

Alembic Pharma Ltd

Industry Pharmaceuticals
Bloomberg ALPM IN
BSE CODE 533573

Strong revenue growth led by of US & India business.

RATING	ACCUMULATE
CMP	698
Price Target	780
Potential Upside	12%

Rating Change	↑
Estimate Change	↑
Target Change	↑

Stock Info

52wk Range H/L	710/435
Mkt Capital (Rs Cr)	13169
Free float (%)	27%
Avg. Vol 1M (,000)	233
No. of Shares (Crs)	19
Promoters Pledged %	0%

Research Analyst

J Madhavi

j.madhavi@narnolia.com

4QFY20 Result update

- The Overall revenue grew by 30% YoY to Rs. 1207 crs largely driven by robust growth in the geography of US and India partly offset by weak API sales.
- The Domestic business grew by 13% YoY to Rs. 342 crs as the strategy undertaken by the company to focus on prescription driven sales has led to strong traction. The chronic and acute segment has grown by 10% & 24% respectively for the quarter.
- The US business grew by 73% to US\$ 77 mn in the quarter with Sartan portfolio being one of the major contributors.
- EBITDA margin for the quarter has grown strongly from 19.2% in 4QFY19 to 27% in 4QFY20.
- The company reported strong PAT growth of 84% YoY at Rs. 224 crs for 4QFY20.

View and Valuation

APLLTD continued to grow strongly in 4QFY20 largely driven by robust growth in US and India partly offset by weak API. Being in the essential services sector, the company has been least impacted by the disruption caused due to Covid'19. Going forward, with 10 expected launches in H1FY21 in the US market, strong ramp up in the domestic sales with major focus on prescription driven sales and 15% expected growth in API sales over FY20 – we expect a strong traction in FY21.

The long term prospects of the company looks promising based on the commissioning of the new facilities (complex generics), for which the meaningful contribution is expected from FY22 onwards. Though the margins will be under pressure due to increase in R&D cost and operational cost on account of commissioning of these new facilities. Therefore, we maintain our ACCUMULATE rating on the stock with the target price of Rs.780.

Key Risks to our rating and target

- Delay ANDA filings and approval from the new plants
- Four 483 observations at Oral solids Facility, Panelav.

Fig in Rs Cr

KEY FINANCIAL/VALUATIONS	FY17	FY18	FY19	FY20	FY21E
Net Sales	3135	3131	3935	4606	5342
EBITDA	615	643	874	1223	1491
EBIT	532	538	758	1066	1304
PAT	403	413	584	829	955
EPS (Rs)	21	22	31	44	51
EPS growth (%)	-44%	2%	42%	42%	15%
ROE (%)	21.2%	18.6%	21.5%	25.8%	22.5%
ROCE (%)	28.0%	19.8%	23.6%	26.0%	25.4%
BV	36	47	85	101	118
P/B (X)	6.2	4.7	3.7	3.9	3.1
P/E (x)	29.2	25.1	17.1	15.1	13.6

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4QFY20 Results

Fig in Rs Cr										
Financials	4QFY19	1QFY20	2QFY20	3QFY20	4QFY20	YoY %	QoQ%	FY19	FY20	YoY %
Net Sales	927	949	1,241	1,209	1,207	30.2%	-0.2%	3,935	4,606	17.1%
Other Income	3	3	0	0.4	0.9	-73.0%	117.1%	9	5	-47.3%
COGS	217	204	273	298	264	21.8%	-11.6%	993	1,039	4.7%
Gross Margin	76.6%	78.5%	78.0%	75.3%	78.1%	1.5%	2.8%	74.8%	77.4%	2.7%
Employee Cost	201	215	218	227	247	23.0%	8.8%	747	906	21.4%
Other Expen.	331	305	405	359	369	11.2%	2.7%	1,322	1,437	8.7%
EBITDA	178	225	346	325	328	84.0%	0.8%	874	1,223	40.0%
EBITDA Mar.	19.2%	23.7%	27.8%	26.9%	27.1%	7.9%	0.3%	22.2%	26.6%	4.4%
Depreciation	30	35	36	42	44	47.4%	5.5%	115	157	36.5%
EBIT	148	190	310	283	283	91%	0.0%	758	1,066	40.5%
Interest	5	5	7	7	8	53%	5.3%	18	27	47.5%
PBT	146	188	303	276	277	89.0%	0.1%	749	1,043	39%
Exceptional					11				44	
Tax	15	36	52	49	62	317.0%	27.9%	157	199	27%
PAT	124	123	246	235	224	81.1%	-4.3%	584	829	42%
PAT Margin	13.4%	13.0%	19.8%	19.4%	18.6%	5.2%	-0.8%	14.9%	18.0%	3%

