

Week Gone

- ⇒ In the week ended on Friday, 6 May 2022, the Sensex lost 2,225.29.28 points or 3.9% to settle at 54,835.58. The Nifty 50 index dropped 691.30 points or 4.04% to settle at 16,411.25.
- ⇒ The BSE Mid-Cap index lost 1280.43 or 5.28% to settle at 23,129.61.
- ⇒ The BSE Small-Cap decline 1519.51 points or 5.31% to settle at 27,092.41.

Week Ahead

- ⇒ On the macro front, the Industrial Production and Manufacturing Production data for March will be released on 12 May 2022.
- ⇒ Trend in global stock markets, the movement of rupee against the dollar and crude oil prices will dictate trend on the bourses in the near term.
- ⇒ Investment by foreign portfolio investors (FPIs) and domestic institutional investors (DIIs) will be monitored.

Technical Overview

Index opened the week with gap down and remained under pressure throughout the week closing the week with 4% loss. Index has broken intermediate support which is bearish sign for short term trend. Going forward index has a key support at 16230, failure to defend this support will open the way for 15900-15700. While on the higher side resistance is placed at 16600-16900-17180.



Source: Falcon, BP Equities Research

Weekly Wealth

DOMESTIC INDICES

Index	06-May-22	29-Apr-22	Weekly % Chg
Nifty 50	16,411.2	17,102.5	-4.0
Nifty Next 50	40,354.2	42,534.0	-5.1
Nifty 100	16,729.5	17,457.2	-4.2
Nifty 500	14,145.7	14,783.3	-4.3
NIFTY MIDCAP 100	28,584.2	29,880.4	-4.3
S&P BSE SENSEX	54,835.5	57,060.9	-3.9
S&P BSE 100	16,852.3	17,574.5	-4.1
S&P BSE 200	7,173.4	7,485.5	-4.2
S&P BSE 500	22,542.2	23,551.7	-4.3
S&P BSE MidCap	23,129.6	24,418.0	-5.3
S&P BSE SmallCap	27,092.4	28,611.9	-5.3

WORLD INDICES

Index	06-May-22	29-Apr-22	Weekly % Chg
Nikkei Index	27,003.5	26,847.9	0.6
Hang Seng Index	20,001.9	21,089.3	-5.2
Kospi Index	2,644.5	2,695.0	-1.9
Shanghai SE Composite	3,001.5	3,047.0	-1.5
Strait Times Index	3,291.8	3,356.9	-1.9
Dow Jones	32,625.5	32,977.2	-1.1
NASDAQ	12,089.8	12,334.6	-2.0
FTSE	7,389.9	7,544.5	-2.0

FOREX

Currency	06-May-22	29-Apr-22	Weekly % Chg
US\$ (Rs.)	76.5	76.5	0.0
GBP (Rs.)	94.4	96.1	-1.8
Euro (Rs.)	80.4	80.6	-0.2
Yen (Rs.) 100 Units	58.7	58.0	1.2

NIFTY TOP GAINERS (WEEKLY)

Scrip	06-May-22	29-Apr-22	Weekly % Chg
ITC	266.7	261.1	2.1%
Hero MotoCorp	2563.4	2517.3	1.8%
Tata Steel	1283.7	1260.9	1.8%
Tech Mahindra	1290.8	1271.3	1.5%
GAIL India	160.2	157.8	1.5%

FII - ACTIVITY

(INR. Cr.)

Date	Purchases	Sales	Net
06-May-22	4,525.9	10,043.0	-5,517.1
05-May-22	5,293.4	7,368.1	-2,074.7
04-May-22	17,062.9	20,351.1	-3,288.2
02-May-22	5,041.8	6,895.2	-1,853.5
<u>MTD</u>	31,924.0	44,657.4	-12,733.5

NIFTY TOP LOSERS (WEEKLY)

Scrip	06-May-22	29-Apr-22	Weekly % Chg
Axis Bank	673.4	779.8	-13.6%
Vedanta	360.4	411.7	-12.4%
Titan Co	2208.8	2513.2	-12.1%
Eicher Motors	2362.5	2680.0	-11.8%
Bajaj Finance	6000.3	6727.7	-10.8%

