

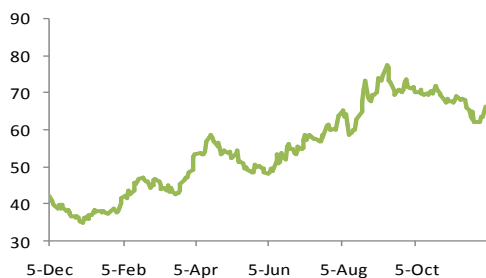
Alembic Pharma Ltd.

Recommendation	HOLD
CMP (04/12/12)	Rs.68
Target Price	Rs. 80
Sector	Pharmaceuticals

Stock Details

BSE Code	533573
NSE Code	APLLTD
Bloomberg Code	ALPM IN
Market Cap (Rs cr)	1,270
Free Float (%)	25.9
52- wk HI/Lo (Rs)	78.9/34.0
Avg. volume BSE (Quarterly)	62,437
Face Value (Rs)	2.0
Dividend (FY 12)	70%
Shares o/s (Cr)	18.9

Relative Performance	1Mth	3Mth	1Yr
Alembic Pharma	-2.1%	-10.5%	57.3%
Sensex	2.9%	10.7%	14.9%



Shareholding Pattern 30th Sept 12

Promoters Holding	74.1
Institutional (Incl. FII)	7.6
Corporate Bodies	1.9
Public & others	16.4

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EVENT UPDATE: Incorporating the Impact of Pharma Pricing Policy

-Alembic Pharma has ~22% of its portfolio is covered under DPCO; and with NLEM-2011, the coverage will increase to 35-38%

-Azithral is its biggest brand that falls under NLEM-2011 (contributes Rs 80-90 cr revenue)

-Management expects erosion of 18-20% in products falling under NLEM-2011 price control and sees a revenue impact of about Rs 100-130 cr

-Price control is only applicable on new batches manufactured

-The company's strategy will be to push for volumes and market share expansion in their key large brands like Azithral (where it commands ~35% market share) and to make more combination drugs

-While the new drug pricing policy will impact FY14 domestic revenues, export revenues should witness a strong growth as new capacity comes onstream in Q4FY13

-We expect 7.1% revenue impact on FY14 sales at Rs 1,687.2 cr (Rs 1,815.9 cr earlier estimate) and 9.1% lower profits at Rs 167.6 cr (Rs 184.4 cr earlier estimate)

Outlook & Valuation

At CMP of Rs 68, the stock is trading at PE of 9.4x and 7.6x based on our revised FY13E and FY14E EPS estimates respectively.

We revise downwards our price target by 7% to Rs 80 (Rs 86 earlier) based on FY14E numbers, and recommend investors to HOLD the stock and Accumulate on Declines as it still offers an upside potential of 17.7% at the CMP.

Year Consolidated	Sales (Rs cr)	Growth (%)	EBITDA (Rs cr)	Margin (%)	PAT (Rs cr)	Margin (%)	Adj EPS (Rs)	P/E (x)	RoE (%)
FY 11A	1164.9	2.9%	155.7	13.4%	81.5	7.0%	4.3	15.7	29.5%
FY 12A	1375.3	18.1%	209.6	15.2%	120.5	8.8%	6.4	10.6	33.4%
FY 13E	1541.8	12.1%	231.3	15.0%	136.9	8.9%	7.3	9.4	29.6%
FY 14E	1687.2	9.4%	270.0	16.0%	167.6	9.9%	8.9	7.6	28.5%

Alembic Pharma Ltd.

