BOBCAPS
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BUY
TP: Rs 1,032 | ⮝ 16%

ALEMBIC PHARMA | Pharmaceuticals | 07 May 2025

FY26 to be better than FY25

- **Revenue/EBITDA/ PAT grew 6.7%/8% and 19% above our estimates. EBITDA margin reported 20bps above estimates of 15.4% in 4QFY25**
- **Healthy growth across segments and cost rationalisation to result in EBITDA margin clawing back to 18% by FY27**
- **We raise EPS by 8.9% and 7.3% by FY26E and FY27E to Rs 37.1 and Rs 48.6 per shar. Maintain BUY, ascribe PE of 21x on FY27E**

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Results above expectations: ALPM sales grew by 16.7%, EBITDA grew by 4.6% while PAT declined by 12%. Although sales were higher, change in the product mix led to 498bps decline in gross margin to 70% and subsequently, EBITDA margin reported at 15.4% in 4QFY25. In FY25, sales grew by 7%, EBITDA grew by 8% and PAT declined by 8% due to 40% rise in finance costs on account of rise in short-term debt and higher tax rate of 18% in FY25 due to higher provisions vs 2.5% in FY24.

Domestic sales to grow in double digits - ALPM's domestic sales grew by 8%, driven by growth in key specialty therapies (52% of domestic sales) like Gynecology, Anti-diabetic, Ophthalmology, Dermatology, acute driven therapies (30% of domestic sales) like Anti-infective and Cough & Cold and 20% growth in Animal Health (18% of domestic sales). Anti-infective therapy base has normalised, Animal Health is expected to sustain its growth momentum and due to unseasonal climate changes, we expect the domestic region to grow by 10% CAGR from FY25-27E.

New product launches to drive US sales – ALPM's US sales grew by 20% in 4QFY25 and 13% in FY25. The growth was largely led by volume growth and new product launches (4 products launched in 4Q). In FY25, ALPM filed 8 ANDAs out of which 5 were filed in 4QFY25. The company intends to launch 15 new products in FY26, out of which 20-30% is expected to be meaningful products. ALPM is increasing its R&D spend in FY26E to Rs 6bn (Rs 5.2bn in FY25), amongst that, 40% would be towards peptides, complex injectables and Ophthalmic while the rest towards APIs and OSDs. Amongst new filings, 45% would be injectables and the rest would be OSD, Derma and Ophthalmic. Due to new launches, we expect US sales to grow by 13% CAGR from FY25-27E.

ROW markets growth to be driven by deeper penetration – ALPM's ROW market grew by 43% in 4QFY25 and 18% in FY25, largely driven by sales expanded in Chile. It also has key partnership active in Europe, Canada, Australia, Brazil, and South Africa. Growth momentum is expected to sustain with new product launches and geographical diversification, hence, we expect these sales to grow at a CAGR of 15% from FY25-27E.

Key changes

Target	Rating
◀ ▶	◀ ▶

Ticker/Price	ALPM IN/Rs 887
Market cap	US$ 2.1bn
Free float	31%
3M ADV	US$ 2.3mn
52wk high/low	Rs 1,304/Rs 725
Promoter/FPI/DII	70%/5%/13%

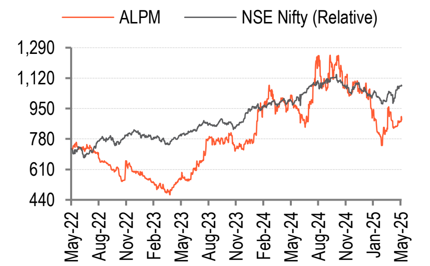
Source: NSE | Price as of 6 May 2025

Key financials

Y/E 31 Mar	FY25A	FY26E	FY27E
Total revenue (Rs mn)	66,721	75,202	83,511
EBITDA (Rs mn)	10,082	12,186	15,184
Adj. net profit (Rs mn)	5,697	7,299	9,554
Adj. EPS (Rs)	29.0	37.1	48.6
Consensus EPS (Rs)	36.7	44.6	44.6
Adj. ROAE (%)	11.8	13.8	16.2
Adj. P/E (x)	30.6	23.9	18.2
EV/EBITDA (x)	17.8	14.9	12.1
Adj. EPS growth (%)	(7.4)	27.9	30.9

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

EBITDA Margin to inch up to 18% by FY27E – ALPM reported 15.4% EBITDA margin in 4QFY25 and 15.1% in FY25, driven by change in product mix. However, EBITDA margin likely to increase to 18% byFY27E, driven by 1) moderate hiring of ~100 MRs in FY26 resulting in higher productivity (Rs 4.3mn in FY25) in the domestic region, increasing in capacity utilisation rate (currently F2- Onco -25%, F3 - Injectables -30% and F4 OSD – 60%) 3) new product launches in the US region in FY26 4) higher growth in high-margin RoW market.

WC days lower in FY26 – In FY25, working capital (WC) days have stretched from 148 days in FY25 to 110 days in FY24. The elongated days were due to a higher cash conversion cycle, which was 154 days in FY25 vs 113 days in FY24; primarily due to higher inventory days that increased to 148 days in FY25 from 110 days in FY24. Inventory days were higher as the company was building inventory due to scheduled multiple launches that got deferred. Also, the company has started a new manufacturing plant in Jarod, for which it has stocked up inventories like API etc. However, inventory days are expected to normalize in FY26.

Higher FCF generation to result in debt repayment in FY26 – In FY25, borrowings rose by 200% to Rs 11.6bn, primarily due to increase in short-term debt required to fund working capital. However, due to better operations, we expect the company to generate FCF of ~6bn in FY26, which would aid in debt repayment in FY26E.

Outlook & Valuation – We expect FY26 to be better than FY25 on all counts where sales in domestic segment is expected to grow in double digits, supported by growth from larger therapies in the acute segment, sustenance of high growth momentum in RoW market, new-products-driven mid-teens growth in the US region, and a likely API segment growth in FY26. Healthy operating to result in better margins and FCF generation as the majority of capex (Rs 5.6 bn) required for opening a new facility in Indore is over.

We factor in higher growth across geographies, followed by operating leverage. Hence, our EPS increases by 8.9% and 7.3% by FY26E and FY27E to Rs 37.1 and Rs 48.6 per share. Hence, we maintain BUY. At CMP, the stock is trading at attractive PE valuation of 23.9x in FY26E and 18.2x in FY27E. However, due to industry-lower ROCE and margins, we lower our ascribe PE to 21x (28x earlier) to arrive at TP of Rs 1,032.

Concall Highlights

Segmental 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 12-15%

API segment to grow by 10%

India Region

Growth – domestic region sales grew by 8%, driven by growth in key segments like Gynecology, Anti Diabetic, Ophthalmology and Dermatology. Acute segment therapies like anti-infectives and cold and cough also reported growth of 11% and 7% respectively.

Animal Health - It continues to grow by 19% in 4QFY25 and 21% in FY25, backed by a basket of strong brands and new launches.

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

Field force- There are 5,500 field force as on FY25; likely to hire 100 MRs annually.

New Launches – Launched 4 new products in 4QFY25 and 14 new launches in FY25.

US region

Growth - The US business also grew 20% for the quarter, driven by higher volume growth, new product launches and lower base in 4QFY24.

Cumulative ANDAs- Cumulatively, we have 220 ANDA approvals and 163 products on the shelf.

New product launches – Launched 4 products in 4QFY25 and expect to launch 4-5 products in 1QFY25. Expect 15 new launches in FY26, out of which 20-30% to be meaningful launches.

Tariff - No one has enough capacity in the US. All peers having plants in the US are supplying a mere fraction of volumes. So, most likely, it's going to be a macro issue that everyone will face. Also, jointly, assuming a pass-through, no one would have more than 5% to 10% of the total US volumes capacity.

R&D - R&D expense was 9% of sales at Rs 1.5 bn for the quarter and for the full year, it was Rs5.22 bn.

Outlook – Expect R&D cost to increase to Rs 6 – 6.5bn in FY26. Amongst that, 40% would be towards peptides, complex injectables and Ophthalmic while the rest is towards APIs and OSDs. Amongst filings, 45% would be towards injectables while the rest would be OSD, derma and Ophthalmic.

Working Capital – FY25 witnessed higher WC days of 148, primarily due to higher inventory and receivable days.

Inventory days – Inventory days increased to 125 in FY25 from 96 days in FY25, as the company had built up inventory for new product launch that got deferred. Management has also kept a backup of API and related products, followed by higher utilisation rate for manufacturing units leading to higher inventories.

Receivable days – Receivable days have been around 70-80 days for long. This has gone up slightly on account of last quarter sales and some new launches where collection days are a little higher for the new launches. That will also go back to about 75 days or so in the next few quarters.

Capex – Budgeted capex is about Rs 4 – 4.5 bn, due to some spillover of expense that would come from the existing products, projects like Indore and others included.

Gross margin – GM has fallen from a high of 74% to about 70% plus. Expect GM to sustain ~ 70% due to price erosion in the US and higher volume sales.

EBITDA margin – Focus on cost optimisation initiatives, improving facility utilisation, followed by R&D cost rationalisation can lift EBITDA margin to 18-19% eventually.

GLP opportunity – Semaglutide - Do not have day1 opportunity for Semaglutide in the US market; however, will be present in ROW markets.

Tirzepatide – Expect to be in the 1st wave of launch in the US and all markets.

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Financial Highlights

Fig 1 – Financial Highlights

(Rs Mn)	Q4FY25	Q4FY24	YoY (%)	Q3FY25	QoQ (%)	FY24	FY25	FY26E	FY27E
Net Sales	17,696	15,170	16.7	16,927	4.5	62,290	66,721	75,202	83,511
Total Expenses	14,977	12,569	19.2	14,325	4.6	52,953	56,639	63,016	68,326
(%) of net sales	85	83		85		85	85	84	82
Raw material consumed	5,306	3,794	39.9	4,395	20.7	17,151	17,934	19,928	21,713
(%) of net sales	30	25		26		28	27	27	26
Staff cost	3,936	4,019	(2.1)	3,975	(1.0)	14,463	15,623	17,498	19,248
(%) of net sales	22	26		23		23	23	23	23
R&D cost	1,416	588	141.0	1,354	4.5	4,800	5,200	6,200	6,500
(%) of net sales	8	4		8		8	8	8	8
SG&A	4,319	4,169	3.6	4,600	(6.1)	16,539	17,882	19,389	20,866
(%) of net sales	24	27		27		27	27	26	25
EBITDA	2,719	2,601	4.6	2,602	4.5	9,337	10,082	12,186	15,184
Depreciation	690	695	(0.7)	700	(1.5)	2,727	2,786	2,987	3,270
EBIT	2,029	1,906	6.5	1,902	6.7	6,611	7,297	9,199	11,915
Interest	245	109		223		562	788	748	634
Other Income	142	36		95		283	426	450	450
PBT	1,926	1,832	5.1	1,774	8.6	6,332	6,934	8,901	11,731
Less: Taxation	353	47		401		160	1,252	1,602	2,112
Less: Minority Interest	4	4		(11)		10	(9)	0	0
Recurring PAT	1,569	1,782	(12.0)	1,384	13.4	6,162	5,691	7,299	9,619
Exceptional items	0	0		0		0	129		0
Reported PAT	1,569	1,782	(12.0)	1,384	13.4	6,162	5,820	7,299	9,619
Key Ratios (%)									
Gross Margin	70.0	75.0	(498)	74.0	(402)	72.5	73.1	73.5	74.0
EBITDA Margin	15.4	17.1	(178)	15.4	(1)	15.0	15.1	16.2	18.2
Tax / PBT	18.3	2.5		22.6		2.5	18.1	18.0	18.0
NPM	8.9	11.7		8.2	69	9.9	8.5	9.7	11.5
EPS	8.0	9.1	(12.0)	7.1	12.8	31.4	29.0	37.1	48.9

Source: Company, BOBCAPS Research

Fig 2 – Revenue breakup

(Rs Mn)	Q4FY25	Q4FY24	YoY (%)	Q3FY25	QoQ (%)	FY24	FY25	FY26E	FY27E
Formulations	14,280	11,880	20.2	14,340	(0.4)	49,825	55,390	62,739	69,801
India	5,450	5,030	8.3	6,140	(11.2)	22,000	23,390	25,925	28,447
US	5,080	4,230	20.1	5,210	(2.5)	17,300	19,570	22,394	24,773
ROW	3,750	2,620	43.1	2,990	25.4	10,525	12,430	14,419	16,582
API	3,420	3,300	3.6	2,590	32.0	12,465	11,330	12,463	13,709
Net Sales	17,700	15,180	16.6	16,931	4.5	62,290	66,720	75,202	83,511

Source: Company, BOBCAPS Research

Valuation methodology

ALPM reported above estimates earnings on all fronts, driven by growth across geographies. However, the change in product mix resulted in lower EBITDA margin of ~!5%. On the balance sheet front, short-term borrowings were elevated due to an increase in working capital days.

We expect FY26 to be better than FY25 on all counts where sales in the domestic segment are expected to grow in double digits, supported by growth from larger therapies in the acute segment, sustenance of high growth momentum in the RoW market, new-products-driven mid-teens growth in the US region and API segment expected to grow in FY26. Healthy operating to result in better margins and FCF generation as most of the capex (Rs 5.6 bn) required for opening a new facility in Indore is over.

We factor in higher growth across geographies, followed by operating leverage. Hence, our EPS increases by 8.9% and 7.3% by FY26E and FY27E to Rs 37.1 and Rs 48.6 per share. Hence, we maintain BUY. At CMP, the stock is trading at attractive PE valuation of 23.9x in FY26E and 18.2x in FY27E. However, due to industry-lower ROCE and margins, we lower our ascribe PE to 21x (28x earlier) to arrive at TP of Rs 1,032.

Fig 3 – Key Assumption

Key Assumptions	FY25	FY26E	FY27E
Revenue	66,721	75,202	83,511
EBITDA	10,082	12,186	15,184
PAT	5,697	7,299	9,554
EPS	29.7	37.1	48.6
EBITDA Margin	15.1	16.2	18.2
PAT Margin	8.5	9.7	11.4

Source: Company, BOBCAPS Research

Fig 4 – Change in Estimates

(Rs mn)	New		Old		Change (%)	
	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E
Sales	75,202	83,511	72,954	80,336	3.1	4.0
EBITDA	12,186	15,184	11,825	14,780	3.0	2.7
EBITDA margin (%)	16.2	18.2	16.2	18.4	(0bps)	(22bps)
EPS (Rs)	37.1	48.6	34.1	45.3	8.9	7.3

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)	FY23A	FY24A	FY25A	FY26E	FY27E
Total revenue	**56,526**	**62,290**	**66,721**	**75,202**	**83,511**
EBITDA	7,083	9,337	10,082	12,186	15,184
Depreciation	2,754	2,727	2,786	2,987	3,270
EBIT	4,329	6,611	7,297	9,199	11,915
Net interest inc./(exp.)	(502)	(562)	(788)	(748)	(713)
Other inc./(exp.)	27	283	426	450	450
Exceptional items	0	0	0	0	0
EBT	3,855	6,332	6,934	8,901	11,652
Income taxes	126	160	1,252	1,602	2,097
Extraordinary items	0	0	129	0	0
Min. int./Inc. from assoc.	0	0	(14)	0	0
Reported net profit	**3,729**	**6,172**	**5,825**	**7,299**	**9,554**
Adjustments	0	0	129	0	0
Adjusted net profit	**3,729**	**6,172**	**5,697**	**7,299**	**9,554**

Balance Sheet

Y/E 31 Mar (Rs mn)	FY23A	FY24A	FY25A	FY26E	FY27E
Accounts payables	6,798	7,356	8,799	9,683	10,525
Other current liabilities	2,343	2,038	2,358	2,256	835
Provisions	1,763	1,748	2,102	2,369	2,631
Debt funds	7,220	5,132	12,575	8,803	7,042
Other liabilities	0	0	0	0	0
Equity capital	393	393	393	393	393
Reserves & surplus	42,082	46,093	49,842	54,978	62,371
Shareholders' fund	42,475	46,486	50,235	55,371	62,764
Total liab. and equities	**60,598**	**62,759**	**76,069**	**78,482**	**83,796**
Cash and cash eq.	823	1,266	901	1,089	1,414
Accounts receivables	10,464	10,248	13,998	15,452	17,160
Inventories	14,753	16,435	22,881	22,663	22,880
Other current assets	3,598	3,169	3,409	3,008	5,011
Investments	963	930	1,272	1,272	1,272
Net fixed assets	23,985	25,467	25,235	26,625	27,687
CWIP	6,013	5,244	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
Total assets	**60,598**	**62,759**	**76,069**	**78,482**	**83,796**

Cash Flows

Y/E 31 Mar (Rs mn)	FY23A	FY24A	FY25A	FY26E	FY27E
Cash flow from operations	**5,352**	**8,651**	**1,089**	**11,247**	**9,293**
Capital expenditures	(8,665)	(3,450)	(5,636)	(4,376)	(4,332)
Change in investments	221	33	(342)	0	0
Other investing cash flows	0	0	0	0	0
Cash flow from investing	**(8,445)**	**(3,417)**	**(5,978)**	**(4,376)**	**(4,332)**
Equities issued/Others	0	0	0	0	0
Debt raised/repaid	49	(2,089)	7,443	(3,773)	(1,761)
Interest expenses	(502)	(562)	(788)	(748)	(713)
Dividends paid	(1,966)	(2,162)	(2,162)	(2,162)	(2,162)
Other financing cash flows	5,639	21	31	0	0
Cash flow from financing	**3,221**	**(4,792)**	**4,524**	**(6,683)**	**(4,636)**
Chg in cash & cash eq.	**128**	**443**	**(365)**	**189**	**325**
Closing cash & cash eq.	**823**	**1,266**	**901**	**1,089**	**1,414**

Per Share

Y/E 31 Mar (Rs)	FY23A	FY24A	FY25A	FY26E	FY27E
Reported EPS	17.4	31.4	29.7	37.1	48.6
Adjusted EPS	17.4	31.4	29.0	37.1	48.6
Dividend per share	10.0	11.0	11.0	11.0	11.0
Book value per share	216.1	236.5	255.6	281.7	319.3

Valuations Ratios

Y/E 31 Mar (x)	FY23A	FY24A	FY25A	FY26E	FY27E
EV/Sales	3.2	2.9	2.7	2.4	2.2
EV/EBITDA	25.4	19.4	17.8	14.9	12.1
Adjusted P/E	51.0	28.3	30.6	23.9	18.2
P/BV	4.1	3.7	3.5	3.1	2.8

DuPont Analysis

Y/E 31 Mar (%)	FY23A	FY24A	FY25A	FY26E	FY27E
Tax burden (Net profit/PBT)	96.7	97.5	82.2	82.0	82.0
Interest burden (PBT/EBIT)	89.0	95.8	95.0	96.8	97.8
EBIT margin (EBIT/Revenue)	7.7	10.6	10.9	12.2	14.3
Asset turnover (Rev./Avg TA)	25.9	30.7	29.2	29.6	31.2
Leverage (Avg TA/Avg Equity)	1.2	1.1	1.2	1.2	1.1
Adjusted ROAE	7.2	13.9	11.8	13.8	16.2

Ratio Analysis

Y/E 31 Mar	FY23A	FY24A	FY25A	FY26E	FY27E
YoY growth (%)					
Revenue	6.5	10.2	7.1	12.7	11.0
EBITDA	(19.0)	31.8	8.0	20.9	24.6
Adjusted EPS	(34.4)	80.2	(7.4)	27.9	30.9
Profitability & Return ratios (%)					
EBITDA margin	12.5	15.0	15.1	16.2	18.2
EBIT margin	7.7	10.6	10.9	12.2	14.3
Adjusted profit margin	6.6	9.9	8.5	9.7	11.4
Adjusted ROAE	7.2	13.9	11.8	13.8	16.2
ROCE	8.0	13.6	13.5	15.2	18.5
Working capital days (days)					
Receivables	68	60	77	75	75
Inventory	95	96	125	110	100
Payables	44	43	48	47	46
Ratios (x)					
Gross asset turnover	1.6	1.6	1.5	1.6	1.6
Current ratio	2.7	2.8	3.1	3.0	3.3
Net interest coverage ratio	8.6	11.8	9.3	12.3	16.7
Adjusted debt/equity	0.2	0.1	0.2	0.1	0.1

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%

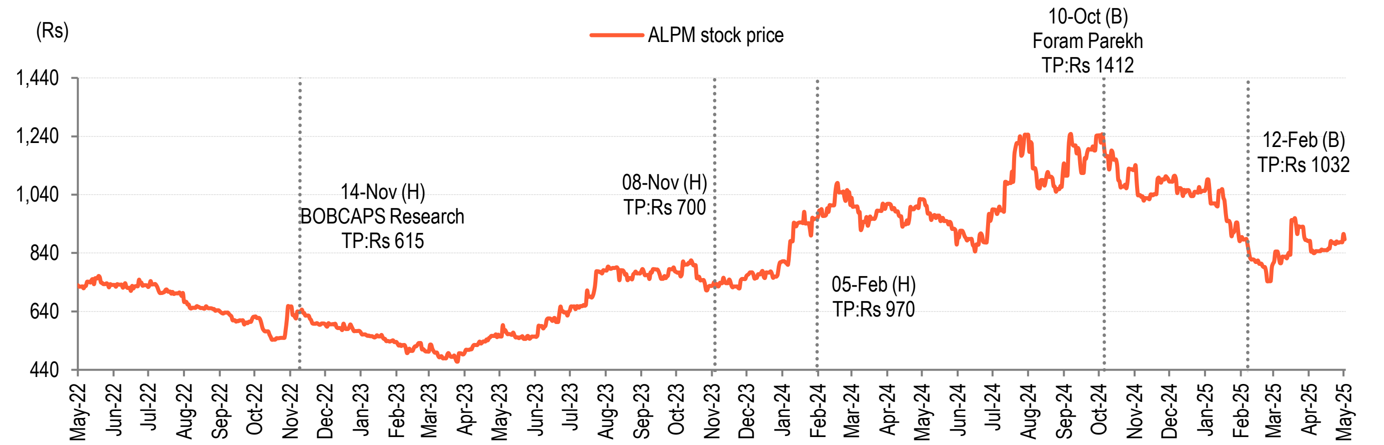
HOLD – Expected return from -6% to +15%

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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