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Result update@ Dalal & Broacha

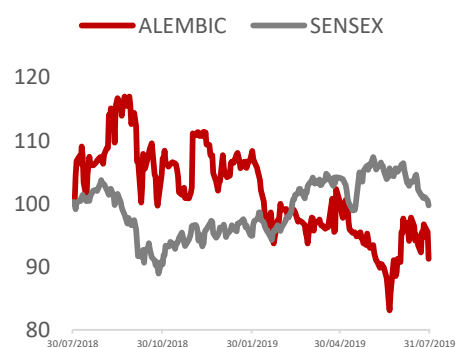
Neutral

Current Price	529
52 Week Range	664/435

Key Share Data

Market Cap (Rs.bn)	99.80
Market Cap (US\$ mn)	1500
No of o/s shares (mn)	188.5
Face Value	2
Monthly Avg. vol (BSE+NSE) Nos'000	85
BSE Code	533573
NSE Code	APLLTD
Bloomberg	ALPM:IN

Price performance



Alembic Pharma Q1FY20 earnings were better than expectations. While revenues grew only on account of US exports, ROW, India and API businesses degrew.

US exports drive revenues, profitability improves with better sales mix

Sales grew 10% Rs 9489 mn was driven by 53% growth in US exports. All other businesses i.e: India (-2% Rs 3.23 bn), non US exports (-15% Rs 1.08 bn) and API (-4% Rs 1.72 bn). Raw mat costs -20%, resulting in higher gross margins at 78.5% (+850 bps yoy/ +190 bps qoq). Gross profit +23% at Rs 7.44 bn.

Employee costs increased 30% Rs 2.1 bn. R & D +15% Rs 1.4 bn, Other expenses were down 3% Rs 1.64 bn. EBITDA increased 49% on low base Rs 2.2 bn. OPM at 23.7% (+620 bps yoy/+450 bps qoq). PBT increased 54% Rs 1.87 bn. There was an exceptional loss of Rs 327 mn, due to impairment provision on investment in Alembic Mami, SPA JV held by subsidiary.

Adjusted PAT grew 73% to Rs 1.56 bn. Adj. EPS for the quarter was at Rs 8.3.

Conference Call Key Takeaways -

1. The one-time loss of INR 320 mn was on account of impairment of Algerian JV. The reason was due to fire at their Algerian facility for which impairment has been taken.
2. The company has a gross debt of INR 11570 mn and cash of INR 1560 mn.
3. The US generic business grew in by 45% in \$ terms grew 53% in INR terms.
4. During the quarter the company launched 3 new products in the US. The company will launch 14-15 products during the year.
5. The company guided that the current gross margins of 78.5% will not be sustainable. The gross margins would be around 70% for full year.
6. India business de-grew despite a 2% price increase, due to lower volumes in specialty and acute business. 16% of the sales are under NLEM. The company had increased prices by 2%, however the company witnessed a loss in volumes.
7. The Net Working capital days in India is less than 45 days which, is very lower compared to US and ROW. The company doesn't the working capital days to increase in the future with increase in % Contribution from the US. The company is having 45 days of inventory as of Q1.
8. The company has 3900 MRs in India. The attrition was high during the quarter.
9. The R&D is currently 14% of sales and the same shall be maintained.

% Shareholding	Jun-19	Mar-19
Promoters	72.97	72.97
FII	9.56	9.50
DII	5.11	5.44
Others	12.36	12.09
Total	100	100

We maintain Neutral rating on the stock.

Key Financials

Year	Net sales	% Growth	EBIDTA	OPM (%)	PAT	% Growth	EPS	PE (x)	RoE (%)	RoCE (%)
FY17	31,346.0	(1.0)	6,152.6	19.6	4,068.9	(43.5)	21.6	23.5	21.4	26.2
FY18	31,308.0	(0.1)	6,430.9	20.5	4,209.1	3.4	22.3	22.7	19.0	18.1
FY19	39,346.8	25.7	8,735.8	22.2	5,925.7	40.8	31.4	16.1	21.8	20.7
FY20E	43,008.6	9.3	8,627.7	20.1	5,717.4	(3.5)	30.3	16.7	16.9	19.1
FY21E	46,214.8	7.5	9,269.2	20.1	5,985.6	4.7	31.7	16.0	14.7	16.4



Particulars (Rs mn)	Q1FY20	Q4FY19	Q1FY19	yoy	qoq	FY19	FY18	% change
Net Sales	9489.1	9270	8626.3	10%	2%	39346.8	31308	26%
Cost of Raw Material	-2044	-2167.4	-2554.4			-9927	-8855.6	
<i>% to Sales</i>	-22%	-23%	-30%			-25%	-28%	
GROSS PROFIT	7445.1	7102.6	6071.9	23%	5%	29419.8	22452.4	31%
GPM	78.5%	76.6%	70.4%			74.8%	71.7%	
Employee Cost	-2148.7	-2007.4	-1649.3			-7466.9	-6228.1	
R&D Expense	-1402.9	-1214.1	0			-4981.6	0	
Other Expenses	-1644.4	-2100.2	-2911.7			-8235.5	-9793.4	
Total Expenditure	-7240	-7489.1	-7115.4	2%	-3%	-30611	-24877.1	23%
EBIDTA	2249.1	1780.9	1510.9	49%	26%	8735.8	6430.9	36%
EBIDTA margins	23.7%	19.2%	17.5%			22.2%	20.5%	
Other Income	32.9	33.7	1			93.8	70.3	
Interest	-49.8	-50.8	-15.7			-184.1	-34	
Depreciation	-354	-299.5	-276			-1152.3	-1054.6	
PBT	1878.2	1464.3	1220.2	54%	28%	7493.2	5412.6	38%
Tax	-359.6	-149	-315.4			-1567.5	-1203.5	
PAT	1518.6	1315.3	904.8	68%	15%	5925.7	4209.1	41%
Share of profit/(loss) of associates and JV	4.1	-77.8	0			-92.8	-80.9	
Minority interest	42.4	0	0			10.8	-1.9	
Adjusted PAT	1565.1	1237.5	904.8	73%	26%	5843.7	4126.3	42%
Equity	378	378	377			377.032	377.032	
Face Value	2	2	2			2	2	
No of Shares outstanding	189	189	188.5			188.516	188.516	
EPS (Rs)	8.28	6.55	4.80			31.00	21.89	

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