

**BUY****TP: Rs 1,013 | ▲ 25%****ALEMBIC PHARMA**

Pharmaceuticals

05 February 2026

## Domestic business expected to recover from FY27

- Sales/EBITDA/PAT were 0.5%/-5.8%/-24.6% below our estimates due to 5% higher RM cost. APAT was 1.2% below our estimates
- Domestic sales to pick from 1QFY27 and growth likely to report at par with the IPM with the aid of internal restructuring
- Lower EBITDA margin led to reduction in EPS by 17%/10%/6% for FY26/27E/28E. Reduce ascribed PE to 21 to arrive at a PT of Rs 1013

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**Earnings below Estimates** – Sales grew by 10.8% YoY to Rs 18.7 bn, primarily driven by 35.8% YoY growth in the RoW region, 6.2% YoY growth in the India region, and 6.1% YoY growth in the US region to Rs 5.5 bn. Healthy growth from international markets (generic portfolio) resulted in a 223bps contraction in gross margin to 71.8%. Operating leverage played out during the quarter, with other expenses (excluding R&D) contributing 24% of sales in 3QFY26 versus 27% in 3QFY25, leading to a 27bps decline in EBITDA margin to 15.6%. During the quarter, there was an exceptional cost of Rs 422 mn attributed to a one-time labour code expense, resulting in a 3.9% YoY decline in PAT to Rs 1.3 bn. Adjusting for the one-time cost, PAT grew by 28% YoY to Rs 1.7 bn.

**Domestic growth likely to pick up in 1QFY27E** – India region reported growth 1% above our estimates to Rs 6.5bn. The growth was driven by 22% YoY growth in the Animal health segment and 3% YoY growth in the Specialty segment which was offset by 1% decline in the Acute segment. The company expects domestic sales to recover from 1QFY27 through internal measures; thus, we expect domestic sales to grow at a CAGR of 9%, at par with the IPM, from FY26-28E to Rs 29.6bn in FY28E.

**US sales growth to be driven by new launches** – US sales reported 4% below our estimates to Rs 5.5 bn. The growth was muted due to price erosion in the US generics. The company expects to launch its first specialty brand Pivya in 4QFY26, whose full year impact is expected in FY27E, with a scale up over 12-18 months from launch. The company continues to spend 8-9% of its sales on R&D, thus cumulatively have 23 ANDA approvals and expects to launch 4-5 products in 4QFY26. Overall, we expect US sales to grow at a CAGR of 11% from FY26-28E.

**Our View** – As Earnings were lower than estimates on operational front followed by muted 4QFY26 earnings (Q2&Q3 stronger for acute), EBITDA Margin for FY26 is expected to report ~15.8% (9MFY26 reported at 16.2%). Hence, we reduce EPS for FY26/27E/28E by 17%/10% and 6% respectively. Proportionately, we reduce, our ascribe PE to 21x (earlier 23x) and roll forward to Dec'27 EPS to arrive at a PT of Rs 1013, implying 25% upside on the stock, thus maintaining BUY on the stock.

## Key changes

Target	Rating
▼	◀ ▶

Ticker/Price	ALPM IN/Rs 810
Market cap	US\$ 1.8bn
Free float	31%
3M ADV	US\$ 1.3mn
52wk high/low	Rs 1,108/Rs 725
Promoter/FPI/DII	70%/5%/13%

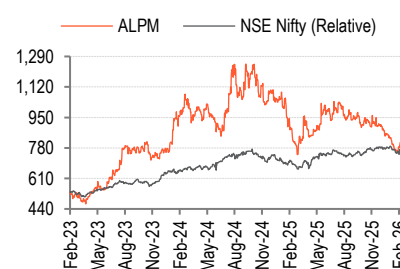
Source: NSE | Price as of 5 Feb 2026

## Key financials

Y/E 31 Mar	FY25A	FY26E	FY27E
Total revenue (Rs mn)	66,721	73,338	81,438
EBITDA (Rs mn)	10,082	11,554	13,595
Adj. net profit (Rs mn)	5,697	6,417	7,963
Adj. EPS (Rs)	29.0	32.6	40.5
Consensus EPS (Rs)	29.0	35.9	45.2
Adj. ROAE (%)	11.8	12.3	14.0
Adj. P/E (x)	27.9	24.8	20.0
EV/EBITDA (x)	15.0	12.9	11.2
Adj. EPS growth (%)	(7.4)	12.5	24.1

