



**DALAL & BROACHA**  
STOCK BROKING PVT. LTD.

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## Result update@ Dalal & Broacha

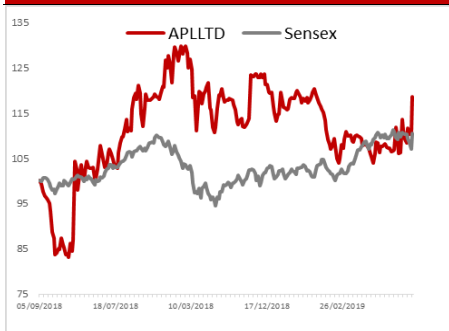
### Neutral

Current Price	551
52 Week Range	664/412

### Key Share Data

Market Cap (Rs.bn)	110
Market Cap (US\$ mn)	1569
No of o/s shares (mn)	188.5
Face Value	2
Monthly Avg. vol (BSE+NSE) Nos'000	52
BSE Code	533573
NSE Code	APLLTD
Bloomberg	ALPM:IN

### Price performance



**Alembic Pharma Ltd. (APL) Q4FY19 results were in line with expectations.** The revenue growth was driven by non US (+32% on low base), US +11% and APIs (+16%).

### Exports & APIs drive revenues, profitability improves with better sales mix

Sales +10% to Rs 9270 mn mainly from exports (+15% at Rs 3950 mn), India (-1% to Rs 3020 mn) and API (+16% to Rs 2300 mn). Exports from US increased 11% to Rs 3130 mn, due to 3 new launches and opportunities with drug shortages.

Gross margins improved 780 bps to 76.6% on better sales mix. EBITDA increased 8% to Rs 1781mn due to increase in employee costs (+28%) and other expenses (+42%). PBT grew 10% to Rs 1464 mn. PAT for the quarter +45% Rs 1238 mn on lower taxes.

### Key takeaways from the Concall

- India business was flat due to lower channel inventory. The company expects specialty business to pick up in Q1FY20 with a normal monsoon.
- US business +11% to Rs 3130 mn, non US +32% to Rs 820 mn on low base.
- R & D spend was higher at Rs 1214 mn. APL filed 14 ANDAs during the quarter.
- The company launched 3 new products in Q4FY19 and plans 10 launches in Q1FY20, and 15-20 in FY20.
- The company will commercialize its dermatology product, approved from the Aleor JV in FY20. The JV plant at Karkhadi received establishment inspection report (EIR) from the USFDA during the quarter.
- The company guided for higher R&D spends of Rs. 6000 mn for FY20.
- The company's Oral Solids plant will start commercial production by H1FY20. Oncology Injectable filings from new plant will be in Q4FY20.

### Outlook & Valuation

With better profitability coming from one time opportunities in FY19, and erosion in US base business, the sustainability of APL's profits is a matter of concern. There have been delays in commercializing the ANDAs for the US markets. The higher R & D spend is adding to the risk.

At Rs 551, APL trades at 17x FY21E EPS of Rs 31.7. **We reduce our rating to NEUTRAL on the stock.**

% Shareholding	Mar-19	Dec-18
Promoters	72.97	72.96
FII	9.50	9.37
DII	5.44	5.20
Others	12.09	12.47
Total	100	100

### 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	25.5	21.4	26.2
FY18	31,308.0	(0.1)	6,430.9	20.5	4,209.1	3.4	22.3	24.7	19.0	18.1
FY19	39,346.8	25.7	8,735.8	22.2	5,925.7	40.8	31.4	17.5	21.8	20.7
FY20E	43,008.6	9.3	8,627.7	20.1	5,717.4	(3.5)	30.3	18.2	16.9	19.1
FY21E	46,214.8	7.5	9,269.2	20.1	5,985.6	4.7	31.7	17.4	14.7	16.4



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Particulars (Rs mn)	Q4FY19	Q3FY19	Q4FY18	yoy	qoq	FY19	FY18	% change
Net Sales	9270	10180	8448.8	10%	-9%	39346.8	31308	26%
<b>Cost of Raw Material</b>	-2167.4	-2484.1	-2637.9			-9927	-8855.6	
<i>% to Sales</i>	-23.4%	-24.4%	-31.2%			-25.2%	-28.3%	
<b>GROSS PROFIT</b>	7102.6	7695.9	5810.9	22%	-8%	29419.8	22452.4	31%
<b>GPM</b>	76.6%	75.6%	68.8%			74.8%	71.7%	
Employee Cost	-2007.4	-1984	-1573	28%		-7466.9	-6228.1	
R&D Expense	-1214.1	-1121.9	-1109	9%		-4981.6	0	
Other Expenses	-2100.2	-2168.7	-1480.9	42%		-8235.5	-9793.4	
<b>Total Expenditure</b>	<b>-7489.1</b>	<b>-7758.7</b>	<b>-6800.8</b>	10%	-3%	<b>-30611</b>	<b>-24877.1</b>	23%
<b>EBIDTA</b>	1780.9	2421.3	1648	8%	-26%	8735.8	6430.9	36%
<b>EBIDTA margins</b>	<b>19.2%</b>	<b>23.8%</b>	<b>19.5%</b>			<b>22.2%</b>	<b>20.5%</b>	
Other Income	33.7	35.2	6.4			93.8	70.3	
Interest	-50.8	-59.5	-13.4			-184.1	-34	
Depreciation	-299.5	-290.5	-315.7			-1152.3	-1054.6	
<b>PBT</b>	<b>1464.3</b>	<b>2106.5</b>	<b>1325.3</b>	10%	-30%	<b>7493.2</b>	<b>5412.6</b>	38%
Tax	-149	-400	-385.2			-1567.5	-1203.5	
<b>PAT</b>	<b>1315.3</b>	<b>1706.5</b>	<b>940.1</b>	40%	-23%	<b>5925.7</b>	<b>4209.1</b>	41%
Share of profit/(loss) of associates and JV	-77.8	-16.9	-84.5			-92.8	-80.9	
Minority interest	0	7.7	-2			10.8	-1.9	
<b>PAT</b>	<b>1237.5</b>	<b>1697.3</b>	<b>853.6</b>	45%	-27%	<b>5843.7</b>	<b>4126.3</b>	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	
<b>EPS (Rs)</b>	6.55	8.98	4.53			31.00	21.89	



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