment to grow by 15-20%.

#### US region

**Sales** – U.S. business also grew by 13%, supported by volume gains, 4 new product launches and increase in market share in some products.

**Filings** - Filed two Andes during the quarter, we received 6 approvals and launched 4 products in the US.

**New product launches** – Aim to launch 10-15 new products in the balance 9MFY26.

**Tariff** - If a U.S. strategy offered better pricing or government business, the company would consider local manufacturing. But purely for risk mitigation, investing heavily in U.S. manufacturing doesn't make sense — especially with generic pricing and rising competition. **API** –

**Reason for lower sales** - The API business was flat due to data availability issue in India. The lower API prices across industry and it's not for a quarter. Past six, seven quarters, API business has been quite muted and it's degrown because the API prices. API has been a fantastic business for the company, Very high margin business, very high EBITDA with a good compliance record aiding in better pricing in the market. However, the data is getting leaked through Chinese traders, everyone knows what price is getting sold, to which buyer, and that has really caused a lot of appeal and lot of uncertainty in terms of pricing.

### Peptide update

**GLP1-** Late for the first peptide that is semaglutide for the US market but participating in some of the ROW market. However, won't be there in the first wave of launch for semaglutide, but intends to participate in the 2<sup>nd</sup> wave.

**Tirzepatide**, which is the 2nd one, Mounjaro is something that they're looking forward to participating in the following GLP-1 products.

Apart from that, have other peptides in the system as well that are working on which are going into some of the complex injectables.

### ROW market -

Healthy performance over a period due to clarity and strategy in terms of what markets wanted to operate in and strong supply chain execution which led to good partners who trust them with the products and the company has been able to supply and grow in these markets with a better margin profile.

**Facility update** - Plant F1 is the largest plant that is at peak capacity; API plants are running at full capacity. The injectable derma, Indore and the new OSD facility, which is ramping up now with decent capacity. Only the injectable, Oncology and Derma facilities are a little lower, in terms of capacity utilisation.

## Valuation Methodology

ALPM reported in line set of earnings where sales/EBITDA/PAT reported -2.6%/3.4%/-0.7% below our estimates. Segmentally, the domestic region growth was impacted due to lower growth in specialty sales, which was offset by higher traction in the US and ROW market. During the quarter, there was moderation in API prices and healthy product mix resulted in gross margin at 76.2% and EBITDA margin at 16.4%.

Management has taken measures to resolve the issues in domestic region, which would witness growth back to IPM level in a couple of months. Also, US region is expected to continue growth momentum, backed by new product launches and increase market share in few products. ROW market is expected to continue growth momentum, driven by focused execution and healthy supply chain; thereby maintaining trust amongst partners. Due to a healthy product mix, we expect EBITDA margin to report at 16.9% for FY26.

We have introduced FY28 numbers in our estimates and arrive at sales/EBITDA/PAT CAGR of 10%/16%/21%. Due to healthy US launches and sustainable growth in the ROW market (high margin business), we increase our ascribe PE to 23x (earlier 21x) on June'27 roll forward basis, to arrive at TP of Rs 1,101 (earlier Rs 1,032).

**Fig 9 – Change in Estimates**

(Rs mn)	New		Old		Change (%)	
	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E
Sales	73596.4	81725.43	75202	83511	(2.1)	(2.1)
EBITDA	12,442	14,575	12,186	15,184	2.1	(4.0)
EBITDA margin (%)	16.9	17.8	16.2	18.2	70bps	(35bps)
EPS (Rs)	37.6	45.7	37.1	48.6	1.2	(6.0)

Source: Company, BOBCAPS Research

## Key risks

Key downside risks to our estimates:

- Adverse action on manufacturing facilities catering to the US
- Slow pace of new approvals/launches

## Financials

### Income Statement

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
<b>Total revenue</b>	<b>62,290</b>	<b>66,721</b>	<b>73,596</b>	<b>81,725</b>	<b>89,788</b>
EBITDA	9,337	10,082	12,442	14,575	16,819
Depreciation	2,727	2,786	2,987	3,270	3,564
EBIT	6,611	7,297	9,455	11,306	13,255
Net interest inc./(exp.)	(562)	(788)	(748)	(713)	(570)
Other inc./(exp.)	283	426	300	350	400
Exceptional items	0	0	0	0	0
EBT	6,332	6,934	9,007	10,943	13,085
Income taxes	160	1,252	1,621	1,970	2,355
Extraordinary items	0	129	0	0	0
Min. int./Inc. from assoc.	0	(14)	0	0	0
<b>Reported net profit</b>	<b>6,172</b>	<b>5,825</b>	<b>7,386</b>	<b>8,973</b>	<b>10,730</b>
Adjustments	0	129	0	0	0
<b>Adjusted net profit</b>	<b>6,172</b>	<b>5,697</b>	<b>7,386</b>	<b>8,973</b>	<b>10,730</b>