Source: Company, Bloomberg, BOBCAPS Research

## Stock performance



Source: NSE



## Financial Highlights

**Fig 1 – Quarterly snapshot**

(Rs mn)	Q3FY26	Q3FY25	YoY (%)	Q2FY26	QoQ (%)	Q3FY26E	Var (%)
Net Sales	18,763	16,927	10.8	19,102	(1.8)	18,667	0.5
Total Expenses	15,828	14,325	10.5	15,945	(0.7)	15,549	1.8
(%) of net sales	84	85		83		83	
Raw material consumed	5,290	4,395	20.3	5,159	2.5	5,040	5.0
(%) of net sales	28	26		27		27	
Staff cost	4,327	3,975	8.9	4,375	(1.1)	4,387	(1.4)
(%) of net sales	23	23		23		24	
R&D cost	1,650	1,354	21.8	1,870	(11.8)	1,680	(1.8)
(%) of net sales	9	8		10		9	
SG&A	4,561	4,600	(0.9)	4,540	0.5	4,443	2.7
(%) of net sales	24	27		24		24	
EBITDA	2,935	2,602	12.8	3,157	(7.0)	3,117	(5.8)
PBT	2,056	1,774	15.9	2,223	(7.5)	2,147	(4.3)
Less: Taxation	295	401		400		408	
Recurring PAT	1,760	1,373	28.2	1,823	(3.4)	1,739	1.2
Less: Minority Interest	8	(11)		(24)		(24)	
Exceptional items	(422)	0		0		0	
PAT attributable to shareholders	1,330	1,384	(3.9)	1,847	(28.0)	1,764	(24.6)
<b>Key Ratios (%)</b>							
Gross Margin	71.8	74.0	(223)	73.0	(118.264)	73.0	(119)
EBITDA Margin	15.6	15.4	27	16.5	(88.457)	16.7	(106)
Tax / PBT	14.4	22.6	(822)	18.0	(362.39)	19.0	(463)
NPM	9.4	8.1	127	9.5	(16.2041)	9.3	6
EPS	9.0	7.0	28.2	9.3	(3.4)	8.8	1.2

Source: Company, BOBCAPS Research

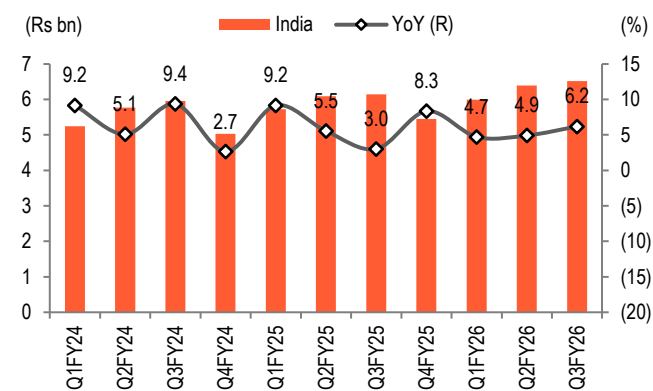
**Fig 2 – Revenue Mix**

(Rs mn)	Q3FY26	Q3FY25	YoY (%)	Q2FY26	QoQ (%)	Q3FY26E	Var (%)
Formulations	16,110	14,340	12.3	15,970	0.9	15,766	2
India	6,520	6,140	6.2	6,390	2.0	6,447	1
US	5,530	5,210	6.1	5,660	(2.3)	5,731	(4)
ROW	4,060	2,990	35.8	3,920	3.6	3,588	13
API	2,640	2,590	1.9	3,140	(15.9)	2,901	(9)
Net Sales	18,750	16,930	10.8	19,110	(1.9)	18,667	0