Concall Highlights

- The US business grew by 73% to US\$ 77 mn in the quarter with Sartans being one of the major contributors. The company has 15 ANDAs for Sartans approved & being marketed in the US.
- The company has filed 25 ANDAs, received 35 approvals during the quarter. It has launched 5 products in 4QFY20 and 22 products for the full year.
- The top 5 products contribute around 35% of the total US sales.
- The Domestic business has grown by 13% YoY to Rs. 342 crs as the strategy undertaken by the company to focus on prescription driven sales has led to strong traction. The company is seeing strong ramp up in the business and expects this trend to sustainable.
- The impact of Covid'19 on the Domestic formulation business has been neutral for the quarter.
- The chronic and acute segment for the domestic business has grown by 10% & 24% respectively for the quarter. The robust growth in the acute segment is on account of growth in azithromycin and cough & cold portfolio.
- Some dispatched were upheld in Europe which impacted revenues from ROW market this quarter.
- API segment has declined by 32% to Rs. 155 crs as previous year the company had contract manufacturing deal with one of customers which picked up a lot of business and this year it's nil.
- The company faced some supply disruption for the initial 10 days of the lockdown, but the impact is not significant as 65% of the shipment is through air for the company.
- On the new facilities:
 - ❑ General injectable plant – Filed 1st ANDA from this facility in 4QFY20.
 - ❑ Oncology injectable plant- the company expects to file 1st product in H2FY21.
 - ❑ Oral Solids facility, Jarod- Expects filing in H1FY21, the exhibit batches has taken in 4QFY20.
 - ❑ The operating cost of Rs 40 crs for the Jarod facility will be expensed off in FY21 and Rs. 250 crs for Oncology injectable & General injectable facility is expected to be expensed off in FY22.
- The company has taken impairment for some intangibles assets & goodwill related to Orit.
- The R&D guidance for FY21 is Rs. 700 crs.

Exhibit: Sales and Sales Growth

Sales for the quarter grew by 30% YoY to Rs. 1207 crores (vs our expectation of Rs. 1082 crores)

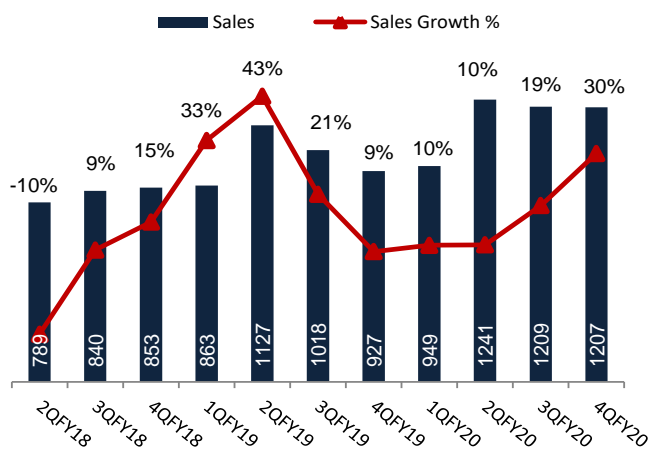


Exhibit: Gross and EBITDA margin

Gross margin & EBITDA margin stood at 78% and 27% for the quarter.

