

Alembic Pharma

Estimate change	↑
TP change	↑
Rating change	↔

Bloomberg	ALPM IN
Equity Shares (m)	197
M.Cap.(INRb)/(USDb)	186 / 2.1
52-Week Range (INR)	1304 / 725
1, 6, 12 Rel. Per (%)	-2/2/-23
12M Avg Val (INR M)	299

Financials & Valuations (INR b)

Y/E MARCH	FY25	FY26E	FY27E
Sales	66.7	71.8	79.0
EBITDA	10.1	12.2	14.4
Adj. PAT	5.7	7.2	8.8
EBIT Margin (%)	11.0	12.6	13.8
Cons. Adj. EPS (INR)	29.1	36.4	44.8
EPS Gr. (%)	-7.4	25.1	23.1
BV/Sh. (INR)	264.1	294.9	334.0

Ratios

Net D:E	0.2	0.2	0.1
RoE (%)	11.5	12.9	14.1
RoCE (%)	10.9	11.8	12.9
Payout (%)	20.3	16.5	13.4

Valuations

P/E (x)	33.2	26.5	21.5
EV/EBITDA (x)	19.9	16.4	13.6
Div. Yield (%)	0.5	0.5	0.5
FCF Yield (%)	1.5	2.9	3.4
EV/Sales (x)	3.0	2.8	2.5

Shareholding pattern (%)

As On	Jun-25	Mar-25	Jun-24
Promoter	69.7	69.7	69.6
DII	16.5	16.4	15.5
FII	4.0	3.9	4.3
Others	9.9	10.0	10.6

FII Includes depository receipts

CMP: INR947 TP: INR990 (+5%) Neutral

Export strength offsets muted DF/API show

Re-assessing DF business for higher productivity and sustainable growth

- Alembic Pharma (ALPM) delivered a largely in-line performance for 1QFY26. Superior execution in the export market led to YoY growth in revenue/EBITDA/PAT for the quarter. This benefit was offset, to some extent, by a muted show in the domestic formulation (DF) and API segments.
- ALPM sustained its growth momentum in the US market on the back of new launches. Notably, upcoming introductions such as g-Entresto have the potential to further strengthen growth in the US generics segment. That said, a broader scope of business would be necessary to enhance capacity utilization and, in turn, improve the profitability of the US generics segment.
- Growth of non-US exports has been broad-based across focus markets.
- The DF segment continues to struggle with growth. In 1QFY26, ALPM undertook measures to address certain challenges in this segment, which impacted the growth of the DF segment's specialty category.
- We tweak our estimates for FY26/FY27 (+3%/+2%), factoring in: a) improved business prospects in the export market and b) near-term disruption in the DF segment. We value ALPM 22x 12M forward earnings to arrive at a TP of INR990.
- After a muted performance in FY25, ALPM is working to improve business prospects across its key markets. Growth in export markets is strengthening on the back of new launches and superior supply chain management. However, this is being offset to some extent by an inferior show in the DF and API segments. Considering these aspects, we expect a 24% earnings CAGR over FY25-27. The current valuation largely factors in the earnings upside. Hence, we reiterate a Neutral rating on the stock.

In-line 1Q; margin gain from product mix supports PAT growth

- ALPM sales grew 9.5% YoY to INR17b (in line).
- US generics sales grew 13% YoY to INR5.2b (USD61m; 31% of sales). Ex-US generics, export sales grew 21% YoY to INR3.3b (19% of sales). DF sales grew 5% YoY to INR6b (35% of sales).
- API sales were stable YoY at INR2.6b (15% of sales).
- Gross margin expanded 140bp YoY to 76% due to a better product mix.
- EBITDA margin expanded 130bp YoY to 16.4% (in line), led by a better gross margin. Higher R&D spend (+150bp YoY as a % of sales) was offset by lower other expenses (down 170bp as a % of sales).
- Consequently, EBITDA grew 19% YoY to INR2.8b (our est: INR2.7b).
- Adj. PAT grew 14.6% YoY to INR1.5b (in line).

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Investors are advised to refer through important disclosures made at the last page of the Research Report.

Motilal Oswal research is available on www.motilaloswal.com/Institutional-Equities, Bloomberg, Thomson Reuters, Factset and S&P Capital.