Source: Company, BOBCAPS Research

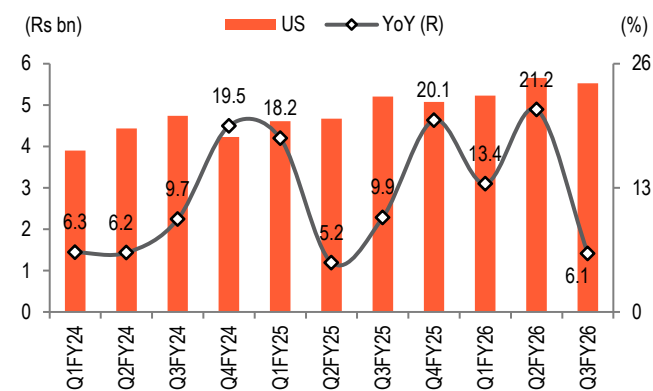
## Financial Charts

**Fig 3 – Domestic sales growth driven by animal health segment**



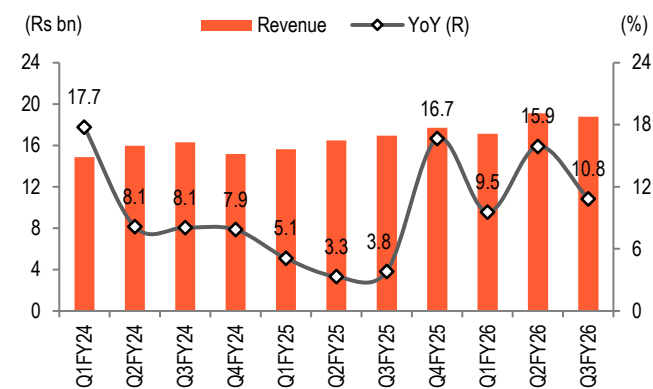
Source: Company, BOBCAPS Research

**Fig 4 – US sales growth lowered due to pricing pressure in generics portfolio**



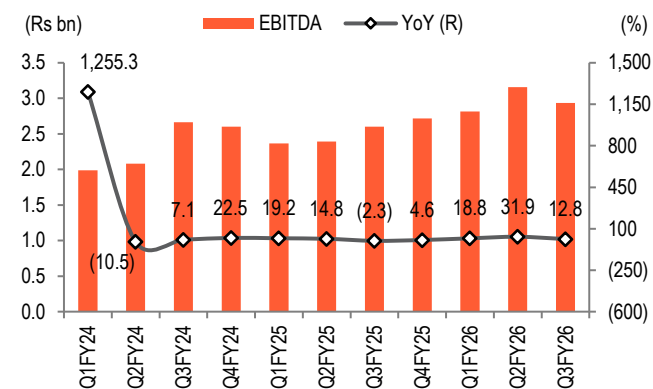
Source: Company, BOBCAPS Research

**Fig 5 – Sales growth increased YoY primarily due to RoW region**



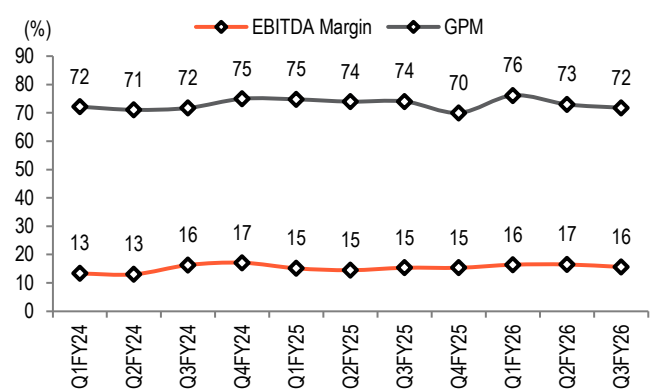
Source: Company, BOBCAPS Research

**Fig 6 – EBITDA growth aided by operational leverage**



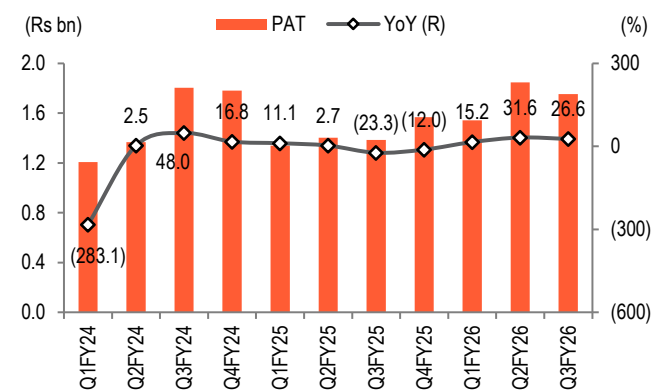
Source: Company, BOBCAPS Research

**Fig 7 – Margins lowered due to lower sales in branded domestic business**



Source: Company, BOBCAPS Research

**Fig 8 – APAT growth driven by healthy operations**



Source: Company, BOBCAPS Research

## Earnings Call highlights

### Outlook

- Recent **out-licensing and manufacturing agreements** are expected to support scaling of **injectable and oncology facilities**, driving higher utilization over the **next 12–18 months**.
- Pivya launch in the US targeted for Q4 FY26 (Feb'26)**; while near-term profitability may be impacted, management expects **market share gain over 12–18 months**, underpinning a strong **medium-to-long-term opportunity**.
- India Branded business aims for growth alignment with the market by Q1FY27 via improved operational execution & Launches.
- US Market expected to grow 10-12% on a full year basis, targets mid-teen growth (10%-15%) for FY27 and FY28.

### Financial Highlights

- Revenue:** Q3 revenue up 11% YoY to Rs 1,876 Cr, driven by volumes expansion, new launches and increased attraction in ex-US markets, partially offset by US pricing pressure.
