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Alembic Pharmaceuticals Ltd is an India-based pharmaceutical company which came into existence in 1907. Being an integrated company, it has the ability to develop, manufacture and market pharmaceutical products. It operates in four major segments that include Active Pharmaceutical Ingredients (APIs), Bulk Pharma Chemicals, Formulations and Contract Manufacturing. It earns ~40% of its revenues from exports.

## Key Developments

### Healthy ANDAs filling:

Alembic Pharma continues to focus on R&D, which resulted in the filling of 7 abbreviated new drug application (ANDAs) with US Food and Drugs administration (USFDA) and 6 drug master files (DMFs) during FY15. The cumulative ANDA filings stood at 68 and 39 approvals have been received till June 2015 including 1 new drug application (NDA). Alembic Pharma has spent ₹139.30 crore in FY15 on R&D that accounted for 6.8% of its revenues through multiple initiatives. It invested over ₹200 Crore in enhancing its API, Formulation and R&D capacities. The continuous research activities have led to commercialization of 26 formulations in US market.

### Healthy domestic market presence in branded formulation business:

Alembic Pharma has significant presence in the branded formulation business in India that contributes close to 47% to the total revenue. Its product basket comprises of 170 products ranging across therapies in the anti-infective, cardiology, gastroenterology, gynecology, pain management, cough & cold and diabetes segments. It has over 5% of the market share in the cold & cough segment. The company is gradually transforming its domestic branded formulation business in terms of therapies being offered and is shifting focus from lower margin acute therapies to high margin speciality therapies.

### Decent Q4FY15 performance:

Alembic Pharma reported 8.4% YoY growth in its revenue at ₹503 Crore in Q4FY15 driven by increase in revenues from its major segments. Revenue from India branded formulations, International generics, API and India Generics grew at the rate of 16%, 8%, 5% and 12% respectively. EBITDA also rose by 8.1% YoY to ₹98.7 Crore in Q4FY15 in line with the top-line growth and also due to a fall in the operating expenses like consumption of raw materials by 12.4% YoY and R&D expenses by 2.3% YoY. Net Profit stood at ₹70.3 Crore in Q4FY15 increasing by 14.7% YoY mainly driven by considerable fall in interest expenses of the company by 84.3% and fall in tax rate by 340 bps on YoY basis.

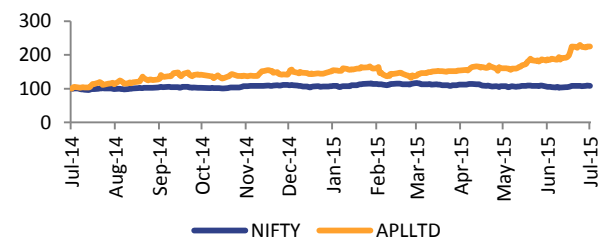
## Market Data

<b>CMP (₹)</b>	<b>761</b>
Face Value	2.0
52 week H/L (₹)	784/298.3
Adj. all time High (₹)	784
Decline from 52WH (%)	2.9
Rise from 52WL (%)	155.1
Beta	0.7
Mkt. Cap (₹Cr)	14,344.8
Enterprise Value(₹Cr)	14,539.5

## Fiscal Year Ended

	FY13A	FY14A	FY15A
<b>Net Sales (₹cr)</b>	1,520.4	1,863.2	2,056.1
<b>Net Profit (₹cr)</b>	165.3	235.5	282.9
<b>Share Capital (₹Cr)</b>	37.7	37.7	37.7
<b>EPS (₹)</b>	8.8	12.5	15.0
<b>P/E (x)</b>	86.8	60.9	50.7
<b>P/BV (x)</b>	1.5	1.1	0.9
<b>ROE (%)</b>	32.9	34.9	32.0

## One year Price Chart



Shareholding	Jun15	Mar15	Diff.
<b>Promoters</b>	74.1	74.1	0.0
<b>DII</b>	5.6	2.5	124.0
<b>FII</b>	6.6	9.5	(30.5)
<b>Others</b>	13.6	13.9	(2.2)