### Balance Sheet

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Accounts payables	7,356	8,799	9,477	10,300	11,316
Other current liabilities	2,038	2,358	2,208	817	898
Provisions	1,748	2,102	2,318	2,574	2,828
Debt funds	5,132	12,575	8,803	7,042	5,634
Other liabilities	0	0	0	0	0
Equity capital	393	393	393	393	393
Reserves & surplus	46,093	49,842	55,065	61,876	70,444
Shareholders' fund	46,486	50,235	55,458	62,269	70,837
<b>Total liab. and equities</b>	<b>62,759</b>	<b>76,069</b>	<b>78,264</b>	<b>83,003</b>	<b>91,513</b>
Cash and cash eq.	1,266	901	1,749	1,584	4,586
Accounts receivables	10,248	13,998	15,123	16,793	18,450
Inventories	16,435	22,881	22,180	22,391	24,599
Other current assets	3,169	3,409	2,944	4,904	5,387
Investments	930	1,272	1,272	1,272	1,272
Net fixed assets	25,467	25,235	26,625	27,687	28,846
CWIP	5,244	8,372	8,372	8,372	8,372
Intangible assets	0	0	0	0	0
Deferred tax assets, net	0	0	0	0	0
Other assets	0	0	0	0	0
<b>Total assets</b>	<b>62,759</b>	<b>76,069</b>	<b>78,264</b>	<b>83,003</b>	<b>91,513</b>

### Cash Flows

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
<b>Cash flow from operations</b>	<b>8,651</b>	<b>1,089</b>	<b>11,907</b>	<b>8,803</b>	<b>11,865</b>
Capital expenditures	(3,450)	(5,636)	(4,376)	(4,332)	(4,722)
Change in investments	33	(342)	0	0	0
Other investing cash flows	0	0	0	0	0
<b>Cash flow from investing</b>	<b>(3,417)</b>	<b>(5,978)</b>	<b>(4,376)</b>	<b>(4,332)</b>	<b>(4,722)</b>
Equities issued/Others	0	0	0	0	0
Debt raised/repaid	(2,089)	7,443	(3,773)	(1,761)	(1,408)
Interest expenses	(562)	(788)	(748)	(713)	(570)
Dividends paid	(2,162)	(2,162)	(2,162)	(2,162)	(2,162)
Other financing cash flows	21	31	0	0	0
<b>Cash flow from financing</b>	<b>(4,792)</b>	<b>4,524</b>	<b>(6,683)</b>	<b>(4,636)</b>	<b>(4,141)</b>
<b>Chg in cash &amp; cash eq.</b>	<b>443</b>	<b>(365)</b>	<b>848</b>	<b>(165)</b>	<b>3,002</b>
<b>Closing cash &amp; cash eq.</b>	<b>1,266</b>	<b>901</b>	<b>1,749</b>	<b>1,584</b>	<b>4,586</b>

### Per Share

Y/E 31 Mar (Rs)	FY24A	FY25A	FY26E	FY27E	FY28E
Reported EPS	31.4	29.7	37.6	45.7	54.6
Adjusted EPS	31.4	29.0	37.6	45.7	54.6
Dividend per share	11.0	11.0	11.0	11.0	11.0
Book value per share	236.5	255.6	282.2	316.8	360.4

### Valuations Ratios

Y/E 31 Mar (x)	FY24A	FY25A	FY26E	FY27E	FY28E
EV/Sales	3.1	2.9	2.6	2.4	2.1
EV/EBITDA	20.6	19.0	15.6	13.4	11.4
Adjusted P/E	30.2	32.6	25.2	20.7	17.3
P/BV	4.0	3.7	3.4	3.0	2.6