- Gross margin:** 72%, lower YoY due to product mix and pricing challenges, but comfortably within 70–75% target range, aided by cost efficiency initiatives in international business.
- EBITDA (pre R&D):** stood at Rs 464 cr, 25% of revenue vs 23% last year, reflecting improved operating leverage& prudent management of discretionary spending. (20% YoY Growth).
- R&D investments:** R&D spend up 33% YoY to ₹165 Cr, aligned with full-year guidance of Rs 600- 650 Cr; R&D at ~9% of revenue, expected to sustain in between 8-9% in FY26, focused on complex injectables, peptides, oral solids and drug discovery with emphasis on early entry opportunities.
- Other Income~** Rs 15.5 Cr comprising the forex gain.
- PBT:** PBT up 15% YoY to Rs205 Cr and PAT (pre-exceptional) up 21% YoY, despite pricing headwinds.
- Exceptional item:** One-time Rs 42 Cr labour code provision impacted reported PAT but no operational or cash flow impact.
- Balance sheet:** Net debt reduced to Rs 1,213 Cr, working capital ~ Rs 2944 Cr.
- 9M FY26 performance robust:** Revenue up 12% YoY to Rs 5500 Cr, EBITDA margin is 25% (pre-R&D) and 17% (Post R&D); PAT (pre-exceptional) grew ~22%, indicating consistent execution.

## India Branded Business

- **Revenue: 6% YoY growth to Rs 625 Cr**, led by accelerating momentum in **Gynecology, Ophthalmology and Animal Health** segments.
- **Anti-infective: Anti-infective portfolio grew in line**, supported by **4 new product launches** during the quarter.
- **Underperformance (Vs Market): Not led by underinvestment, but over-conservatism on doctor spend (UCPMP Sensitivity) and Normalization after COVID-led Brand bump**, with management focusing on fixing the fundamental issues.