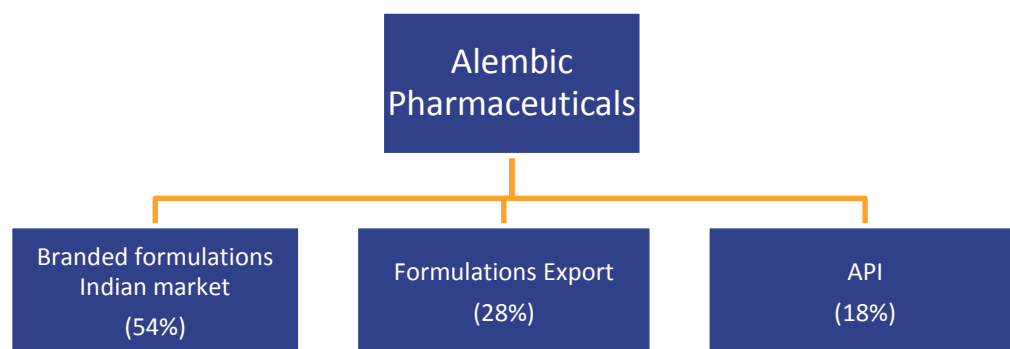
*Alembic Pharma operates in four major segments that include Active Pharmaceuticals Ingredients, Bulk Pharma Chemicals, Formulations and Contract Manufacturing.*

## Alembic Pharma

Incorporated in 1907, Alembic Pharmaceuticals Ltd is a leading vertically integrated company with the ability to develop, manufacture and market pharmaceutical products, pharmaceutical substances and Intermediates. It operates in four major segments that include Active Pharmaceuticals Ingredients, Bulk Pharma Chemicals, Formulations and Contract Manufacturing. In terms of revenue, the entire business is divided in two streams viz; Branded Formulations that contribute ~81% to the revenue and APIs that share ~19% of the revenue pie. The company generates close to 40% of its revenues from exports.

As far as its manufacturing capabilities are concerned, it has manufacturing units at three locations, Karkhadi and Panelav in Gujarat in the west, and Baddi in Himachal Pradesh in the north. The company spends significant proportion of its earnings towards R&D aiding growth in its product basket and high-growth therapeutic segments. At the end of FY15, it has 68 ANDAs filed in US, 39 ANDAs approved (including four tentative approvals) and has filed 72 DMFs. The company has 26 products in the US marketed by alliance partners.

### Alembic Pharmaceutical's business model

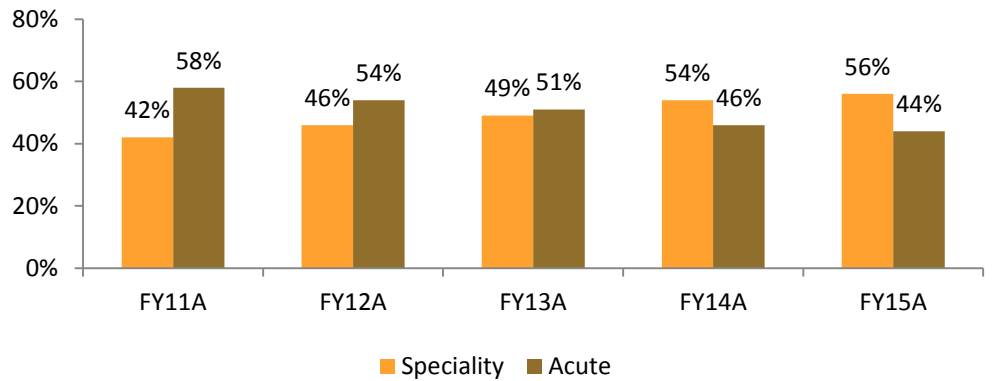


## Alembic's Indian branded formulations business undergoing transformation

Alembic Pharma has significant presence in the branded formulation business in India that contributes close to 47% to the total revenue. Its product basket comprises of 170 products ranging across therapies in the anti-infective, cardiology, gastroenterology, gynecology, pain management, cough & cold and diabetes segments. It has over 5% of the market share in the cold and cough segment. The company is gradually transforming its domestic branded formulation business in terms of therapies being offered and is shifting focus from lower margin acute therapies to high margin speciality therapies. The proportion of its businesses between speciality and acute therapies rose from 42:58 in 2010-11 to 56:44 in 2014-15.