### DuPont Analysis

Y/E 31 Mar (%)	FY24A	FY25A	FY26E	FY27E	FY28E
Tax burden (Net profit/PBT)	97.5	82.2	82.0	82.0	82.0
Interest burden (PBT/EBIT)	95.8	95.0	95.3	96.8	98.7
EBIT margin (EBIT/Revenue)	10.6	10.9	12.8	13.8	14.8
Asset turnover (Rev./Avg TA)	30.7	29.2	29.0	30.6	30.8
Leverage (Avg TA/Avg Equity)	1.1	1.2	1.2	1.1	1.1
<b>Adjusted ROAE</b>	<b>13.9</b>	<b>11.8</b>	<b>14.0</b>	<b>15.2</b>	<b>16.1</b>

### Ratio Analysis

Y/E 31 Mar	FY24A	FY25A	FY26E	FY27E	FY28E
<b>YoY growth (%)</b>					
Revenue	10.2	7.1	10.3	11.0	9.9
EBITDA	31.8	8.0	23.4	17.1	15.4
Adjusted EPS	80.2	(7.4)	29.5	21.5	19.6

### Profitability & Return ratios (%)

EBITDA margin	15.0	15.1	16.9	17.8	18.7
EBIT margin	10.6	10.9	12.8	13.8	14.8
Adjusted profit margin	9.9	8.5	10.0	11.0	12.0
Adjusted ROAE	13.9	11.8	14.0	15.2	16.1
ROCE	13.6	13.5	15.4	17.5	18.7

### Working capital days (days)

Receivables	60	77	75	75	75
Inventory	96	125	110	100	100
Payables	43	48	47	46	46

### Ratios (x)

Gross asset turnover	1.6	1.5	1.5	1.6	1.6
Current ratio	2.8	3.1	3.0	3.3	3.5
Net interest coverage ratio	11.8	9.3	12.6	15.9	23.2
<b>Adjusted debt/equity</b>	<b>0.1</b>	<b>0.2</b>	<b>0.1</b>	<b>0.1</b>	<b>0.0</b>

Source: Company, BOBCAPS Research | Note: TA = Total Assets

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**Recommendation scale: Recommendations and Absolute returns (%) over 12 months**

**BUY** – Expected return >+15%

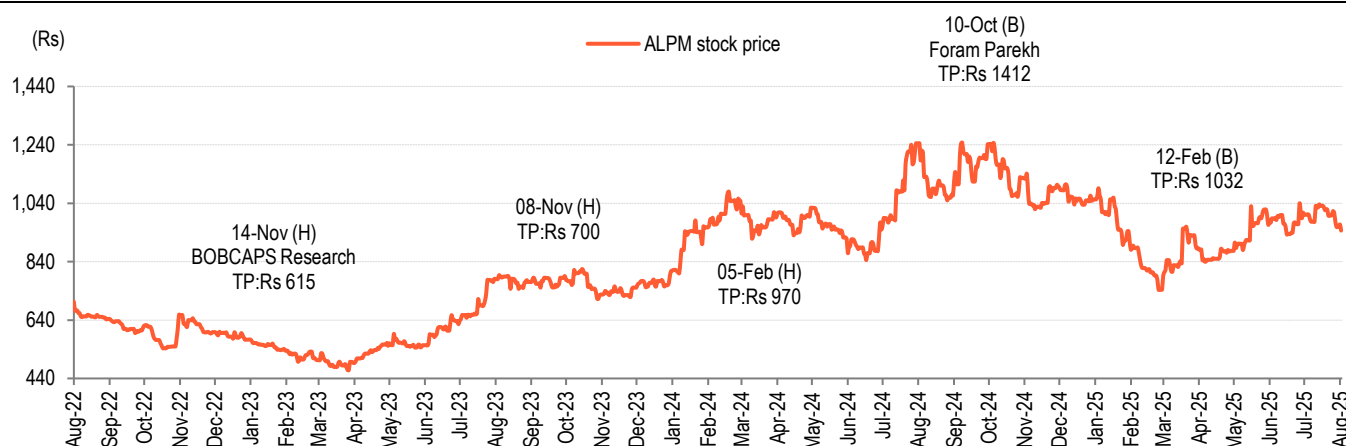
**HOLD** – Expected return from -6% to +15%

**SELL** – Expected return <-6%

**Note:** Recommendation structure changed with effect from 21 June 2021

Our recommendation scale does not factor in short-term stock price volatility related to market fluctuations. Thus, our recommendations may not always be strictly in line with the recommendation scale as shown above.

## Ratings and Target Price (3-year history): ALEMBIC PHARMA (ALPM IN)



B – Buy, H – Hold, S – Sell, A – Add, R – Reduce

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