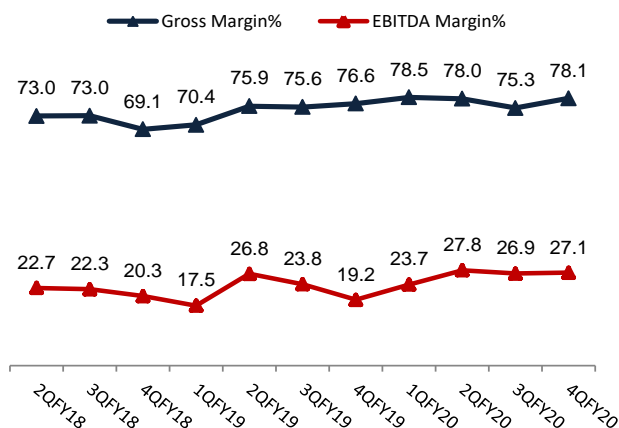


Exhibit: Cumulative ANDA filings and approvals

The company filed 25 ANDA and received 34 ANDA approvals in FY20.

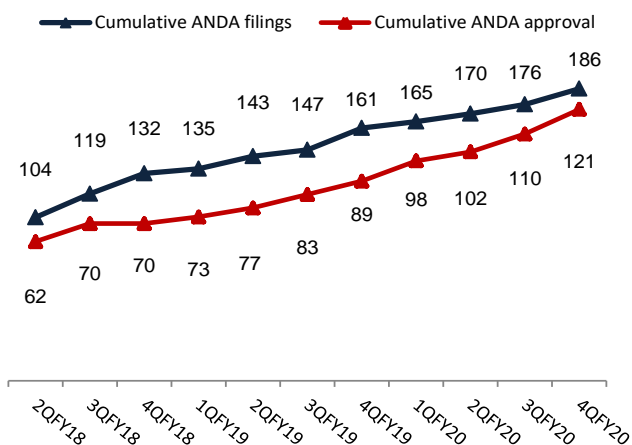


Exhibit: R&D cost and R&D as a % of sales

R&D spend for Q4FY20 was Rs185 crs (15% of sales) vs 120 crs (13% of sales) in 4QFY19.

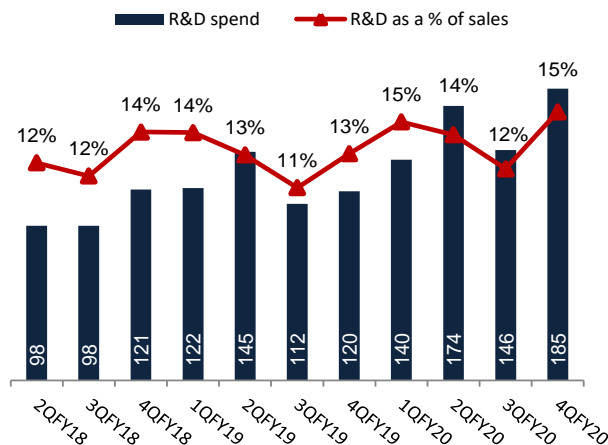


Exhibit: US sales and YoY growth

The US business grew strongly by 75% to US\$ 78 mn with sartan being one of the major contributors.

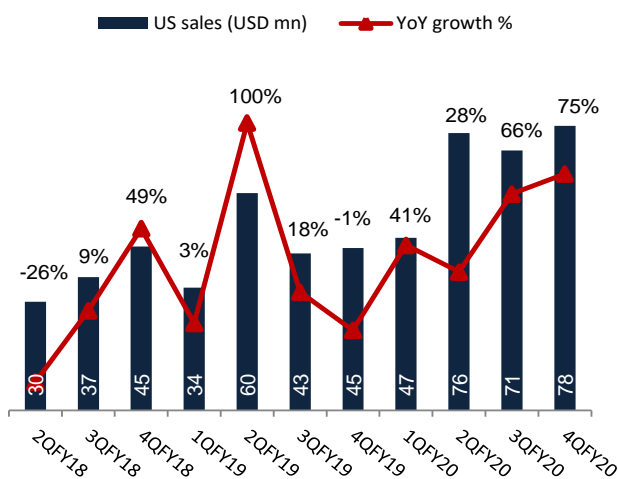
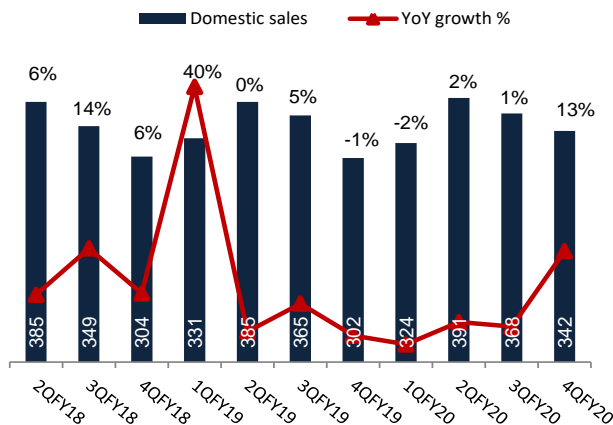