## International Business

- **Strong global momentum:** driven by **36% YoY growth in RoW markets**, reflecting strategic geographic expansion and focused execution.
- **US business: grew 6% YoY**, aided by higher volumes and recent launches, despite ongoing pricing pressure, with meaningful acceleration expected over the next ~2 years as injectable and complex product approvals come through, building on Alembic's strong base market share and leadership in select molecules. Margin expansion would be cushion for expenses come from Pivya.
- **Pipeline progress (US):** 1 ANDA filed in Q3; **270 cumulative filings and 232 Cumulative approvals inclusive of 20 tentative approvals**. In Q3, Received **7 US approvals**, launched **2 products**, with **4–5 additional launches expected in Q4**.
- **Pivya launch: On track for launch, MR onboarded and material shipped to US, strengthens US franchise**, first-line oral antibiotic targeting uncomplicated UTI in women with a track record of low treatment & emergent adverse events.
- **Pivya Positioning: Pivya has been positioned as an incremental branded business with success defined relatively to capital-light licensing economics and manageable Royalty outgo and reimbursement discussions** outgoing.
- **Competitive Positioning:** Pivya sits in a “sweet spot” on efficacy, between **high-cost newer AMR therapies** and **older genericized options**, enabling differentiated positioning in the UTI segment.
- **Pricing headwinds: persist** in US and API segments, but **cost efficiency programs** continue to cushion margin impact.

## Valuation methodology

As Earnings were lower than estimates on operational front followed by muted 4QFY26 earnings (Q2&Q3 stronger for acute), EBITDA Margin for FY26 is expected to report ~15.8% (9MFY26 reported at 16.2%). Hence, we reduce EPS for FY26/27E/28E by 17%/10% and 6% respectively. Proportionately, we reduce, our ascribe PE to 21x (earlier 23x) and roll forward to Dec'27 EPS to arrive at a PT of Rs 1013 (earlier PT Rs 1136) implying 25% upside on the stock, thus maintaining BUY on the stock.

**Fig 9 – Change in Estimates**

(Rs mn)	New			Old			Change (%)		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Sales	73,338	81,438	89,472	73,338	81,438	89,472	(0.0)	0.0	(0.0)
EBITDA	11,554	13,595	16,191	12,289	14,410	16,638	(6.0)	(5.7)	(2.7)
EBITDA margin (%)	15.8	16.7	18.1	16.8	17.7	18.6	(100bps)	(100bps)	(50bps)
PAT	5,995	7,963	9,989	7,261.0	8,837.0	10581	(17.4)	(9.9)	(5.6)
EPS (Rs)	30.5	40.5	50.8	36.9	45	53.8	(17.3)	(10.0)	(5.5)

Source: Company, BOBCAPS Research

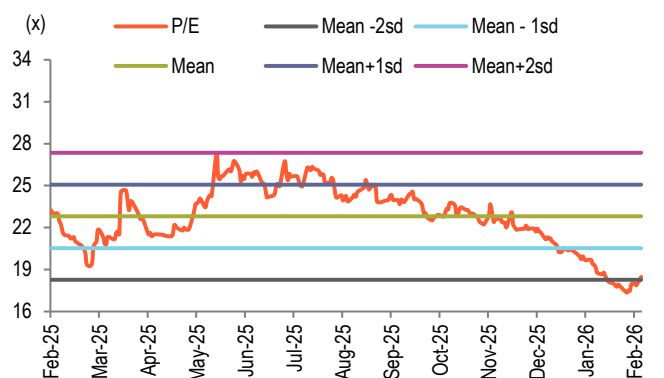
## Key risks

Key downside risks to our estimates are:

