

## IPO Note

Issue Detail	
Type	100% Book Building
Issue Size	*(1311 -1350) Crore
Offer Price	*Rs 1020 -1050/Equity Share
Min App Size	14 Shares
Issue Open	8-Dec-15
Issue Close	10-Dec-15
Shares Offer	1.285
Face Value	Rs 2
Lead Mgrs	Axis Capital Ltd , J.P. Morgan India Private Ltd , Edelweiss Capital Ltd , Nomura Financial Advisory Pvt Ltd
Listing	NSE,BSE
Registrar	Link Intime India Private Ltd
Market Cap (Post Issue)	12554.3

No of shares ( Post & Pre Issue)	
No of Shares (Pre Issue)	119,565,000
Offer for Sale	12,853,442
Fresh Issue made	
No of Shares (Post Issue)	119565000

Shareholding Pattern (Pre Issue)	
Promoters Grp	70.90%
Non Promoter	29.10%
Others	

Shareholding Pattern (Post Issue)	
Promoters Grp	66.20%
Non Promoter	33.80%
Others	

Bid allocation pattern	
QIB	50%
Non-Institutional	15%
Retail	35%

Offer of Equity Shares	
QIB	6426721
Non-Institutional	1928016
Retail	4498705

### Company Overview

Alkem Laboratories Ltd is one of the pioneer pharmaceutical company with global operations which is incorporated in 1973 . Company is engaged with development , manufacture & sale of pharmaceutical & nutraceutical product . It produce branded generics , generic drugs , active pharmaceutical ingredients & nutraceuticals .

Company had a portfolio of 736 brands in India . The therapeutic areas in domestic market are anti-infectives, gastro-intestinal, pain and analgesics, and vitamins, minerals and nutrients which give 80.7% of total sales in the domestic market for fiscal year 2015 . Company have a total of 16 manufacturing facilities , 14 manufacturing facilities at five locations in India and two in the United States. Five of facilities are USFDA, TGA and UK-MHRA approved.

In the United States, It has filed 66 abbreviated new drug applications ("ANDAs") (of which 18 has received final approval and two have received tentative approval), of which 29 were Para IV filings including first-to-files ("FTFs") and one new drug application ("NDA").

### Competitive Strengths

> Company is leading various top leader therapeutic area with a 11.2% market share . Company is among the top ten companies in the vitamins, minerals, nutrients and gynaecology therapeutic areas .

> Company has geographically diversified manufacturing facilities accredited by international regulatory agencies . It operate 14 manufacturing facilities in India, three of which are USFDA approved .

> Company strong sales, marketing and distribution capabilities in India . The marketing and distribution network in India comprises a field force of 5,856 medical representatives. The domestic business is divided into 21 divisions, which formulate marketing and promotional strategies for their portfolio of products .

### Strategy:

> Company focus on research and development to enhance product portfolio . Company will continue to focus on formulation development and API research . Company focus on high-growth therapeutic areas such as oncology, autoimmune disorders and osteoporosis .

> Company is working towards developing our capabilities and expertise in niche areas with high entry barriers such as modified release products, transdermal products and osmotic controlled release oral delivery systems.

> Company has used a combination of organic initiatives and acquisitions to drive growth, and they intend to continue to use this strategy in the future.

### Objects of the Issue:

Objects	Proposed Amount, cr
To achieve the benefits of listing the Equity Shares on the Stock Exchanges	[•]
For the sale of 12,853,442 Equity Shares by the Selling Shareholders.	[•]

### Recommendation

The company's turnover has increased from Rs 2100 Cr in FY 12 to Rs 4000 Cr in FY 15 though the bottomline has remained stable from Rs 407 Cr in FY 12 to only Rs 460 Cr in FY 15. There is a possibility of inorganic growth coming in from FY16 but we would require more clarity from the management on that, which we presume should be coming in post quarterly numbers announcement. Though the valuations of the company are attractive , on account of lack of clarity regarding growth, Our Research rating is "Neutral" on the Company

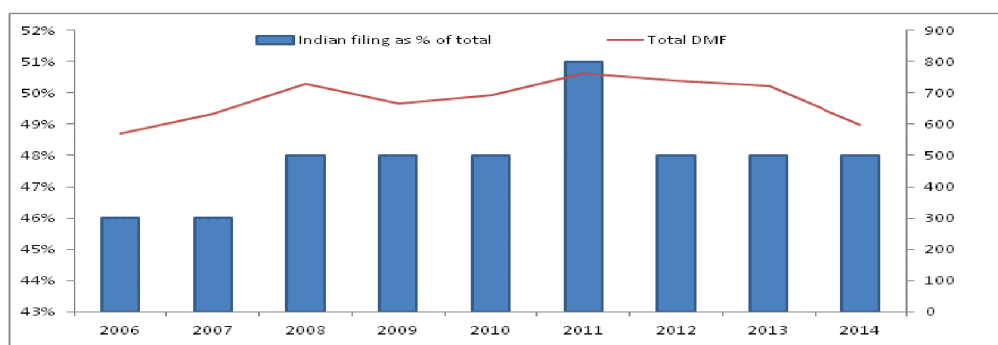
# ALKEM LABORATORIES LIMITED

Therapeutic Segment	2014-15	2013-14	2012-13	2011-12	2010-11
Acute	69.50%	69.60%	70.50%	71.30%	72.40%
Chronic	30.50%	30.40%	29.50%	28.70%	27.60%
Grand Total	100%	100%	100%	100%	100%