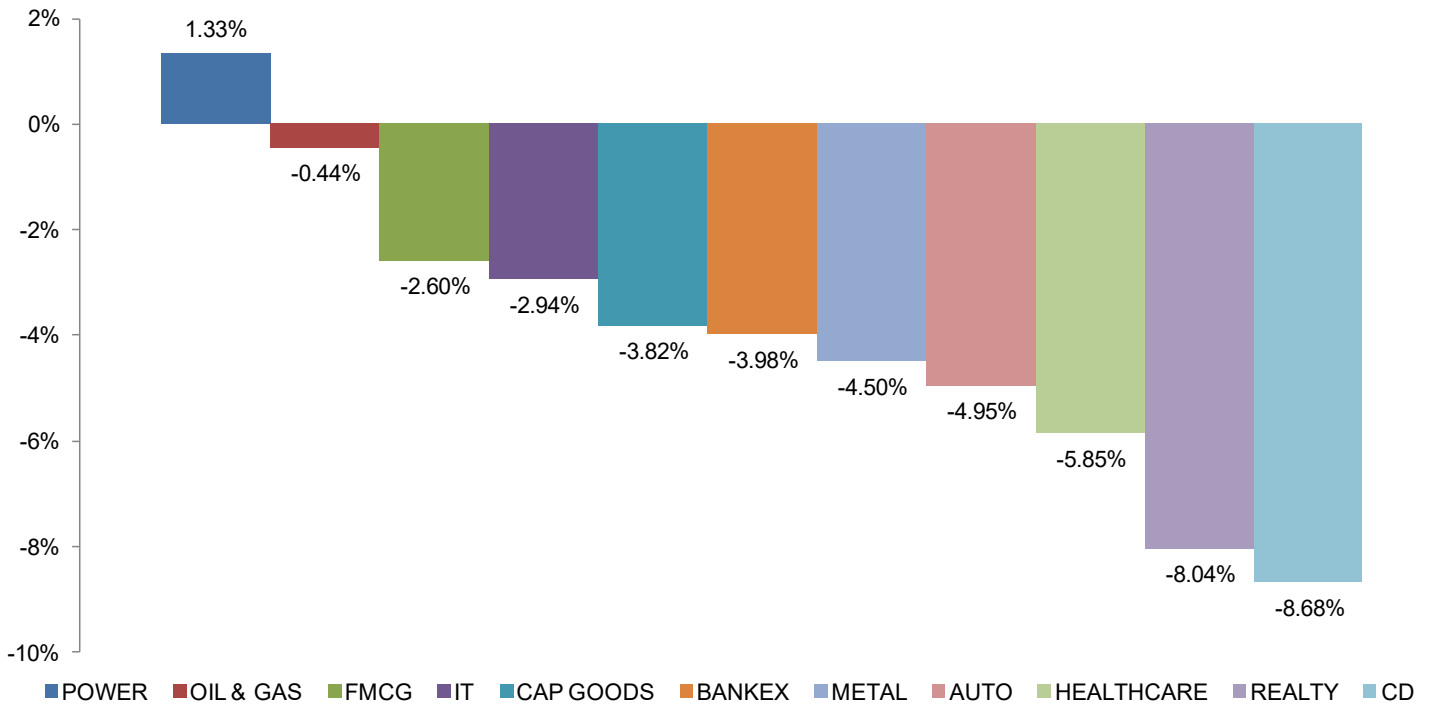
DII - ACTIVITY

(INR. Cr.)