Financials

P&L (Rs. Cr)	FY11A	FY12A	FY13E	FY14E	Balance Sheet (Rs Cr)	FY11A	FY12A	FY13E	FY14E
Net Sales	1164.9	1375.3	1541.8	1687.2	Share Capital	37.7	37.7	37.7	37.7
% change	2.9%	18.1%	12.1%	9.4%	Reserves & Surplus	238.5	323.1	424.9	549.5
EBITDA	155.7	209.6	231.3	270.0	Net Worth	276.2	360.8	462.6	587.2
EBITDA margin (%)	13.4%	15.2%	15.0%	16.0%	Deferred Tax Liab.	5.4	9.5	14.0	17.0
Depn & Amort	29.6	33.7	40.4	44.0	Other Non-Current Liab.	5.1	5.4	7.0	7.1
Operating income	126.1	175.9	190.8	226.0	Total Borrowings	339.7	366.0	298.6	200.6
Interest	23.9	26.2	24.4	21.6	Trade Payables	131.8	181.9	180.4	198.0
Other Income	0.1	0.4	4.6	5.1	Prov. & Other CL	110.8	186.2	242.5	270.3
PBT	102.3	150.1	171.1	209.5	Total Liabilities	815.9	990.5	1105.1	1200.2
Tax	20.8	29.6	34.2	41.9	Net Fixed Assets	298.5	326.1	446.1	486.1
EO	0.0	0.0	0.0	0.0	Total Investments	3.4	3.4	3.4	3.4
Reported PAT	81.5	120.5	136.9	167.6	Total Loans & Advances	91.5	189.8	177.3	160.3
Adj PAT	81.5	120.5	136.9	167.6	Inventories	219.3	258.7	260.7	286.1
Sh o/s - Diluted	18.9	18.9	18.9	18.9	Debtors	202.0	186.8	201.3	210.9
Adj EPS	4.3	6.4	7.3	8.9	Cash & Bank	1.3	25.7	16.4	53.5
EPS growth (%)	120.8%	47.9%	13.6%	22.4%	Total Assets	815.9	990.6	1105.1	1200.2
Cash EPS	5.9	8.2	9.4	11.2	Cash Flow (Rs. Cr)	FY11A	FY12A	FY13E	FY14E
Quarterly (Rs Cr)	Dec.11	Mar.12	Jun.12	Sept.12	Operating Cash Flow				
Net Sales	381.7	337.7	364.9	404.6	Op CF bef tax & WC	158.3	209.6	231.3	270.0
EBITDA	68.5	41.1	52.3	64.7	Change in WC	-48.9	-3.8	20.9	-12.7
Dep & Amorz	8.1	8.9	8.7	8.8	Tax	-17.8	-30.0	-34.2	-41.9
Operating Income	60.4	32.2	43.6	55.9	CF from Operation	91.7	175.7	217.9	215.4
Interest	7.0	5.4	5.7	3.1	Investing Activities				
Other Inc.	0.9	2.0	0.9	1.3	Capex	-62.4	-27.6	-120.0	-40.0
PBT	53.5	26.9	38.1	53.0	Inv & Oth Income	5.5	0.4	4.6	5.1
Tax	9.3	6.6	7.3	10.5	CF from Investing	-56.8	-27.1	-115.4	-34.9
EO	0.0	0.0	0.0	0.0	Financing				
Adjusted PAT	44.2	20.3	30.8	42.5	Dividend Paid	-18.9	-30.7	-35.1	-43.0
EPS (Rs.)	2.3	1.1	1.6	2.3	Sh Cap & Premium	11.0	0.0	0.0	0.0
Ratios	FY11A	FY12A	FY13E	FY14E	Interest Paid	-27.4	-26.2	-24.4	-21.6
EBITDA margin (%)	13.4%	15.2%	15.0%	16.0%	Loans & Others	-13.4	-67.2	-52.4	-78.9
Adj PAT margin (%)	7.0%	8.8%	8.9%	9.9%	CF from Financing	-48.6	-124.2	-111.8	-143.4
PAT Growth (%)	120.8%	47.9%	13.6%	22.4%	Net Chg. in Cash	-13.8	24.4	-9.3	37.0
Price Earnings (x)	15.7	10.6	9.4	7.6	Cash at beginning	15.1	1.3	25.7	16.4
ROE (%)	29.5%	33.4%	29.6%	28.5%	Cash at end	1.3	25.7	16.4	53.5
ROCE (%)	12.3%	14.3%	14.1%	15.4%	Per Share Data	FY11A	FY12A	FY13E	FY14E
Debt/Equity Ratio (x)	1.2	1.0	0.9	0.6	Adj EPS	4.3	6.4	7.3	8.9
Price/BV (x)	4.6	3.6	2.8	2.2	BV per share	14.7	19.1	24.5	31.1
EV / Sales	1.3	1.1	0.9	0.8	Cash per share	0.2	1.5	1.0	3.0
EV / EBITDA	10.0	7.1	6.3	4.9	Dividend per share	1.0	1.4	1.6	2.0

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