Key highlights from the management commentary

- ALPM has guided for US sales to grow 10-15% YoY in FY26.
- Non-US sales are also guided to grow at 10-15% YoY in FY26.
- ALPM is addressing certain challenges in the DF business and has gained better control over channel inventory for its products. This, however, impacted specialty segment growth for the quarter.
- Data leakage by certain Chinese traders regarding exports from India has impacted ALPM's API business.
- APLM expects to launch 4-5 products in the US in 2QFY26.
- Gross/net debt stood at INR11.8b/INR9.7b at the end of 1QFY26.

Quarterly perf. (Consol.)

Y/E March	FY25				FY26E				FY25	FY26E	FY26E	
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE			1Q	vs Est
Net Sales	15,617	16,480	16,927	17,696	17,107	17,963	18,313	18,645	66,721	72,028	17,086	0.1%
YoY Change (%)	5.1	3.3	3.8	16.7	9.5	9.0	8.2	5.4	7.1	8.0	9.4	
Total Expenditure	13,249	14,087	14,325	14,977	14,294	14,819	15,035	15,409	56,639	59,557	14,352	
EBITDA	2,368	2,393	2,602	2,719	2,813	3,144	3,278	3,237	10,082	12,471	2,734	2.9%
YoY Change (%)	19.2	14.9	-2.4	4.6	18.8	31.4	26.0	19.0	8.0	23.7	15.4	
Margins (%)	15.2	14.5	15.4	15.4	16.4	17.5	17.9	17.4	15.1	17.3	16.0	
Depreciation	690	705	700	690	738	800	816	831	2,786	3,184	762	
EBIT	1,678	1,688	1,902	2,029	2,075	2,343	2,462	2,406	7,297	9,287	1,972	5.3%
YoY Change (%)	26.6	19.9	-3.6	6.5	23.7	38.9	29.5	18.6	10.4	27.3	17.5	
Interest	132	188	223	245	235	215	205	186	788	841	230	
Other Income	21	167	95	142	65	167	171	277	425	680	155	
PBT before EO expense	1,567	1,667	1,774	1,926	1,905	2,295	2,428	2,497	6,934	9,125	1,897	0.4%
Extra-Ord expense	0	-129	0	0	0	0	0	0	129	0	0	
PBT	1,567	1,796	1,774	1,926	1,905	2,295	2,428	2,497	7,063	9,125	1,897	0.4%
Tax	225	273	401	353	365	418	440	449	1,252	1,671	343	
Rate (%)	14.4	15.2	22.6	18.3	19.1	18.2	18.1	18.0	17.7	18.3	18.1	
MI & P/L of Asso. Cos.	-5	-11	-11	4	-3	7	9	11	-23	24	5	
Reported PAT	1,347	1,534	1,384	1,569	1,544	1,871	1,980	2,036	5,834	7,430	1,549	-0.3%
Adj PAT	1,347	1,425	1,384	1,569	1,544	1,871	1,980	2,036	5,725	7,430	1,549	-0.3%
YoY Change (%)	11.6	3.6	-23.5	-12.3	14.6	31.3	43.0	29.8	-7.4	29.8	15.0	
Margins (%)	8.6	8.6	8.2	8.9	9.0	10.4	10.8	10.9	8.6	10.3	9.1	
EPS	6.9	7.2	7.0	8.0	7.9	9.5	10.1	10.4	29.1	36.4	7.9	

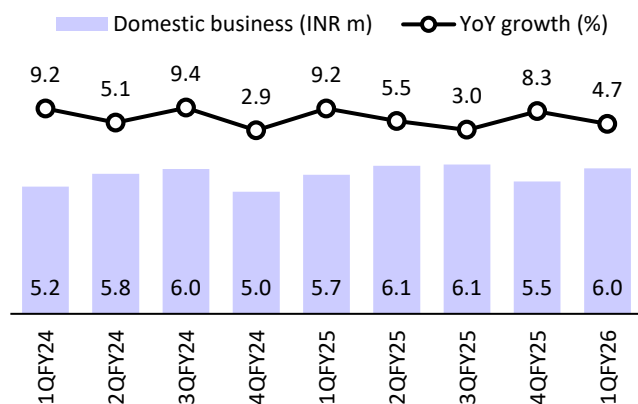
Key performance indicators (Consolidated)