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

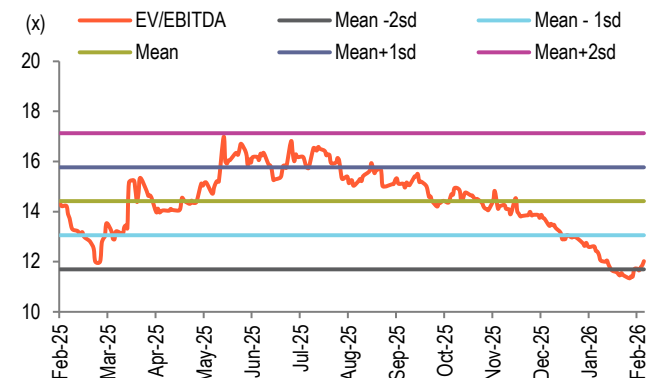
## Valuation Bands

**Fig 10 – PE Band**



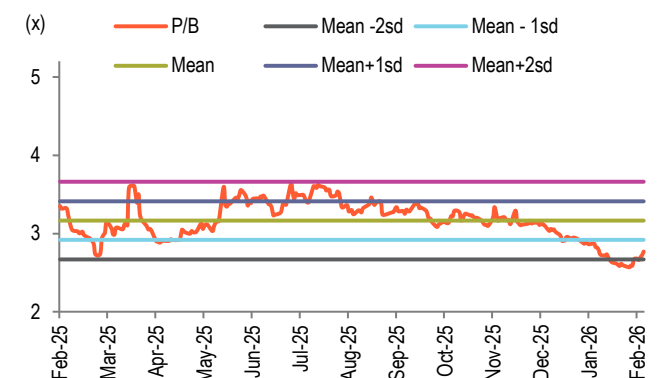
Source: Bloomberg

**Fig 11 – EV/EBITDA Band**



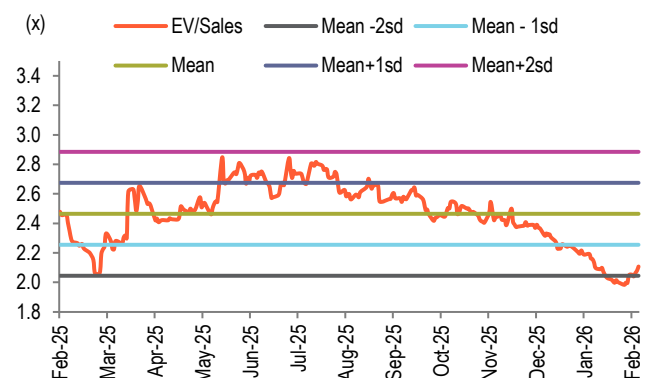
Source: Bloomberg

**Fig 12 – P/BV Band**



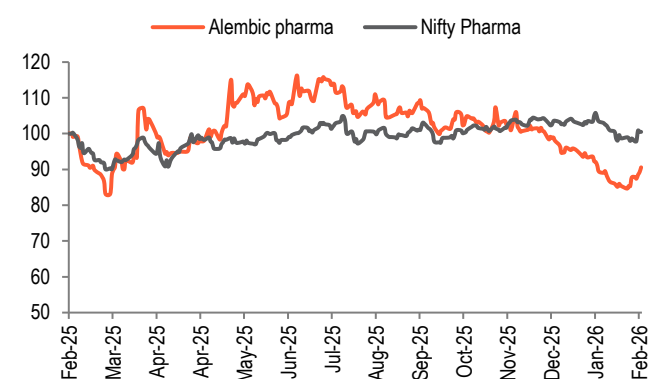
Source: Bloomberg

**Fig 13 – EV/Sales Band**



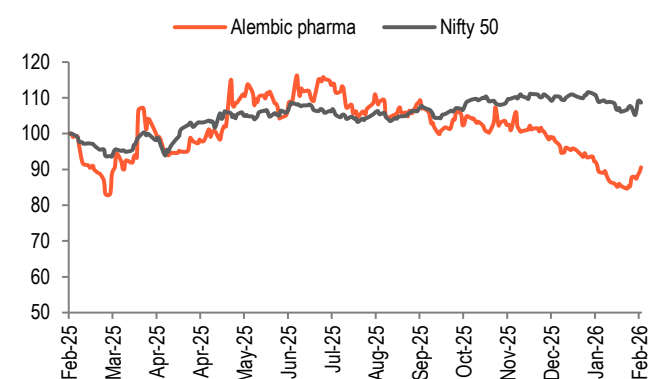
Source: Bloomberg

**Fig 14 – Alembic vs Nifty Pharma**



Source: Bloomberg

**Fig 15 – Alembic vs Nifty 50**



Source: Bloomberg

## 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>73,338</b>	<b>81,438</b>	<b>89,472</b>
EBITDA	9,337	10,082	11,554	13,595	16,191
Depreciation	2,727	2,786	3,216	3,521	3,838
EBIT	6,611	7,297	8,337	10,073	12,353
Net interest inc./(exp.)	(562)	(788)	(962)	(713)	(570)
Other inc./(exp.)	283	426	450	350	400
Exceptional items	0	0	0	0	0
EBT	6,332	6,934	7,825	9,710	12,182
Income taxes	160	1,252	1,409	1,748	2,193
Extraordinary items	0	(8)	(422)	0	0
Min. int./Inc. from assoc.	0	(14)	0	0	0
<b>Reported net profit</b>	<b>6,172</b>	<b>5,688</b>	<b>5,995</b>	<b>7,963</b>	<b>9,989</b>
Adjustments	0	(8)	(422)	0	0
<b>Adjusted net profit</b>	<b>6,172</b>	<b>5,697</b>	<b>6,417</b>	<b>7,963</b>	<b>9,989</b>

### Balance Sheet

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Accounts payables	7,356	8,799	9,444	10,263	11,276
Other current liabilities	2,038	2,358	2,200	814	895
Provisions	1,748	2,102	2,310	2,565	2,818
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	53,674	59,475	67,302