Date	Purchases	Sales	Net
06-May-22	8,522.0	5,507.2	3,014.9
05-May-22	7,111.9	4,882.6	2,229.3
04-May-22	6,399.5	5,061.5	1,338.0
02-May-22	6,621.8	4,670.7	1,951.1
<u>MTD</u>	28,655.1	20,121.9	8,533.3

Weekly Wealth

BSE WEEKLY SECTORAL PERFORMANCE



Source: BSE, BP Equities Research

TOP OPEN INTEREST GAINERS (WEEKLY)

SCRIP NAME	29/04/22	06/05/22	Weekly % Chg	29/04/22	06/05/22	Weekly % Chg
	Share Price (Rs.)			Open Interest		
ABB	2097.9	2262.3	7.8	260750	430750	65.2
FSL	125.6	113.1	-10.0	10168600	13689000	34.6
DIXON	4299.7	3890.9	-9.5	543250	726250	33.7
TORNTPOWER	533.8	493.9	-7.5	2941500	3783000	28.6
TATACHEM	941.7	1037.3	10.2	5113000	6565000	28.4

TOP OPEN INTEREST LOSERS (WEEKLY)

SCRIP NAME	29/04/22	06/05/22	Weekly % Chg	29/04/22	06/05/22	Weekly % Chg
	Share Price (Rs.)			Open Interest		
PETRONET	204.1	216.5	6.1	16716000	13974000	-16.4
OFSS	3553.4	3530.2	-0.7	377375	316500	-16.1
M&MFIN	183.5	175.6	-4.3	30744000	25796000	-16.1
CHAMBLFERT	452.6	445.1	-1.7	2775000	2365500	-14.8
CROMPTON	385.2	365.3	-5.2	4024900	3448500	-14.3

Company Background

Founded in 1907, Alembic Pharma manufactures branded formulations, international generics and APIs for the global market. As at FY22, ANDA filings stood at 230 of which 160 are approved and 105 are launched. Apart from US, other key geographies include Europe, Australia, Canada, LATAM, South Africa, etc., which contribute ~15% of total sales in FY22. Company spends 12-13% of its revenues as R&D expenditure. Domestic formulations constituted ~36% of revenues in FY22. In the domestic market, Alembic is into two segments namely (1) acute and (2) specialty. The company's domestic branded portfolio is gradually shifting to the specialty business segment. Around 80% of domestic revenues come from chronic and sub-chronic while the balance from acute. The key brands in domestic market include Azithral, Althrocin, Wikoryl, Roxid, Gestofit, Ulgel etc. API business accounts for ~18% of revenues and a large part of it is captively consumed.

Investment Rationale

Well positioned in the domestic formulations market

The company is among the top 25 players in the domestic formulations market. Revenue was Rs 19bn in FY22 by registering growth of 29% on-year due to strong growth in the acute segment sales. Domestic business has 1.5% of market share of IPM with three brands in the top 100. Going ahead, emphasis is on specialty segment with 94% of new launches being specialty product. The company has a portfolio of about 200 formulation brands, of which two are among the top 300 domestic formulations brands in India. Growth in the branded formulations segment will be backed by increased contribution from the chronic therapeutic segment and regular product launches, leading to volume growth.

Strong base business and new launches to drive US sales

NLC's 1,420MW of operational renewable energy capacity generated a healthy EBITDA of INR6.8 On account of greater focus on the US, Alembic has gradually stepped up its ANDA filings in the last few fiscals: 29 in 2021 from eight in 2016. R&D expenditure should remain high, forming about 12-13% of the net sales. Revenue from the international market (including bulk drugs) was 72% of the total revenue in fiscal 2021 (69% in 2020). Alembic registered sharp growth in US sales over the past few fiscals by capitalising on the supply opportunities arising due to shortage of the sartan group of formulations in the US market. However, in the H1FY22, US sales de-grew 39% due to significant price erosion and intense competition in the sartan portfolio. New product launches and long-term relationships with large clients would support revenue in the regulated market over the medium term. As on September 30, 2021, Alembic had filed for 214 ANDAs, of which 150 were approved.