Y/E March	FY25				FY26E				FY25	FY26E	FY26E	
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE			1QE	Var % vs Est
India	5,720	6,090	6,140	5,450	5,990	6,404	6,447	5,874	23,400	24,715	5,900	2%
YoY Change (%)	9.2	5.5	3.0	8.3	4.7	5.2	5.0	7.8	6.4	5.6	3.1	
Exports	7,320	7,650	8,200	8,830	8,510	8,690	8,965	9,505	32,000	35,670	8,441	1%
YoY Change (%)	11.4	9.9	9.9	28.9	16.3	13.6	9.3	7.6	15.0	11.5	15.3	
APIs	2,590	2,740	2,590	3,420	2,610	2,850	2,901	3,266	11,340	11,627	2,745	-5%
YoY Change (%)	(15.1)	(14.9)	(10.4)	3.6	0.8	4.0	12.0	(4.5)	(9.0)	2.5	6.0	
Cost Break-up												
RM Cost (% of Sales)	25.2	26.0	26.0	30.0	23.8	28.2	28.0	29.0	26.9	27.3	29.0	
Staff Cost (% of Sales)	24.3	23.8	23.5	22.2	24.7	22.4	22.2	22.4	23.4	22.9	22.4	
R&D Expenses (% of Sales)	7.0	8.0	7.0	9.1	8.5	8.2	8.3	8.0	7.8	8.2	8.0	
Other Cost (% of Sales)	28.3	27.7	28.2	23.3	26.5	23.7	23.6	23.2	26.8	24.2	23.2	
Gross Margins (%)	74.8	74.0	74.0	70.0	76.2	71.8	72.0	71.0	73.1	72.7	71.0	
EBITDA Margins (%)	15.2	14.5	15.4	15.4	16.4	17.5	17.9	17.4	15.1	17.3	17.4	
EBIT Margins (%)	10.7	10.2	11.2	11.5	12.1	13.0	13.4	12.9	10.9	12.9	12.9	

