

**RESEARCH**
**Alembic Pharma | Target: Rs 810 | +16% | BUY**

Consecutive beat – we raise FY21/FY22 EPS by 11-17%

**SUMMARY**
**Alembic Pharma**

Alembic Pharma (ALPM) reported a 31% EBITDA beat in Q4. Key positives were (1) solid US sales and India growth recovery, (2) resilient EBITDA margins at 27% despite R&D cost increase of 27% QoQ, and (3) optimistic FY21 outlook with no material business impact from Covid-19. US quarterly base sales guidance has been revised up to US\$ 70mn (from \$50mn), led by improved visibility in the sartan franchise. We raise FY21/FY22 EPS estimates by 11-17% on a strong Q4 and steady outlook. Retain BUY; TP revised to Rs 810 (from Rs 680).

[Click here for the full report.](#)

**TOP PICKS**
**LARGE-CAP IDEAS**

Company	Rating	Target
<a href="#">Bajaj Finance</a>	Buy	3,000
<a href="#">Cipla</a>	Buy	570
<a href="#">Eicher Motors</a>	Buy	18,100
<a href="#">Petronet LNG</a>	Buy	330
<a href="#">Reliance Industries</a>	Buy	1,550

**MID-CAP IDEAS**

Company	Rating	Target
<a href="#">Alkem Labs</a>	Buy	2,870
<a href="#">Greenply Industries</a>	Buy	145
<a href="#">Laurus Labs</a>	Buy	510
<a href="#">Transport Corp</a>	Buy	255
<a href="#">Ashok Leyland</a>	Reduce	43

Source: BOBCAPS Research

**DAILY MACRO INDICATORS**

Indicator	Current	2D (%)	1M (%)	12M (%)
US 10Y yield (%)	0.62	5bps	(17bps)	(190bps)
India 10Y yield (%)	6.22	1bps	(16bps)	(120bps)
USD/INR	76.66	0.2	(0.5)	(9.7)
Brent Crude (US\$/bbl)	20.37	5.4	(24.6)	(72.7)
Dow	23,476	2.0	26.3	(11.7)
Shanghai	2,844	0.6	6.9	(11.2)
Sensex	31,380	2.4	20.8	(19.7)
<b>India FII (US\$ mn)</b>	<b>21 Apr</b>	<b>MTD</b>	<b>CYTD</b>	<b>FYTD</b>
FII-D	54.1	(734.8)	(10,494.3)	(734.8)
FII-E	(238.9)	(352.6)	(6,955.6)	(352.6)

Source: Bank of Baroda Economics Research

**BOBCAPS Research**

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**BUY**

TP: Rs 810 | ▲ 16%

**ALEMBIC PHARMA**

Pharmaceuticals

23 April 2020

## Consecutive beat – we raise FY21/FY22 EPS by 11-17%

**Alembic Pharma (ALPM) reported a 31% EBITDA beat in Q4. Key positives were (1) solid US sales and India growth recovery, (2) resilient EBITDA margins at 27% despite R&D cost increase of 27% QoQ, and (3) optimistic FY21 outlook with no material business impact from Covid-19. US quarterly base sales guidance has been revised up to US\$ 70mn (from \$50mn), led by improved visibility in the sartan franchise. We raise FY21/FY22 EPS estimates by 11-17% on a strong Q4 and steady outlook. Retain BUY; TP revised to Rs 810 (from Rs 680).**

Vivek Kumar

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**Best-ever US sales, India growth recovery to continue:** US sales came in 23% ahead of our estimate at US\$ 81mn (+12% QoQ), led by improved pricing and contribution from the sartan franchise (15 products). Opportunities in sartans should continue for 3-6 months at least; ALPM expects 20 launches in FY21 (25 in FY20). We expect US sales of US\$ 390mn by FY23 (+20% CAGR over FY20 ex-sartans). In our view, ALPM is best placed to participate in the US\$ 20bn worth of loss of exclusivity (LOE) in the next five years (refer our Dec'19 [Initiation](#)). India growth was at 13% YoY in Q4 and saw negligible Covid-19 impact. ALPM expects double-digit growth in the next three years.

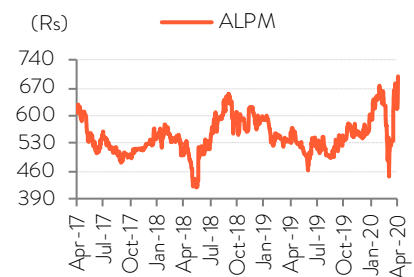
**Key earnings call takeaways:** (1) No demand disruption market-wide from Covid-19. (2) Early single-digit price erosion on US portfolio. (3) FY21 guidance: R&D expense Rs 7bn, net debt increase <Rs 2bn, capex Rs 7bn (incl. Rs 3bn routine capex), 15% growth in API business (off FY20 decline).

**TP raised to Rs 810; retain BUY:** We see +20% EPS growth coupled with strong FCF and ROIC visibility over FY21-FY25, backed by a healthy US pipeline and capex productivity. The Covid-19 disruption lends further support to US generics (shortages & better pricing), where ALPM is a key beneficiary in our view. This can drive earnings upgrades and a stock re-rating in coming years.

Ticker/Price	ALPM IN/Rs 699
Market cap	US\$ 1.7bn
Shares o/s	189mn
3M ADV	US\$ 2.4mn
52wk high/low	Rs 710/Rs 435
Promoter/FPI/DII	73%/10%/6%

Source: NSE

## STOCK PERFORMANCE



Source: NSE

## KEY FINANCIALS

Y/E 31 Mar	FY18A	FY19A	FY20E	FY21E	FY22E
Total revenue (Rs mn)	31,310	39,350	46,169	49,818	54,277
EBITDA (Rs mn)	6,711	8,737	12,238	11,373	12,317
Adj. net profit (Rs mn)	4,489	5,928	8,463	7,314	7,987
Adj. EPS (Rs)	23.4	31.0	44.9	38.8	42.4
Adj. EPS growth (%)	11.0	32.4	45.0	(13.6)	9.2
Adj. ROAE (%)	21.0	23.4	28.5	21.0	19.4
Adj. P/E (x)	29.9	22.6	15.6	18.0	16.5
EV/EBITDA (x)	19.3	15.4	11.4	12.6	11.5

Source: Company, BOBCAPS Research



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### Recommendations and Absolute returns (%) over 12 months

**BUY** – Expected return >+15%

**ADD** – Expected return from >+5% to +15%

**REDUCE** – Expected return from -5% to +5%

**SELL** – Expected return <-5%

**Note:** Recommendation structure changed with effect from 1 January 2018 (Hold rating discontinued and replaced by Add / Reduce)

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