Exhibit: Domestic sales and YoY growth

Domestic sales for the quarter grew by 13% to RS. 342 crs.



Operational Details

Fig in Rs Cr

Geography	4QFY18	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20	3QFY20	4QFY20
<i>India Formulation</i>	304	331	385	365	302	324	391	368	342
<i>US</i>	289	225	417	308	313	345	539	515	577
<i>ROW</i>	63	127	170	140	82	108	107	149	132
<i>API</i>	198	179	155	205	230	172	204	177	155

Revenue gr. %	4QFY18	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20	3QFY20	4QFY20
<i>India Formulation</i>	6%	40%	0%	5%	-1%	-2%	2%	1%	13%
<i>US</i>	43%	7%	118%	30%	8%	53%	29%	67%	84%
<i>ROW</i>	-11%	80%	141%	88%	29%	-15%	-37%	6%	61%
<i>API</i>	9%	38%	9%	14%	16%	-4%	32%	-14%	-33%

Revenue Mix %	4QFY18	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20	3QFY20	4QFY20
<i>India Formulation</i>	36%	38%	34%	36%	33%	34%	32%	30%	28%
<i>US</i>	34%	26%	37%	30%	34%	36%	43%	43%	48%
<i>ROW</i>	7%	15%	15%	14%	9%	11%	9%	12%	11%
<i>API</i>	23%	21%	14%	20%	25%	18%	16%	15%	13%

<i>R&D spend</i>	121	122	145	112	120	140	174	146	185
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<i>ANDA filings</i>	12	3	8	4	14	4	5	6	10
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<i>ANDA approvals</i>	2	3	0	7	6	9	6	8	11
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Financial Details

Balance Sheet

Fig in Rs Cr

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E
Share Capital	38	38	38	38	38	38	38	38
Reserves	638	847	1,560	1,865	2,182	2,681	3,182	4,215
Networth	676	885	1,597	1,902	2,220	2,719	3,220	4,252
Debt	78	238	114	89	708	928	1,718	1,718
Other Non Current Liab	42	54	84	94	97	71	160	160
Total Capital Employed	690	866	1,560	1,865	2,682	3,180	4,069	5,101
Net Fixed Assets (incl CWIP)	418	595	801	1,196	2,000	2,706	3,397	3,727
Non Current Investments	3	2	0	0	0	49	18	18
Other Non Current Assets	-	-	30	71	71	62	111	128
Non Current Assets	516	750	917	1,317	2,116	2,820	3,557	3,873
Inventory	311	383	570	633	734	967	1,188	1,405
Debtors	273	361	350	339	526	489	865	1,010
Cash & Bank	24	27	439	153	84	199	72	448
Other Current Assets	-	-	127	227	441	287	290	336
Current Assets	701	891	1,511	1,372	1,825	1,958	2,432	3,218
Creditors	288	325	566	501	759	702	626	659
Provisions	73	95	7	12	14	32	38	38
Other Current Liabilities	61	45	61	91	143	326	227	263
Curr Liabilities	422	464	633	604	916	1,061	891	960
Net Current Assets	280	426	878	768	909	897	1,541	2,258
Total Assets	1,217	1,641	2,429	2,689	3,941	4,778	5,989	7,091