E: MOFSL Estimates

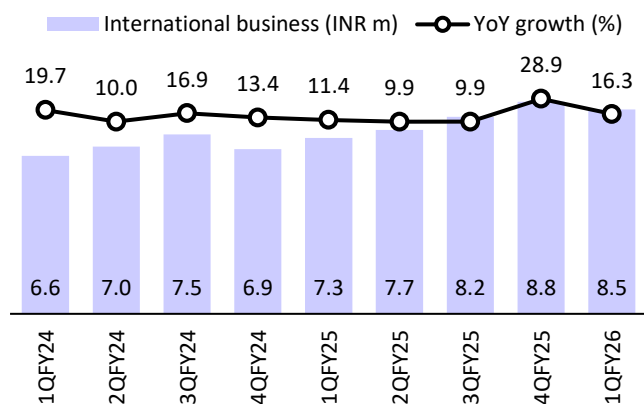
Key exhibits

Exhibit 1: DF sales grew 4.7% YoY in 1QFY26



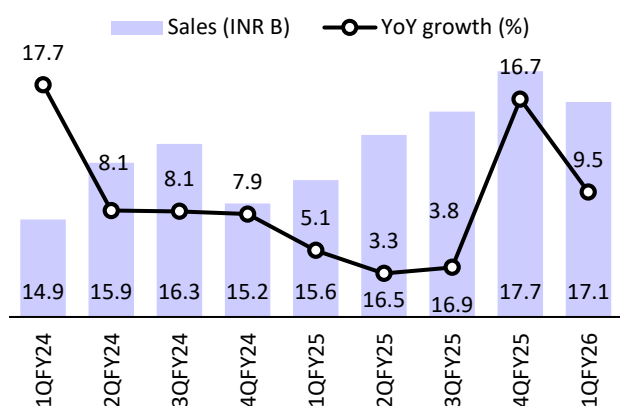
Source: MOFSL, Company

Exhibit 2: International business grew 16.3% YoY



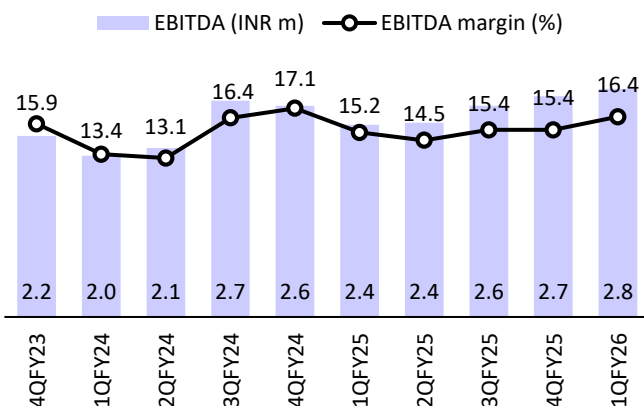
Source: MOFSL, Company

Exhibit 3: Sales increased 9.5% YoY for 1QFY26



Source: MOFSL, Company

Exhibit 4: EBITDA margin expanded 130bp YoY in 1QFY26



Source: MOFSL, Company



Conference call highlights

- ALPM has not witnessed any channel stockings for its portfolio in the recent past in anticipation of tariffs.
- G-entresto is a notable launch for ALPM. In-house API manufacturing provides potential for both market share gains and improved profitability for this product.
- Despite pricing pressures in US generics, ALPM has posted YoY growth in the segment due to a higher volume off-take.
- While gross margin of the US generics business is encouraging, EBITDA margin is relatively lower due to lower capacity utilizations related to injectables/derma/new capacity for oral solids.
- The commissioning of the Indore plant led to a higher depreciation for the quarter.

Exports drive near-term momentum; DF/API keeps outlook balanced

US: Specialty focus and launch momentum to drive better sales growth

- The launch momentum continued in the US, driving 11% YoY growth in 1QFY26, reaching USD61m.
- Post 16 launches in FY25, ALPM launched four ANDAs in 1QFY26 with a target of 20 product filings in FY26.
- Interestingly, the filings are spread in terms of dosages (24 OSDs, 11 injectables, 6 Ophthalmics, and 5 dermatology by the end of Mar'25).
- ALPM's R&D team is working on high-growth therapy such as oncology and dermatology, with 75 molecules in the pipeline and 35-40% in the non-oral solid dosage formulation. This implies complexity to manufacturing and, thus, fewer entry barriers, thereby driving better profitability.
- ALPM filed 2 ANDAs and received approvals for 6 ANDAs in 1QFY26.
- Notably, the capex required to cater to the manufacturing needs will be largely completed and going forward, only maintenance capex will be required over the medium term.
- From the approved portfolio, ALPM has a total of 223 approved ANDAs, comprising 153 oral solids, 30 dermatological products, 20 ophthalmic formulations, 18 injectables, and 2 inhalation products.
- Considering the new launches of complex products and a scale-up in existing products, we expect a 14% sales CAGR over FY25-27, reaching USD306m.

India: Acute outperforms, while specialty underperforms in 1QFY26

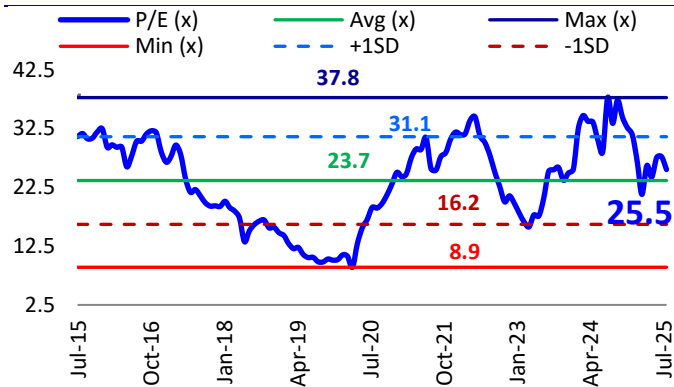
- The DF business has been witnessing moderate 6.7% growth on annual basis for the past three years. Specifically, for 1QFY26, the DF business came in at INR6b, up 5% YoY.
- 1QFY26 is the second consecutive quarter to reflect better growth in acute therapy (+6% YoY). After healthy performance for almost 19 quarters, the specialty segment was stable YoY in 1QFY26. Animal health continued its growth momentum, posting a 16% YoY growth in the quarter.
- ALPM's specialty focus continues on gynaecology, anti-diabetes, ophthalmology, and dermatology, enabling it to outpace the industry.
- ALPM is working to improve customer orientation behavior among the sales force to enhance its market share. It is also using Artificial intelligence (AI) for better productivity.
- Moreover, the addition of sales force is expected to drive better outlook in the DF segment going forward.
- Over the past 12M, ALPM's prescription base has been 131m.
- We expect a 6% sales CAGR over FY25-27, reaching INR26.2b.