## The key brands in various sales ranges for the fiscal year 2015

Names of Brands	Number of Brands	Sales Range (Rs in Cr.)
Clavam, Taxim-O, Taxim	3	Above 150
Pan, Pan D	2	100 – 149.9
Gemcal, A to Z NS, Sumo, Ondem,	5	50 – 99.9
Swich, Zocef, Xone-XP, Pipzo, Hemfer, Taximax, Indclav, Traxol-S	12	25 – 49.9

## Chart of India DMF Filing :



## Management

Management	Designation
Samprada Singh	Chairman Emeritus
Basudeo N. Singh	Executive Chairman
Balmiki Prasad Singh	Executive Director
Dhananjay Kumar Singh	Joint Managing Director
Mritunjay Kumar Singh	Executive Director
Sandeep Singh	Joint Managing Director

## Key Investment Risk

> Pharmaceutical pricing is under regulator authorities in many countries including India also . The DPCO governs the price control mechanism for 509 formulations listed in the National List of Essential Medicines . The individual drug price notifications for a majority of the products have been released by the National Pharmaceutical Pricing Authority .

> Directors and Subsidiaries are involved in certain legal proceedings which are pending at different levels of adjudication before various courts . Any litigation outcome will be not favour of company that will adversely affect the business of the company .

> Any quality control quality control problems may damage reputation & company is facing many litigation cases from USFDA, UK-MHRA, EMA, TGA, WHO . Any loss of Company reputation may lead to a loss of existing business contracts & adversely affect ability to enter into additional business contracts in the future .

> The research and development efforts do not succeed , this may hinder the introduction of new products, which could adversely affect our business and results of operations.

# ALKEM LABORATORIES LIMITED

## Financials

### Yearly Profit & Loss Account (Consolidated Figure)

Figure in Rs (Crore)

	31 March FY 2015	31 March FY 2014	31 March FY 2013	31 March FY 2012	31 March FY 2011
Total Income	3,964	3,291	2,662	2,161	1,804
EBITDA	3,369	2,768	2,173	1,669	1,432
PAT	461	435	384	407	296
EBITDA Margin	84.98%	84.11%	81.60%	77.26%	79.35%
PAT Margin	12%	13%	14%	19%	16%
No of Shares	11.96	11.96	11.96	11.96	11.96
Post Issue Diluted EPS	38.52	36.40	32.09	33.99	24.71
Price	Rs 1020 - 1050				
P/E( At upper price band)	28.85				
P/E( At lower price band)	28.02				
EV/EBITDA( At upper price band), X	4.67				
EV/EBITDA( At lower price band), X	3.73				
RoE %	15.4%	16.8%	17.6%	22.3%	20.6%

### Balance Sheet

Figure in Rs (Crore)

	31 March FY 2015	31 March FY 2014	31 March FY 2013	31 March FY 2012	31 March FY 2011
<b>EQUITY AND LIABILITIES</b>					
Share capital	24	12	12	12	12
Reserves and surplus	2975	2573	2165	1808	1422
<b>Shareholders' funds</b>	<b>2999</b>	<b>2585</b>	<b>2177</b>	<b>1820</b>	<b>1434</b>
Deferred Government grant	4	0	0	0	0
Minority Interest	85.65	0	0	0	2
Long-term borrowings	33	232	256	309	246
Short-term borrowings	1129	845	1210	670	663
<b>Total Borrowing</b>	<b>1162</b>	<b>1077</b>	<b>1466</b>	<b>979</b>	<b>909</b>
Other long-term liabilities	5	8	12	0	1
Deferred tax liabilities, net	96	47	51	36	25
Long-term provisions	67	42	44	180	162
<b>Non - current liabilities</b>	<b>168</b>	<b>97</b>	<b>107</b>	<b>216</b>	<b>188</b>
Trade payables	462	306	288	276	168
Other current liabilities	331	201	188	111	87
Short-term provisions	84	50	46	63	64
<b>Current liabilities</b>	<b>877</b>	<b>557</b>	<b>522</b>	<b>450</b>	<b>319</b>
<b>TOTAL Liabilities</b>	<b>5296</b>	<b>4317</b>	<b>4272</b>	<b>3466</b>	<b>2852</b>
<b>Fixed assets</b>	<b>1143</b>	<b>980</b>	<b>896</b>	<b>674</b>	<b>489</b>
Goodwill on consolidation	342	190	176	245	204
Non-current investments	420	338	410	299	6
Deferred Tax Assets (net)	4	5	1	0	0
Long-term loans and advances	542	418	339	259	154
Other non-current assets	506	783	293	677	460
<b>Non-current assets</b>	<b>2958</b>	<b>2714</b>	<b>2116</b>	<b>2154</b>	<b>1313</b>
Current investments	61	250	67	24	48
Inventories	784	620	554	385	251
Trade receivables	527	367	318	247	171
Cash and bank balances	791	206	995	514	990
Short-term loans and advances	130	126	133	97	43
Other current assets	45	33	88	46	36
<b>Current assets</b>	<b>2338</b>	<b>1602</b>	<b>2156</b>	<b>1312</b>	<b>1539</b>
<b>Total</b>	<b>5296</b>	<b>4317</b>	<b>4272</b>	<b>3466</b>	<b>2852</b>