Income Statement

Fig in Rs Cr

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21E
Revenue from Operation	1,863	2,056	3,166	3,135	3,131	3,935	4,606	5,342
Change (%)	25%	10%	54%	-1%	0%	26%	17%	16%
EBITDA	358	403	1007	615	643	874	1223	1491
Change (%)	47%	13%	150%	-39%	5%	36%	40%	22%
Margin (%)	19%	20%	32%	20%	21%	22%	27%	28%
Depr & Amor.	40	44	72	83	105	115	157	187
EBIT	317	359	934	532	538	758	1066	1304
Int. & other fin. Cost	10	2	5	5	3	18	27	86
Other Income	3	2	7	2	7	9	5	19
EBT	311	359	936	529	541	749	1043	1237
Exp Item							44	
Tax	75	76	216	122	120	157	199	272
Minority Int & P/L share of Ass.	-	0	(0)	(4)	(8)	(8)	28	(10)
Reported PAT	236	283	720	403	413	584	829	955
Adjusted PAT	236	283	720	403	413	584	873	955
Change (%)	50%	20%	155%	-44%	2%	42%	49%	15%
Margin(%)	13%	14%	23%	13%	13%	15%	18%	18%

Financial Details

Key Ratios

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E
ROE	34.9%	32.0%	45.1%	21.2%	18.6%	21.5%	25.8%	22.5%
ROCE	43.6%	39.7%	58.5%	28.0%	19.8%	23.6%	26.0%	25.4%
Asset Turnover	1.5	1.3	1.3	1.2	0.8	0.8	0.8	0.8
Debtor Days	67	71	62	39	61	45	69	69
Inv Days	61	68	66	74	86	90	94	96
Payable Days	57	58	65	58	89	65	50	45
Int Coverage	32	201	172	102	158	41	39	15
P/E	22.7	30.2	15.7	29.2	25.1	17.1	15.1	13.6
Price / Book Value	7.9	9.7	7.1	6.2	4.7	3.7	3.9	3.1
EV/EBITDA	15	21	11	19	17	12	11	9
FCF per Share	8	(3)	34	(10)	(23)	8	(12)	31
Div Yield	1%	1%	1%	1%	1%	1%	1%	1%

Cash Flow Statement

Fig in Rs Cr

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E
PBT	311	359	936	529	541	749	1,000	1,227
(inc)/Dec in Working Capital	(72)	(163)	139	(166)	(181)	109	(584)	(359)
Non Cash Op Exp	40	44	72	83	105	115	157	187
Int Paid (+)	10	4	5	5	3	18	27	86
Tax Paid	(69)	(69)	(197)	(118)	(135)	(166)	(236)	(272)
others	19	(4)	(8)	(5)	(22)	(13)	85	234
CF from Op. Activities	240	172	948	329	312	812	449	1,103
(inc)/Dec in FA & CWIP	(82)	(224)	(301)	(510)	(749)	(654)	(673)	(516)
Free Cashflow	158	(52)	647	(182)	(437)	158	(223)	586
(Pur)/Sale of Inv	-	(34)	(8)	4	-	-	-	-
others	1	2	2	1	(149)	(106)	(60)	-
CF from Inv. Activities	(81)	(256)	(307)	(486)	(884)	(756)	(732)	(516)
inc/(dec) in NW								
inc/(dec) in Debt	(85)	157	(132)	(39)	619	221	609	-
Int. Paid	(11)	(5)	(5)	(5)	(26)	(70)	(111)	(86)
Div Paid (inc tax)	(55)	(65)	(79)	(90)	(91)	(91)	(326)	(125)
others	(0)	0	(8)	5	0	(0)	(18)	-
CF from Fin. Activities	(151)	87	(224)	(129)	503	59	155	(211)
Inc(Dec) in Cash	8	3	417	(286)	(69)	115	(128)	376
Add: Opening Balance	16	24	23	439	153	84	199	81
Closing Balance	24	27	439	153	84	199	72	456

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Correspondence Office Address: Arch Waterfront, 5th Floor, Block GP, Saltlake, Sector 5, Kolkata 700 091; Tel No.: 033-40541700; www.narnolia.com.

Registered Office Address: Marble Arch, Office 201, 2nd Floor, 236B, AIC Bose Road, Kolkata 700 020; Tel No.: 033-4050 1500; www.narnolia.com

Compliance Officer: Manish Kr Agarwal, Email Id: mkagarwal@narnolia.com, Contact No.:033-40541700.

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