

**IDEA2ACT : Alembic Pharmaceuticals**

Reco Price	12-months Target Price
BUY @ ₹ 1,060-1,090	₹ 1,252

Alembic Pharmaceuticals is a vertically-integrated, diversified pharmaceutical company with a significant presence in India, the US and other regulated/emerging markets. It ranks among the top 20 in the Indian formulations market. In the US market, Alembic was a relatively late entrant compared with peers; however, it has built a robust pipeline of ANDAs. Alembic is now significantly investing in R&D and capex, to diversify its product pipeline from oral-solids to complex areas of injectables, oncology, dermatology, and ophthalmology.

Strong all-round earnings: Alembic's 2QFY21 Ebitda was 32% ahead of our estimates, led by continued strong growth in the company's RoW/API business and ~380bps sequential improvement in GMs. The company also staged a strong recovery in the India business as well, with the domestic formulation sales growing 6% YoY in 2Q vs. a decline of 6% YoY in 1Q. Covid-related Azithromycin sales benefitted the India business, due to which Alembic's anti-infective segment posted growth of 16% in 2Q (secondary data) vs. the market decline of 13%. We estimate that incremental India business sales of ₹1 bn QoQ came at almost 95% GMs (due to Azithromycin sales), which helped Alembic improve its overall GMs QoQ from 75% to 79%.

Management's guidance and Valuation: Management provided an EPS guidance of ₹60/₹50 (13% higher than our previous estimate) for FY21/22ii, respectively, assuming ₹4.5bn of incremental operating expenses related to the 4 new US facilities that are expected to get commercialised in FY22ii. Management's EPS guidance for FY21/22 suggests that the recent earnings momentum and margins will largely sustain this year. Based on the company's guidance, we have raised our FY21/22/23ii EPS by 20/13/16%, respectively. Shares of Alembic Pharma are currently trading at a P/E of ~18.2x/21.4x on FY21ii/22ii earnings. We recommend a "BUY" rating on Alembic Pharma with a target price of ