

**BUY**

TP: Rs 1,013 | ▲ 29%

**ALEMBIC PHARMA**

Pharmaceuticals

16 May 2026

### Higher R&D spend underscores focus on US market

- Sales/EBITDA was reported 4%/24.5% below our estimates; PAT reported 11.9% above our estimates on reporting tax credit
- R&D cost reported 21% above our estimates, contributing 11% of total sales, due to development of complex modalities like peptide
- We continue to ascribe PE of 21x and roll forward to Mar'28 EPS, to arrive at TP of Rs 1,013; factoring in the presence in complex products

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**Mixed set of numbers** - Alembic Pharma reported sales growth of 4.4% YoY to Rs 18.48 bn, driven by 11% YoY growth in the US region, 4.2% YoY growth in the domestic region that was offset by a 1.6% YoY decline in the RoW region. Raw material cost was stable at Rs 5.3bn, leading to 6.2% YoY growth in gross profit. Gross margin increased by 118 bps YoY to 71.2%. R&D costs grew by 38.4 YoY to 2bn; leading to 16.2% YoY decline in EBITDA at Rs 2.27bn. Depreciation cost increased by 28.4% YoY and Other Income grew by 80% YoY to Rs 255 mn. Current tax for 4QFY26 was higher at 22% vs 18% in 4QFY25 and 14% in 3QFY26. However, there was a deferred tax asset of Rs 1.1bn arrived from the change in applicable tax rate and tax credit. Exceptional cost of Rs 248 mn in 4QFY26 attributed towards provision of labour code and write down of Sikkim facility, resulting in 29.2% YoY in PAT to Rs 2.02 bn. Adjusting against this one-time cost, PAT grew by 43.2% YoY to Rs 2.25bn.

**US sales grew in double digits** – US sales were 3.8% above our estimates to Rs 5.6bn — primarily due to strong volume in base business and 6 new launches. In FY26, the company launched 15 products, totaling the commercialised products to 178. The company launched its first branded product Pivya in Feb'26, which is being well-received by the doctors and does not foresee competitors in the near term which would enable to the growth in the branded business to sustain. With the scale up of branded business over a period of time, we expect US sales to grow at a CAGR of 15% from FY27-29E VS 13% from FY24-26.

**Domestic sales continue to grow on Animal Health** – Sales were 1% below our estimates to Rs 5.7bn in 4QFY26. The growth was driven by price hikes and new launches. Segmentally, the growth was driven by 28% YoY growth in the Animal Health segment to Rs 1.25 bn, followed by 3% YoY growth in Specialty sales to Rs 2.95bn and -8% YoY growth in acute sales to Rs 1.47bn. In the specialty segment, Gynecology, Gastrology and Ophthalmology therapies contributed to growth. The company has 4 flagship products and has achieved Rs 1bn sales. Overall, we expect the India business to grow at 7% CAGR from FY27-29 vs 6% CAGR from FY24-26.

### Key changes

Target	Rating
◀ ▶	◀ ▶

Ticker/Price	ALPM IN/Rs 784
Market cap	US\$ 1.6bn
Free float	31%
3M ADV	US\$ 0.9mn
52wk high/low	Rs 1,108/Rs 636
Promoter/FPI/DII	70%/5%/13%

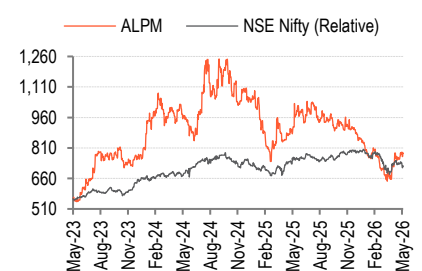
Source: NSE | Price as of 15 May 2026

### Key financials

Y/E 31 Mar	FY26A	FY27E	FY28E
Total revenue (Rs mn)	73,449	81,908	91,437
EBITDA (Rs mn)	11,185	13,270	15,852
Adj. net profit (Rs mn)	7,378	7,564	9,490
Adj. EPS (Rs)	37.5	38.5	48.3
Consensus EPS (Rs)	34.1	41.2	49.3
Adj. ROAE (%)	14.2	13.3	15.0
Adj. P/E (x)	20.9	20.4	16.2
EV/EBITDA (x)	12.7	10.7	9.0
Adj. EPS growth (%)	29.6	2.5	25.5

Source: Company, Bloomberg, BOBCAPS Research

### Stock performance



Source: NSE



**RoW region growth impacted by a high base** – Sales from RoW were 14% below our estimates to Rs 3.69bn — primarily on the back of a higher base. Going forward, the RoW region to likely continue driving growth by focusing on niche product new launches. We expect the region to grow at a CAGR of 15% from FY27-29E vs 19% CAGR from FY24-26.

**API sales to grow in double digits** – During 4QFY26, API sales were 8% below our estimates and grew by 6% YoY to Rs 3.47bn. The high-margin segment witnessed volume growth and pricing headwinds; and is expected to sustain performance. We expect this segment to grow at 10% CAGR from FY27-29 vs -2% from FY24-26; primarily due to a better product portfolio.

**EBITDA margin decreased on higher R&D** - EBITDA margin for 4QFY26 was 336 bps lower than our estimates at 12.3%. This was owing to higher R&D cost that rose by 38% YoY and 27% QoQ to Rs 2bn and ~100bps impact, due to the launch of Pivya brand in the US region. The growth in R&D cost was due to the increase in peptide development and higher filings. Adjusting against higher R&D cost, EBITDA margin for 4QFY26 was ~14%. Going forward, the company has guided of Pivya launch impacting margins in the near term. However, in the next 2-3 years, the company expects EBITDA margin to reach 20%. We expect EBITDA margin to report 16.2% in FY27E, 17.3% in FY28E and 18.8% in FY29E — largely driven by 1) higher plant utilisation rate 2) increased traction in ROW and API (high-margin segment) and 3) branded and complex product contribution from the US region.

**Valuation** - We arrive at Sales /EBITDA/PAT CAGR of 12%/20%/27% respectively, after introducing FY29 estimates. At CMP, the stock is trading at a PE of 20.3x on FY27E EPS and 16.23x on FY28E. We continue to ascribe 21x and roll forward to Mar'28 EPS to arrive at TP of Rs 1,013.

## Financial Highlights

**Fig 1 – Quarterly Snapshot**

(Rs mn)	Q4FY26	Q4FY25	YoY (%)	Q3FY26	QoQ (%)	Q4FY26E	Var (%)
Net Sales	18,477	17,696	4.4	18,763	(1.5)	19,233	(3.9)
Total Expenses	16,198	14,977	8.2	15,828	2.3	16,213	(0.1)
(%) of net sales	88	85		84		84	
Raw material consumed	5,322	5,306	0.3	5,290	0.6	5,481	(2.9)
(%) of net sales	29	30		28		29	
Staff cost	4,389	3,936	11.5	4,327	1.4	4,423	(0.8)
(%) of net sales	24	22		23		23	
R&D cost	2,090	1,510	38.4	1,650	26.7	1,731	20.7
(%) of net sales	11	8		9		9	
SG&A	4,397	4,225	4.1	4,561	(3.6)	4,577	(3.9)
(%) of net sales	24	24		24		24	
EBITDA	2,279	2,719	(16.2)	2,935	(22.3)	3,020	(24.5)
Depreciation	886	690	28.4	801	10.6	800	10.7
EBIT	1,393	2,029	(31.3)	2,134	(34.7)	2,220	(37.2)
Interest	226	245	(8.0)	233	(3.2)	240	88.5
Other Income	255	142	79.7	155	64.5	161	53.6
PBT	1,423	1,926	(26.1)	2,056	(30.8)	2,140	(33.5)
Less: Taxation	(829)	353		295		321	
Recurring PAT	2,252	1,573	43.2	1,760	27.9	1,819	23.8
Less: Minority Interest	(23)	4		8		8	
Exceptional items	(248)	0		(422)		0	
PAT attributable to shareholders	2,027	1,569	29.2	1,330	52.4	1,811	11.9
<b>Key Ratios (%)</b>							
Gross Margin	71.2	70.0	118.4bps	71.8	(60.8bps)	71.5	(30.0bps)
EBITDA Margin	12.3	15.4	(303.1bps)	15.6	(330.7bps)	15.7	(336.5bps)
NPM	12.2	8.9	329.8bps	9.4	280.5bps	9.5	272.7bps
EPS	11.6	8.0	44.6bps	8.9	29.8bps	9.2	25.6bps

Source: Company, BOBCAPS Research

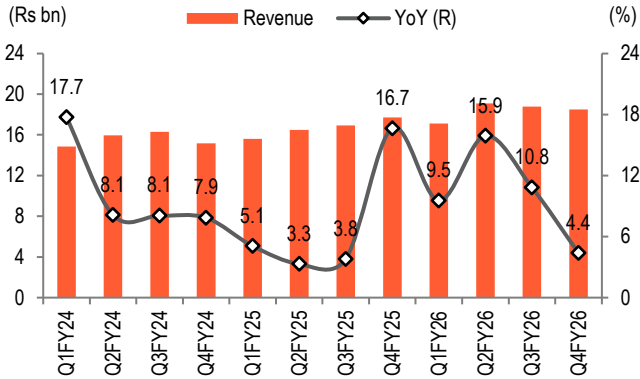
**Fig 2 – Segmental Mix**

(Rs mn)	Q4FY26	Q4FY25	YoY (%)	Q3FY26	QoQ (%)	Q4FY26E	Var (%)
Formulations	15,010	14,280	5.1	16,110	(6.8)	15,471	(3.0)
India	5,680	5,450	4.2	6,520	(12.9)	5,723	(0.7)
US	5,640	5,080	11.0	5,530	2.0	5,436	3.8
ROW	3,690	3,750	(1.6)	4,060	(9.1)	4,313	(14.4)
API	3,470	3,420	1.5	2,640	31.4	3,762	(7.8)
Net Sales	18,480	17,700	4.4	18,750	(1.4)	19,233	(3.9)

Source: Company, BOBCAPS Research

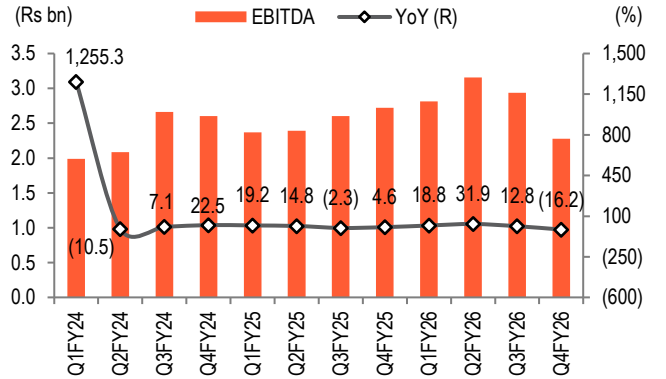
## Financial Charts

**Fig 3 – Sales growth lower due to decline in India and RoW region**



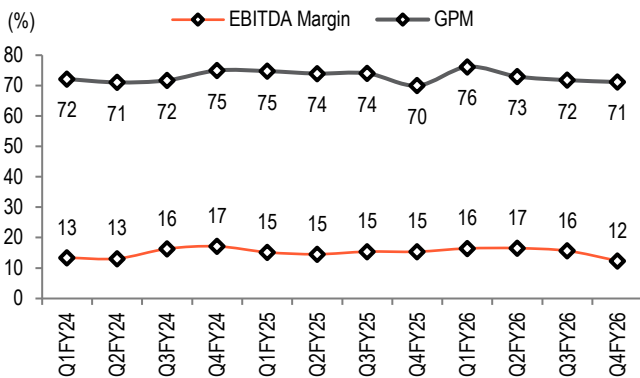
Source: Company, BOBCAPS Research

**Fig 4 – EBITDA growth decline due to higher R&D spend**



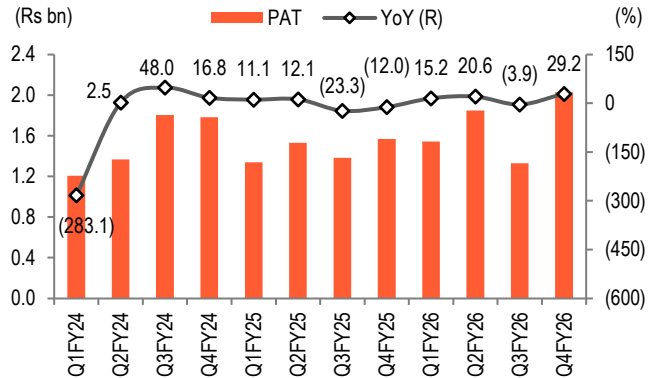
Source: Company, BOBCAPS Research

**Fig 5 – Gross Margin maintained in the stated guidance; EBITDA M lower to operational de leverage**



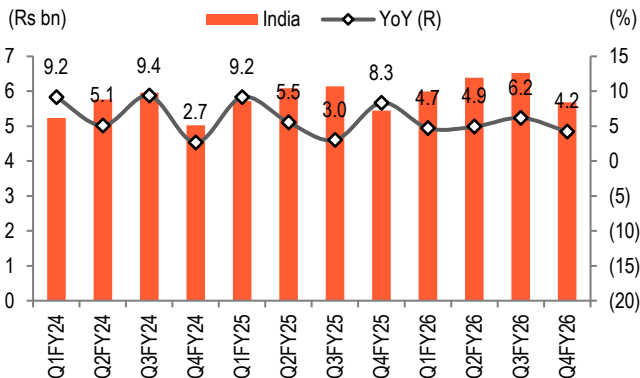
Source: Company, BOBCAPS Research

**Fig 6 – PAT growth due to one-time tax adjustments**



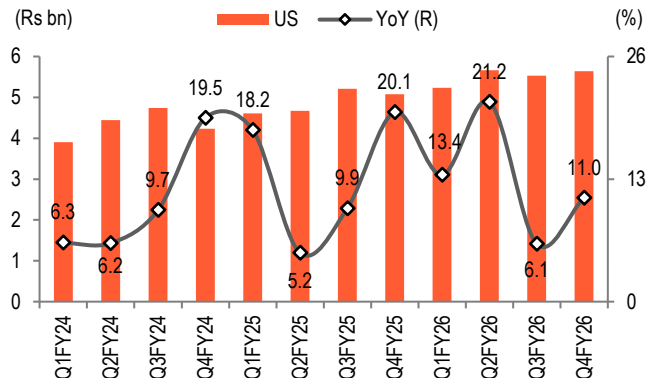
Source: Company, BOBCAPS Research

**Fig 7 – India Business supported by Animal Health & Specialty Segment**



Source: Company, BOBCAPS Research

**Fig 8 – US growth led by base and new products**



Source: Company, BOBCAPS Research

## Earnings Call Highlights

### Outlook

- Management is aiming for a low double-digit topline growth in FY27.
- International generics business likely to grow in the low-to-mid teen range. API in high single to low double digits; US at 10-15%, and ROW at 15%+ in FY27.
- Pivya (launched in February 2026) will likely remain a drag over the next 1 or 2 quarters. However, management expects a gradual improvement in the latter part of FY27, supported by healthy initial trends.
- India business aims to be closer to market growth in FY27 with a renewed approach to strengthen the focused brands and improved field operations and productivity metrics focused governance.
- R&D guidance for FY27 is at Rs 7,500-8,000 mn. Management expects it to return to ~9% of revenue and not stay at 11%.

### India Branded Business

- Q4 was supported by a price-led growth as also the new launches; specialty therapies (gynecology, gastroenterology, ophthalmology) and Animal Healthcare continued to perform relatively better.
- Focus brands continued to grow ahead of the broader portfolio, which is important from a quality of growth standpoint.
- The indoor facility is fully operational; capacity utilisation improving, giving a better base for supply reliability, logistics, operating efficiency and future scale-up.
- For FY26, the India business delivered 5% growth. Operationally, the business has a firmer footing.

### US Business

- US business is expected to grow 10-15% in FY27. The growth will likely come on the back of better volumes from the existing portfolio, meaningful day-one launches in the initial quarters and improving utilisation of new facilities.
- Pivya / US branded business:** Positioned as a calibrated strategic entry with a focused go-to-market model and measured investment - the objective is not rapid scale, but to build a credible and sustainable specialty platform over a period of time. Management guided EBITDA impact of ~100-150 bps from Pivya in FY27, which is expected to be offset by margin improvement in the core generics and API businesses. The initial doctor feedback and trends described as quite healthy.
- F2 & F3:** F2 and F3 are working at a much higher occupancy level than they used to. F3's Ophthalmic line is already chock-a-block with an expansion is underway. The other 2 lines in F3 are at ~40% and ~60% utilisation. The injectable line and OS in F2 are both working at a decent level, with a few limited competition opportunities incoming to enable and use these facilities.

- Contract manufacturing and licensing opportunities linked to F2/F3 facilities have already commenced and are expected to contribute meaningfully from FY27.
- Peptide portfolio comprises 5-6 products — of which — 2 have already been filed while the remaining under development.
- Peptide-related capex has largely been completed (~Rs 500 mn), with investments undertaken within the existing API facility infrastructure.

### API Business

- API business delivered a modest growth in Q4; primarily driven by volume growth, while pricing pressure remained a headwind amid the broader industry environment.
- Increased focus on the quality of portfolio and launches, better asset utilisation, stronger cost & working capital discipline as well as selective investments & platforms.
- Management highlighted API business operating at relatively higher margins, given the focus on premium pricing, compliance standards and supply chain reliability vs competing at the lower end of the pricing spectrum.
- Despite the rising solvent and crude-linked raw material prices, management indicated that API margins stay unaffected currently, aided by higher inventory levels and the company's ability to maintain premium pricing in the market.

### Ex-US Markets

- Ex-US markets delivered 20% growth for FY26. Q4 was muted due to a higher base and one-off variances. Management is confident of continuing this growth in the ensuing quarters.

## Valuation Methodology

We have reduced our EPS by 7% in FY27E to Rs 38.5 and by 2% in FY28E to Rs 48.3 — factoring in the lower profitability in near term, with the launch of Pivya brand in the US and at par IPM growth in the domestic region offsetting profitability in the high margin segment of RoW and API and better utilisation of capacity from F2 and F3 plant.

Thus, we arrive at Sales/EBITDA/PAT CAGR of 12%/20%/27% respectively, after introducing FY29 estimates. At CMP, the stock is trading at a PE of 20.3x on FY27E EPS and 16.23x on FY28E. We continue to ascribe 21x and roll forward to Mar'28 EPS, to arrive at TP of Rs 1,013. Our 21x PE factors

1) presence in noncompetitive branded business in the US 2) capability to provide approvals for non-competitive complex products 3) healthy compliance status with most of the plants having EIR status.

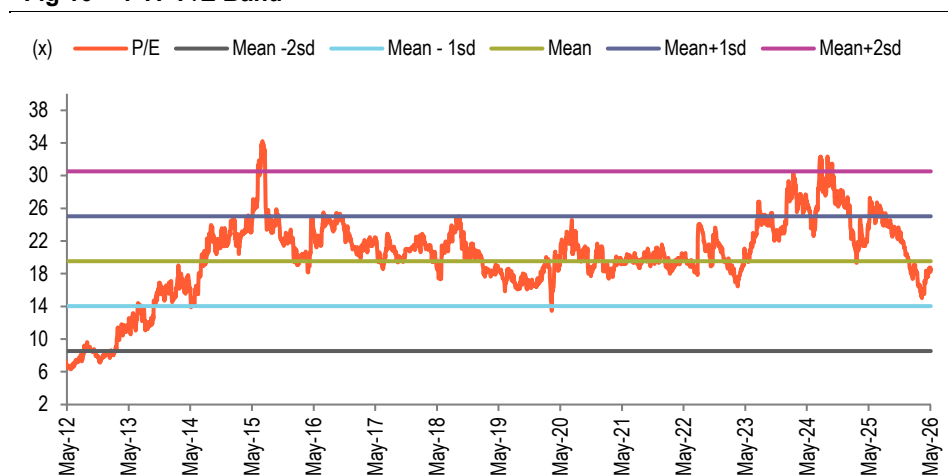
**Fig 9 – Change in Estimates**

(Rs mn)	New		Old		Variance (%)	
	FY27E	FY28E	FY27E	FY28E	FY27E	FY28E
Revenue	81,908	91,437	83,530	91,815	(2)	0
EBITDA	13,270	15,852	13,865	15,769	(4)	1
EBITDA M (%)	16	17	17	17	(40bps)	(17bps)
EPS (Rs)	38.5	48.3	41.6	49.1	(7)	(2)

Source: Company, BOBCAPS Research

## PE Band

**Fig 10 – 1 YF P/E Band**



Source: Company, BOBCAPS Research

## Key Risks

Key downside risks to our estimates:

- An adverse action on manufacturing facilities catering to the US
- The slow pace of new approvals/launches

## Financials

### Income Statement

Y/E 31 Mar (Rs mn)	FY25A	FY26A	FY27E	FY28E	FY29E
<b>Total revenue</b>	<b>66,721</b>	<b>73,449</b>	<b>81,908</b>	<b>91,437</b>	<b>102,183</b>
EBITDA	10,082	11,185	13,270	15,852	19,178
Depreciation	2,786	3,186	3,471	3,681	3,891
EBIT	7,297	7,999	9,800	12,171	15,287
Net interest inc./(exp.)	(788)	(936)	(1,061)	(1,009)	(762)
Other inc./(exp.)	426	544	600	700	800
Exceptional items	0	0	0	0	0
EBT	6,934	7,607	9,339	11,863	15,325
Income taxes	1,252	231	1,774	2,373	3,218
Extraordinary items	129	(670)	0	0	0
Min. int./Inc. from assoc.	0	0	0	0	0
<b>Reported net profit</b>	<b>5,820</b>	<b>6,708</b>	<b>7,564</b>	<b>9,490</b>	<b>12,107</b>
Adjustments	129	(670)	0	0	0
<b>Adjusted net profit</b>	<b>5,691</b>	<b>7,378</b>	<b>7,564</b>	<b>9,490</b>	<b>12,107</b>

### Balance Sheet

Y/E 31 Mar (Rs mn)	FY25A	FY26A	FY27E	FY28E	FY29E
Accounts payables	8,799	8,351	9,201	10,020	11,198
Other current liabilities	2,358	5,645	3,276	2,743	2,044
Provisions	2,102	2,641	2,945	3,288	3,674
Debt funds	12,575	14,299	16,015	12,812	8,969
Other liabilities	0	0	0	0	0
Equity capital	393	393	393	393	393
Reserves & surplus	49,842	53,601	59,003	66,331	76,276
Shareholders' fund	50,235	53,994	59,396	66,724	76,669
<b>Total liab. and equities</b>	<b>76,069</b>	<b>84,930</b>	<b>90,834</b>	<b>95,588</b>	<b>102,554</b>
Cash and cash eq.	901	2,027	2,905	3,076	3,208
Accounts receivables	13,998	14,663	16,157	17,786	19,597
Inventories	22,881	25,106	27,377	30,061	33,034
Other current assets	3,409	4,084	5,815	6,766	9,707
Investments	1,272	1,409	1,409	1,409	1,409
Net fixed assets	25,235	28,436	27,965	27,285	26,394
CWIP	8,372	6,337	6,337	6,337	6,337
Intangible assets	0	2,868	2,868	2,868	2,868
Deferred tax assets, net	0	0	0	0	0
Other assets	0	0	0	0	0
<b>Total assets</b>	<b>76,069</b>	<b>84,930</b>	<b>90,834</b>	<b>95,588</b>	<b>102,554</b>

### Cash Flows

Y/E 31 Mar (Rs mn)	FY25A	FY26A	FY27E	FY28E	FY29E
<b>Cash flow from operations</b>	<b>1,075</b>	<b>10,643</b>	<b>5,385</b>	<b>9,545</b>	<b>9,900</b>
Capital expenditures	(5,636)	(4,320)	(3,000)	(3,000)	(3,000)
Change in investments	(342)	(137)	0	0	0
Other investing cash flows	0	0	0	0	0
<b>Cash flow from investing</b>	<b>(5,978)</b>	<b>(4,456)</b>	<b>(3,000)</b>	<b>(3,000)</b>	<b>(3,000)</b>
Equities issued/Others	0	0	0	0	0
Debt raised/repaid	7,443	1,724	1,716	(3,203)	(3,844)
Interest expenses	(788)	(936)	(1,061)	(1,009)	(762)
Dividends paid	(2,162)	(2,162)	(2,162)	(2,162)	(2,162)
Other financing cash flows	45	(3,686)	0	0	0
<b>Cash flow from financing</b>	<b>4,539</b>	<b>(5,060)</b>	<b>(1,507)</b>	<b>(6,374)</b>	<b>(6,768)</b>
<b>Chg in cash &amp; cash eq.</b>	<b>(365)</b>	<b>1,126</b>	<b>878</b>	<b>171</b>	<b>132</b>
<b>Closing cash &amp; cash eq.</b>	<b>901</b>	<b>2,027</b>	<b>2,905</b>	<b>3,076</b>	<b>3,208</b>

### Per Share

Y/E 31 Mar (Rs)	FY25A	FY26A	FY27E	FY28E	FY29E
Reported EPS	29.6	34.1	38.5	48.3	61.6
Adjusted EPS	29.0	37.5	38.5	48.3	61.6
Dividend per share	11.0	11.0	11.0	11.0	11.0
Book value per share	255.6	274.7	302.2	339.5	390.1

### Valuations Ratios

Y/E 31 Mar (x)	FY25A	FY26A	FY27E	FY28E	FY29E
EV/Sales	2.2	1.9	1.7	1.6	1.4
EV/EBITDA	14.5	12.7	10.7	9.0	7.6
Adjusted P/E	27.1	20.9	20.4	16.2	12.7
P/BV	3.1	2.9	2.6	2.3	2.0

### DuPont Analysis

Y/E 31 Mar (%)	FY25A	FY26A	FY27E	FY28E	FY29E
Tax burden (Net profit/PBT)	82.1	97.0	81.0	80.0	79.0
Interest burden (PBT/EBIT)	95.0	95.1	95.3	97.5	100.2
EBIT margin (EBIT/Revenue)	10.9	10.9	12.0	13.3	15.0
Asset turnover (Rev./Avg TA)	29.2	28.0	28.5	29.5	30.9
Leverage (Avg TA/Avg Equity)	1.2	1.3	1.3	1.2	1.2
<b>Adjusted ROAE</b>	<b>11.8</b>	<b>14.2</b>	<b>13.3</b>	<b>15.0</b>	<b>16.9</b>

### Ratio Analysis

Y/E 31 Mar	FY25A	FY26A	FY27E	FY28E	FY29E
<b>YoY growth (%)</b>					
Revenue	7.1	10.1	11.5	11.6	11.8
EBITDA	8.0	10.9	18.6	19.5	21.0
Adjusted EPS	(7.6)	29.6	2.5	25.5	27.6
<b>Profitability &amp; Return ratios (%)</b>					
EBITDA margin	15.1	15.2	16.2	17.3	18.8
EBIT margin	10.9	10.9	12.0	13.3	15.0
Adjusted profit margin	8.5	10.0	9.2	10.4	11.8
Adjusted ROAE	11.8	14.2	13.3	15.0	16.9
ROCE	13.5	13.0	14.5	16.6	19.5
<b>Working capital days (days)</b>					
Receivables	77	73	72	71	70
Inventory	125	125	122	120	118
Payables	48	41	41	40	40
<b>Ratios (x)</b>					
Gross asset turnover	1.5	1.5	1.6	1.7	1.8
Current ratio	3.1	2.8	3.4	3.6	3.9
Net interest coverage ratio	9.3	8.5	9.2	12.1	20.1
<b>Adjusted debt/equity</b>	<b>0.2</b>	<b>0.2</b>	<b>0.2</b>	<b>0.1</b>	<b>0.1</b>

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

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 For any queries or grievances, you may contact the Grievance Officer.  
 Name of the Grievance Officer: Mr. Manoj Pawar  
 Email ID: [head-customer@bobcaps.in](mailto:head-customer@bobcaps.in); Phone no: 0+91-22-69417333

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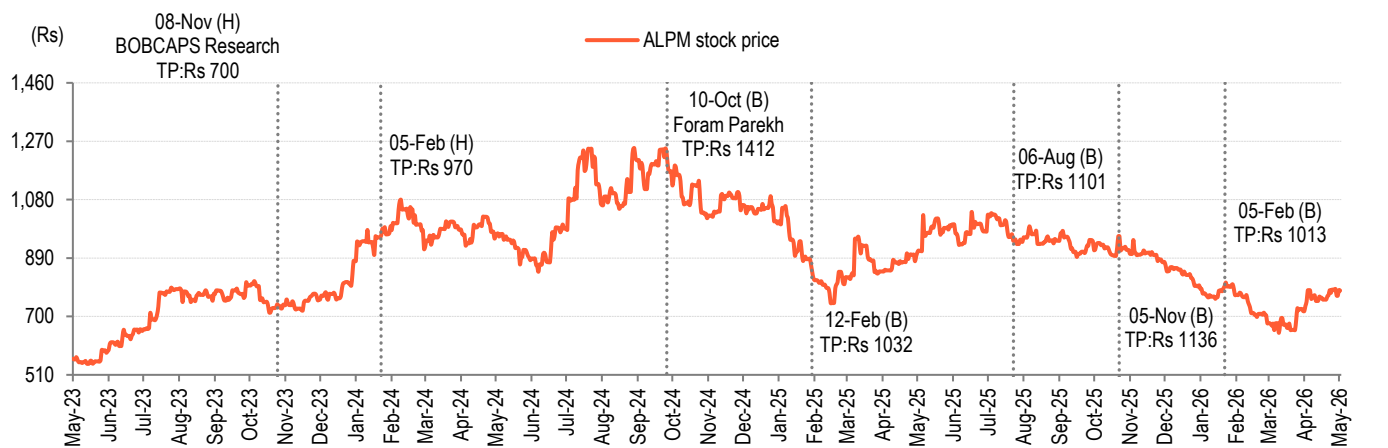
**Recommendation scale: Recommendations and Absolute returns (%) over 12 months**

- 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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