Reiterate Neutral

- We tweak our estimates for FY26/FY27 (+3%/+2%), factoring in: a) improved business prospects in the exports market and b) near-term disruption in the DF segment. We value ALPM 22x 12M forward earnings to arrive at a TP of INR990.
- After a muted performance in FY25, ALPM is working to improve business prospects across its key markets. Growth in exports markets is strengthening on the back of new launches and superior supply chain management. However, this is being offset to some extent by an inferior show in the DF and API segments. Considering these aspects, we expect a 24% earnings CAGR over FY25-27. The

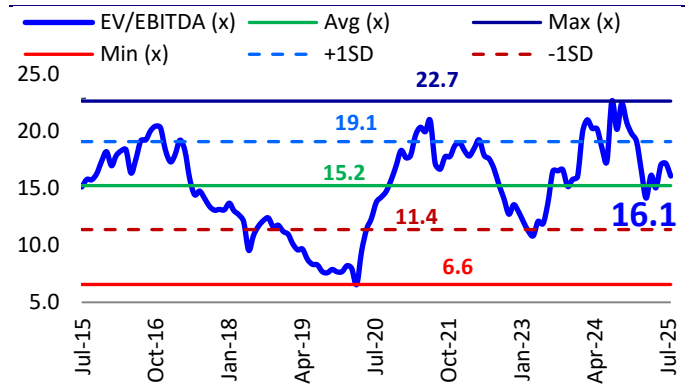
current valuation largely factors in the earnings upside. Hence, we reiterate a Neutral rating on the stock.

