

Alembic Pharma Ltd

In 2011, Alembic Pharma Ltd (APL) was de-merged from Alembic Ltd to provide more thrust to formulations and insulate this business from the vagaries of commoditised APIs. Formulations account for 79% of the business while the rest comes from APIs. As of 9MFY20, specialty contribution in the domestic branded space increased to 63% from 54% in FY14. Consolidated revenues and PAT have grown at a CAGR of 16% and 20%, respectively, in FY14-19. The company continues to send mixed signals with high performing US engine (albeit on Sartan success) at one end and a somewhat laggard domestic portfolio at the other end. The management expects 10-12% domestic annual growth from FY21 on the back of ongoing restructuring of distribution patterns. For the US, with the aggressive R&D and capex, the management has signalled its long term strategy for the next five to six years. This includes a foray into niche areas like oncology, injectables, derma, etc.

It is trading at P/E valuation of 16.7x of 9MFY20 earnings and has a good return on equity (ROE) track record last 3 Years ROE 22.2%. Hence BUY.

BUY
CMP ₹646

Stock Info

Sector	Pharmaceuticals
Market Cap (₹ cr)	12,171
Beta	0.3
52 Week High / Low	685/435
Avg. Daily Volume	11,624
Face Value (₹)	2
BSE Sensex	40,894
Nifty	11,993
Reuters Code	ALEM.BO
Bloomberg Code	ALPM IN

Shareholding Pattern (%)

Promoters	73.0
MF / Banks / Indian FIs	6.7
FII / NRIs / OCBs	9.2
Indian Public / Others	11.1

Abs. (%)	3m	1yr	3yr
Sensex	1.5	15.2	42.7
APL	17.9	18.0	10.8

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Disclosure of Interest Statement

	APL
1. Financial interest of research analyst or Angel or his Associate or his relative	No
2. Ownership of 1% or more of the stock by research analyst or Angel or associates or relatives	No
3. Served as an officer, director or employee of the company covered under Research	No
4. Broking relationship with company covered under Research	No

Ratings (Based on expected returns over 12 months investment period):

Buy (> 15%)

Accumulate (5% to 15%)
Reduce (-5% to -15%)

Neutral (-5 to 5%)
Sell (< -15)