Valuation outlook

Steady demand for existing products and new product launches in the international and domestic segments would support growth momentum over the medium term. Margin is expected to remain healthy at about 20% over the medium term, given the high share of the acute therapeutic segment in domestic formulations and focus on building a healthy ANDA pipeline, particularly for specialised generics. The company incurred sizeable debt-funded capital expenditure (capex) over the past few fiscals, primarily towards specialised generics. The management guided for 15+ launches in FY23. Lacosamide has a big competition in US, and management does not see meaningful contribution while also guiding for 5-10% price erosion in the overall US portfolio on a sequential basis. New launches and commercialisation of new facilities earmarked for the US market and consistency of performances in Indian branded formulations are key levers for the company. On the valuation front, we valued the company based on 22x of FY24e earnings and arrived at a target price of INR879 (22% upside from CMP) with a 12 months investment horizon.

Stock Rating

BUY	HOLD	SELL
> 15%	-5% to 15%	< -5%

Sector Outlook

Positive

Stock

CMP (INR)	725
Target Price (INR)	879
NSE Symbol	APLLTD
BSE Code	533573
Bloomberg	ALPM IN
Reuters	ALEM.BO

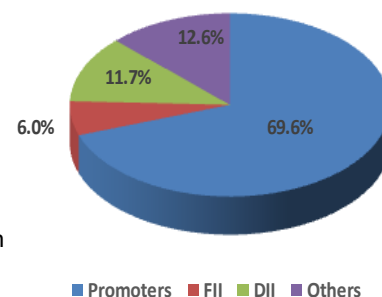
Key Data

Nifty	16,411
52WeekH/L(INR)	1,025/678
O/s Shares (Mn)	196
Market Cap (INR bn)	142
Face Value (INR)	2

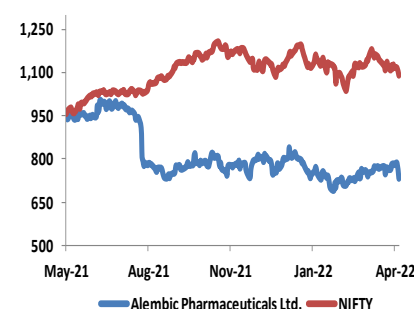
Average volume

3 months	2,70,370
6 months	3,54,690
1 year	4,21,680

Share Holding Pattern (%)



Relative Price Chart



Weekly Wealth

Key Financials

YE March (INR. Mn)	FY19	FY20	FY21	FY22	FY23E	FY24E
Revenue	39,347	46,058	53,931	53,058	57,356	63,837
<i>Revenue Growth (Y-o-Y)</i>	25.7%	17.1%	17.1%	(1.6%)	8.1%	11.3%
EBIDTA	8,558	12,141	14,801	8,742	9,923	12,831
<i>EBIDTA Growth (Y-o-Y)</i>	39.1%	41.9%	(21.9%)	40.9%	13.5%	29.3%
Net Profit	5,844	8,288	11,781	5,457	6,309	7,852
<i>Net Profit Growth (Y-o-Y)</i>	41.6%	41.8%	42.1%	(53.7%)	15.6%	24.5%
Diluted EPS	29.7	42.2	59.9	27.8	32.1	39.9
<i>Diluted EPS Growth (Y-o-Y)</i>	41.6%	41.8%	42.1%	(53.7%)	15.6%	24.5%

Key Ratios

EBIDTA margin (%)	21.8%	26.4%	27.4%	16.5%	17.3%	20.1%
NPM (%)	14.9%	18.0%	21.8%	10.3%	11.0%	12.3%
RoE (%)	21.5%	26.0%	23.3%	10.4%	11.2%	12.4%
RoCE (%)	23.5%	24.6%	28.1%	14.9%	16.1%	19.2%

Valuation Ratios

P/E (x)	24.3x	17.1x	12.0x	26.0x	22.5x	18.1x
EV/EBITDA	17.4x	13.1x	9.7x	16.9x	14.7x	11.0x
P/BV (x)	5.2x	4.4x	2.8x	2.7x	2.5x	2.2x
Market Cap. / Sales (x)	3.6x	3.1x	2.6x	2.7x	2.5x	2.2x

Source: Company, BP Equities Research



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Disclaimer Appendix

Analyst (s) holding in the Stock : Nil**Analyst (s) Certification:**

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