Exhibit 5: P/E chart



Source: MOFSL, Company, Bloomberg

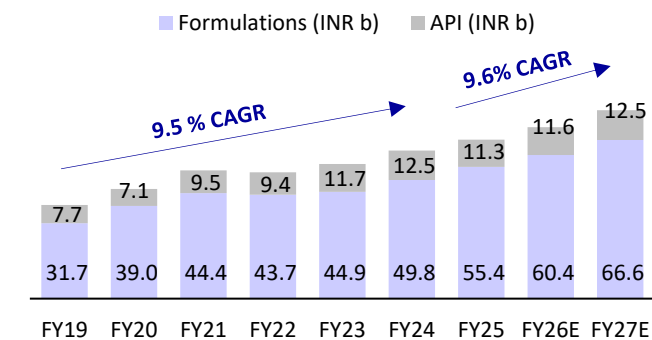
Exhibit 6: EV/EBITDA chart



Source: MOFSL, Company, Bloomberg

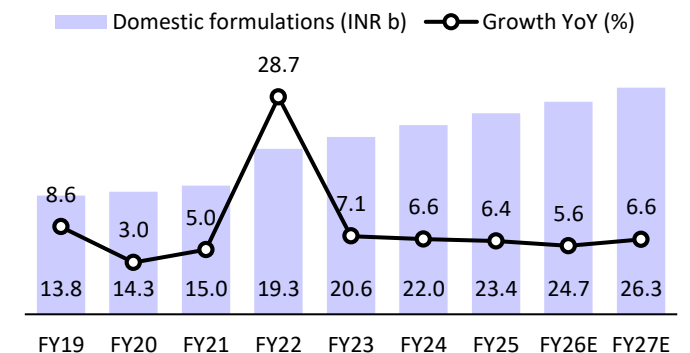
Story in charts

Exhibit 7: Formulation sales to post 9.6% CAGR over FY25-27



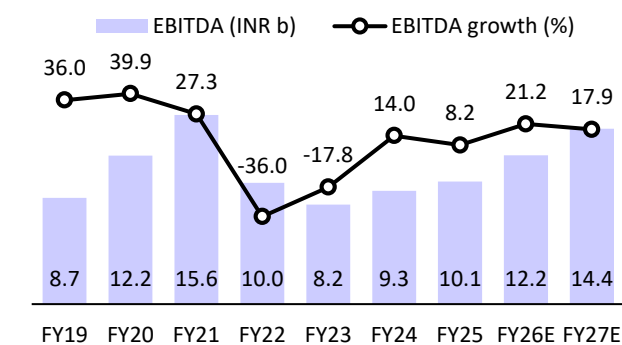
Source: MOFSL, Company

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



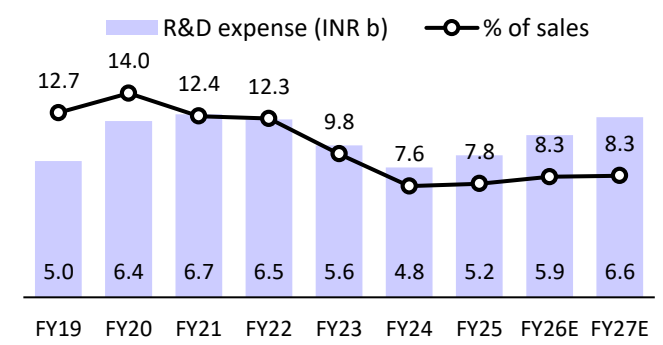
Source: MOFSL, Company

Exhibit 9: EBITDA CAGR to remain at 19.5% over FY25-27



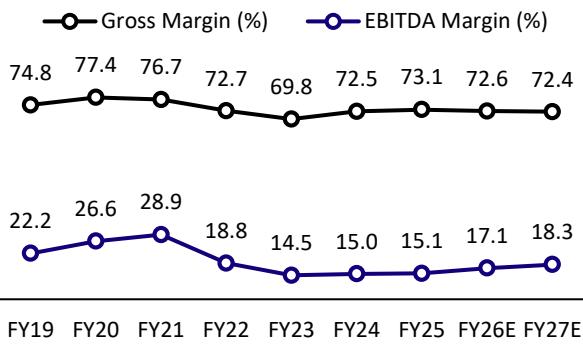
Source: MOFSL, Company

Exhibit 10: R&D expenses as a % of sales to remain stable over FY25-27



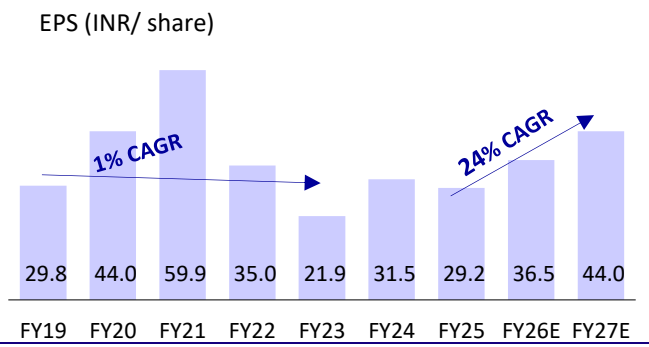
Source: MOFSL, Company

Exhibit 11: EBITDA margins to expand over FY25-27



Source: MOFSL, Company

Exhibit 12: Earnings CAGR to remain at 24% 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	71,803	78,997
Change (%)	17.0	17.1	-1.6	6.5	10.2	7.1	7.6	10.0
EBITDA	12,233	15,575	9,972	8,194	9,337	10,102	12,246	14,436
Change (%)	39.9	27.3	-36.0	-17.8	14.0	8.2	21.2	17.9
Margin (%)	26.6	28.9	18.8	14.5	15.0	15.1	17.1	18.3
Depreciation	1,573	1,835	2,218	2,314	2,727	2,786	3,184	3,543
EBIT	10,660	13,741	7,754	5,880	6,611	7,316	9,062	10,894
Int. and Finance Charges	272	160	177	502	562	788	841	798
Other Income - Rec.	49	100	505	27	283	425	680	710
PBT bef. EO Exp.	10,437	13,681	8,081	5,405	6,332	6,953	8,901	10,806
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	8,901	10,806
Current Tax	2,046	2,629	1,279	42	658	1,629	2,047	2,485
Deferred Tax	-54	-96	-235	84	-498	-377	-376	-562
Tax Rate (%)	19.9	18.5	16.8	3.3	2.5	17.7	18.8	17.8
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	5,836	7,160	8,811
PAT Adj for EO items	8,643	11,781	6,889	4,296	6,182	5,725	7,160	8,811
Change (%)	47.7	36.3	-41.5	-37.6	43.9	-7.4	25.1	23.1
Margin (%)	18.8	21.8	13.0	7.6	9.9	8.6	10.0	11.2