*Alembic's Indian branded formulations business product basket comprises of 170 products ranging across therapies in the anti-infective, cardiology, gastroenterology, gynecology, pain management, cough & cold and diabetes segments.*

### Increasing share of speciality therapies in the company's top-line



*The company's international generics business is spread across USA, Europe and Middle East with the US contributing ~71% to the business.*

### Enriched product offerings in the international generics segment

At the end of FY15, Alembic had more than 67 products spanning across all major over-the-counter (OTC) drugs in its international generics segment making it the second highest revenue contributor. The company's international generics business is spread across USA, Europe and Middle East with the US contributing ~71% to the business. The company has filed applications for product launches in Australia, South Africa and Brazil as well. By June 2015, it has 68 ANDAs filed in US, out of which 39 ANDAs have been approved and rest is pending for approval. In Q1FY16, it received tentative approval from the US Food and Drugs administration (USFDA) for its anti-inflammatory drug Celecoxib oral capsules, 50 mg, 100mg, 200 mg, and 400 mg. Additionally, it received the approval for Lithium Carbonate from the USFDA. Lithium Carbonate is used in the treatment of depression, bipolar disorder and aggressive behaviour of the patient.

Moreover, the company received approval for a drug that went off-patent in 2014, viz; Cymbalta and another drug Abilify that went off-patent in April this year. The Company has 26 products in the US marketed by alliance partners.

### Alembic pharma product pipeline

	US	Europe	Australia	South Africa	Brazil
Cumulative filings	68	23	14	17	6
Cumulative approvals	39*	6	12	1	1
Product launches	26	1	-	-	-

\*Including tentative approvals for 4 drugs

### Extensive focus on Active Pharmaceutical Ingredients (APIs)

API business constitutes ~20% of the total top-line of the company. Revenues from the sale of APIs grew 8% to ₹367 crore in FY15; of the total sales, ~90% was derived from the regulated markets. The company's reliance on APIs manufactured in-house increased multifold to 33% in FY15 of what it was about five years ago. The company has added a unit to its API facility in FY15, thus increasing capacity by 100 MTPA.

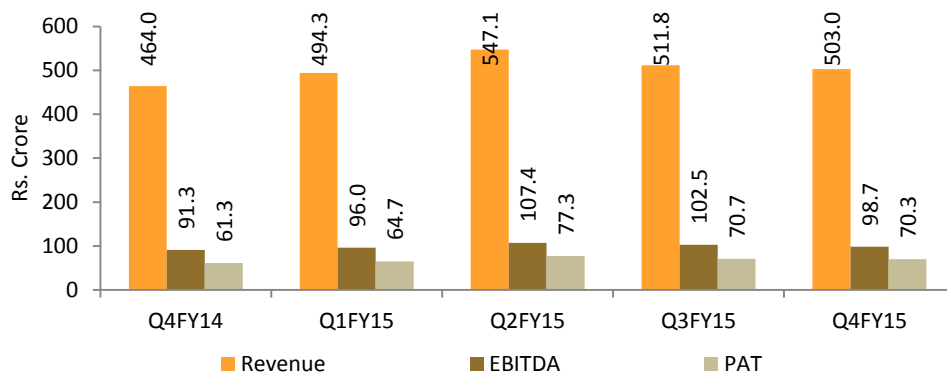
In Q4FY15, the company's Indian branded formulations, International generics, API and India Generics business grew at the rate of 16%, 8%, 5% and 12% respectively.

The cumulative ANDA filings at the end of FY15 stood at 68 and 39 approvals have been received till June 2015 including 1 new drug application (NDA).

## Net Profit rose ~15% YoY in Q4FY15 driven by growth in major revenue generating segments

Alembic Pharma's topline stood at ₹503 Crore showing a growth of 8.4% on YoY basis mainly driven by increase in revenues from its major segments. India branded formulations, International generics, API and India Generics that constitute ~98% of the revenues of the Company grew at the rate of 16%, 8%, 5% and 12% respectively. EBITDA grew at the rate of 8.1% YoY to ₹98.7 Crore in Q4FY15 in line with the top-line growth and also due to a fall in the operating expenses like consumption of raw materials by 12.4% YoY and R&D expenses by 2.3% YoY. EBITDA margin was consistent at ~20% as compared to the corresponding period of the previous year. Net Profit stood at Rs. 70.3 Crore in Q4FY15 increasing by 14.7% YoY mainly driven by a considerable fall in interest expenses of the company by 84.3% and fall in tax rate by 340 bps on YoY basis.

Alembic Pharma's quarterly performance trend



## ANDA's filing

The company has filed 7 ANDAs with USFDA and 6 DMFs during FY15. The cumulative ANDA filings stood at 68 and 39 approvals have been received till June 2015 including 1 new drug application (NDA). Alembic Pharma has spent ₹139.30 crore in FY15 on R&D that accounted for 6.8% of its revenue through multiple initiatives. It invested over ₹200 Crore in enhancing its API, Formulation and R&D capacities. The continuous research activities have led to commercialization of 26 formulations for US market. Currently, there are 60 active research projects as compared to 30 three years ago.