Shareholders' fund	46,486	50,235	54,067	59,868	67,695
<b>Total liab. and equities</b>	<b>62,759</b>	<b>76,069</b>	<b>76,824</b>	<b>80,553</b>	<b>88,318</b>
Cash and cash eq.	1,266	901	680	(229)	2,318
Accounts receivables	10,248	13,998	15,069	16,734	18,385
Inventories	16,435	22,881	22,102	22,312	24,513
Other current assets	3,169	3,409	2,934	4,886	5,368
Investments	930	1,272	1,272	1,272	1,272
Net fixed assets	25,467	25,235	26,395	27,206	28,090
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>76,824</b>	<b>80,553</b>	<b>88,318</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>952</b>	<b>11,052</b>	<b>8,059</b>	<b>11,410</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)	(962)	(713)	(570)
Dividends paid	(2,162)	(2,162)	(2,162)	(2,162)	(2,162)
Other financing cash flows	21	168	0	0	0
<b>Cash flow from financing</b>	<b>(4,792)</b>	<b>4,662</b>	<b>(6,897)</b>	<b>(4,636)</b>	<b>(4,141)</b>
<b>Chg in cash &amp; cash eq.</b>	<b>443</b>	<b>(365)</b>	<b>(221)</b>	<b>(909)</b>	<b>2,547</b>
<b>Closing cash &amp; cash eq.</b>	<b>1,266</b>	<b>901</b>	<b>680</b>	<b>(229)</b>	<b>2,318</b>

### Per Share

Y/E 31 Mar (Rs)	FY24A	FY25A	FY26E	FY27E	FY28E
Reported EPS	31.4	29.0	30.5	40.5	50.8
Adjusted EPS	31.4	29.0	32.6	40.5	50.8
Dividend per share	11.0	11.0	11.0	11.0	11.0
Book value per share	236.5	255.6	275.1	304.6	344.4

### Valuations Ratios

Y/E 31 Mar (x)	FY24A	FY25A	FY26E	FY27E	FY28E
EV/Sales	2.5	2.3	2.0	1.9	1.7
EV/EBITDA	16.5	15.0	12.9	11.2	9.5
Adjusted P/E	25.9	27.9	24.8	20.0	15.9
P/BV	3.4	3.2	2.9	2.7	2.4