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	57,563	65,263
Preference Capital	0	0	0	0	0	0	0	0
Net Worth	32,197	51,276	52,375	43,705	48,182	51,909	57,956	65,656
Minority Interest	-290	-606	0	0	0	-14	-14	-14
Deferred Liabilities	122	42	0	0	0	189	-187	-749
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	70,080	77,120
Gross Block	20,700	24,909	27,221	35,532	39,741	42,295	52,078	56,928
Less: Accum. Deprn.	5,181	7,016	9,234	11,548	14,274	17,060	20,244	23,787
Net Fixed Assets	15,518	17,893	17,987	23,985	25,467	25,235	31,833	33,141
Capital WIP	18,462	21,817	23,034	6,013	5,244	8,372	3,590	4,740
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	46,178	52,321
Inventory	11,875	14,862	16,097	14,753	16,435	22,881	25,862	26,588
Account Receivables	8,648	3,486	8,071	10,464	10,248	13,998	14,557	15,367
Cash and Bank Balance	808	1,058	694	823	1,266	901	671	5,255
Loans and Advances	4,404	5,612	4,153	4,828	4,866	5,070	5,087	5,111
Curr. Liability & Prov.	9,656	13,663	11,824	11,073	11,341	13,222	12,793	14,353
Account Payables	6,259	6,688	7,064	6,798	7,356	8,799	8,551	9,749
Other Current Liabilities	2,270	5,601	3,165	2,512	2,237	2,321	2,497	2,747
Provisions	1,127	1,375	1,595	1,763	1,748	2,102	1,744	1,857
Net Current Assets	16,078	11,354	17,192	19,795	21,474	29,628	33,385	37,967
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	70,080	77,120

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	29.1	36.4	44.8
Cash EPS	54.2	69.3	46.3	33.6	45.3	43.3	52.6	62.8
BV/Share	170.8	260.9	266.5	222.4	245.1	264.1	294.9	334.0
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	13.4
Valuation (x)								
P/E	22.0	16.1	27.6	44.2	30.7	33.2	26.5	21.5
Cash P/E	17.8	13.9	20.9	28.7	21.3	22.3	18.4	15.4
P/BV	5.7	3.7	3.6	4.3	3.9	3.7	3.3	2.9
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	13.6
Dividend Yield (%)	1.0	1.1	1.1	0.4	0.5	0.5	0.5	0.5
Return Ratios (%)								
RoE	30.1	29.7	13.9	8.3	13.5	11.5	12.9	14.1
RoCE	19.7	21.6	12.1	10.4	12.9	10.9	11.8	12.9
RoIC	34.6	38.0	20.6	14.7	14.5	12.1	12.4	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

Y/E March	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
(INRm)								
Net Profit / (Loss) Before Tax	9,998	13,681	6,201	3,546	6,318	7,072	8,901	10,806
Depreciation	1,573	1,835	2,868	2,754	2,727	2,786	3,184	3,543
Interest & Finance Charges	272	160	131	502	562	788	161	88
Direct Taxes Paid	2,361	2,454	1,234	607	199	714	2,047	2,485
(Inc)/Dec in WC	-5,844	2,395	-3,673	-576	-957	-9,214	-3,986	1
CF from Operations	3,638	15,617	4,292	5,619	8,452	718	6,213	11,952
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	6,213	11,952
(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	1,213	5,952
(Pur)/Sale of Investments	23	-1,796	523	-64	-63	55	0	0
Others	-613	0	17	22	32	-146	680	710
CF from Investments	-7,316	-8,388	-3,702	-4,476	-3,190	-5,629	-4,320	-5,290
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	-841	-798
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	-2,122	-2,079
Inc/Dec of Cash	-1,249	252	-364	129	64	-91	-229	4,583
Add: Beginning Balance	2,055	807	1,059	694	823	1,266	901	671
Closing Balance	807	1,058	694	823	887	1,175	671	5,255
Total Cash and Cash Eq	807	1,059	694	823	1,266	901	671	5,255

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NOTES

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BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
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