The company invested in pilot plants engaged in the research and development of APIs and formulations in order to shrink the product development cycle, faster exhibit batches and accelerate document filings with regulatory authorities. It acquired 49% stake in a new solid oral dosage manufacturing facility in Algeria for an investment of Euro 5.7 million. The manufacturing facility has an annual capacity of 1.2 billion oral solids.

## Balance Sheet (Consolidated)

(₹Cr)	FY13A	FY14A	FY15A
Share Capital	37.7	37.7	37.7
Reserve and surplus	465.2	637.9	846.9
<b>Net Worth</b>	<b>502.9</b>	<b>675.6</b>	<b>884.6</b>
Long-term borrowings	70.5	52.2	18.8
Deferred tax liability	13.9	22.7	31.4
Long term Provisions	6.1	6.7	9.4
Other long term liabilities	12.8	12.7	12.8
Current Liabilities	441.6	447.9	684.1
<b>Total Assets &amp; Liabilities</b>	<b>1,047.8</b>	<b>1,217.8</b>	<b>1,641.2</b>
Fixed Assets	376.5	417.6	630.0
Long term loans and advances	35.9	41.6	118.2
Non-Current Investments	3.3	3.4	2.3
Current Assets	632.2	755.2	890.7
<b>Total Assets</b>	<b>1,047.8</b>	<b>1,217.8</b>	<b>1,641.2</b>

## Cash Flow (Consolidated)

Y/E (₹ Cr)	FY13A	FY14A	FY15A
<b>Net profit/loss before extraordinary items and tax</b>	<b>206.4</b>	<b>310.6</b>	<b>359.1</b>
Net cashflow from operating activities	264.8	236.2	171.8
Net cash used in investing activities	(67.0)	(81.1)	-255.6
Net cash used from financing activities	(228.8)	(151.1)	86.7
<b>Net inc/dec in cash and cash equivalents</b>	<b>(31.0)</b>	<b>4.1</b>	<b>2.9</b>
Cash and cash equivalents begin of year	47.1	16.1	24.0
Cash and cash equivalents end of year	16.1	20.2	26.8
<b>Net profit/loss before extraordinary items and tax</b>	<b>206.4</b>	<b>310.6</b>	<b>359.1</b>

## Financial performance snapshot

Accelerated product launches, enhanced capacities, global regulatory approvals and increased product delivery have triggered 10.4% YoY increase in its consolidated revenue in FY15 to ₹2,056.1 Crore. Besides, the company has reported 12.6% YoY rise in EBITDA to ₹403 Crore in FY15 due to initiatives taken by the company to optimise costs. The EBITDA margin stood at 19.6% increased by ~40 bps over the previous year. In line with EBITDA growth coupled with considerable fall in interest cost by 81.9% in FY15, the net profit of the company grew by 20.1% to ₹282.9 Crore. As a result, the net profit margin of the company during the year rose to 13.8% from 12.6% a year earlier.

## Profit & Loss Account (Consolidated)

(₹Cr)	FY13A	FY14A	FY15A
Net Sales	1,520.4	1,863.2	2,056.1
Expenses	1,268.4	1,505.5	1,653.2
<b>EBITDA</b>	<b>252.0</b>	<b>357.7</b>	<b>403.0</b>
Other Income	3.9	3.2	2.3
Depreciation	35.0	40.5	44.4
<b>EBIT</b>	<b>220.9</b>	<b>320.4</b>	<b>360.9</b>
Net Interest cost	14.6	9.8	1.8
<b>Profit Before Tax</b>	<b>206.4</b>	<b>310.6</b>	<b>359.1</b>
Tax	41.1	75.1	76.4
Share of associates	0.0	0.0	0.2
<b>Net Profit</b>	<b>165.3</b>	<b>235.5</b>	<b>282.9</b>

## Key Ratios (Consolidated)

	FY13A	FY14A	FY15A
EBITDA Margin (%)	16.6	19.2	19.6
EBIT Margin (%)	14.5	17.2	17.6
NPM (%)	10.9	12.6	13.8
ROCE (%)	36.4	41.6	37.7
ROE (%)	32.9	34.9	32.0
EPS (Rs.)	8.8	12.5	15.0
P/E (x)	86.8	60.9	50.7
BVPS(Rs.)	26.7	35.8	46.9
P/BVPS (x)	1.5	1.1	0.9
EV/Net Sales(x)	9.5	7.7	7.1
EV/EBITDA (x)	57.4	40.2	36.1



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