### 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	93.9	96.4	98.6
EBIT margin (EBIT/Revenue)	10.6	10.9	11.4	12.4	13.8
Asset turnover (Rev./Avg TA)	30.7	29.2	29.2	31.4	31.9
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>12.3</b>	<b>14.0</b>	<b>15.7</b>

### Ratio Analysis

Y/E 31 Mar	FY24A	FY25A	FY26E	FY27E	FY28E
<b>YoY growth (%)</b>					
Revenue	10.2	7.1	9.9	11.0	9.9
EBITDA	31.8	8.0	14.6	17.7	19.1
Adjusted EPS	80.2	(7.4)	12.5	24.1	25.5

### Profitability & Return ratios (%)

EBITDA margin	15.0	15.1	15.8	16.7	18.1
EBIT margin	10.6	10.9	11.4	12.4	13.8
Adjusted profit margin	9.9	8.5	8.7	9.8	11.2
Adjusted ROAE	13.9	11.8	12.3	14.0	15.7
ROCE	13.6	13.5	14.0	16.1	18.2

### 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	2.9	3.2	3.4
Net interest coverage ratio	11.8	9.3	8.7	14.1	21.7
<b>Adjusted debt/equity</b>	<b>0.1</b>	<b>0.2</b>	<b>0.2</b>	<b>0.1</b>	<b>0.0</b>

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

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Registered office Address: **1704, B Wing, Parinee Crescenzo, G Block, BKC, Bandra East, Mumbai 400051**

SEBI Research Analyst Registration No: **INH000000040 valid till 01 February 2030**

Brand Name: **BOBCAPS**

Trade Name: **www.barodaetrade.com**

CIN: **U65999MH1996GOI098009**



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Registration granted by SEBI and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors.

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

**BUY** – Expected return >+15%

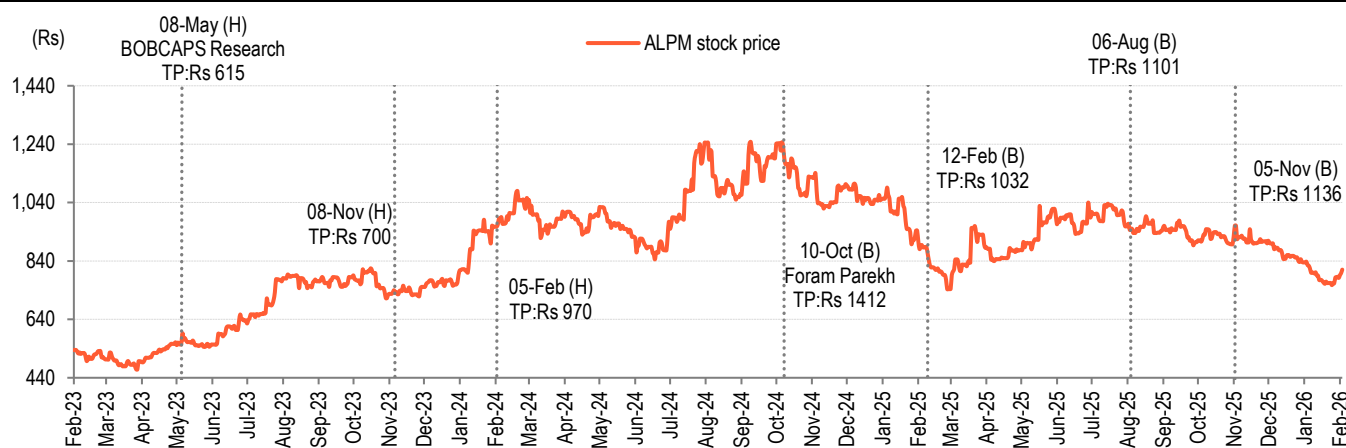
**HOLD** – Expected return from -6% to +15%

**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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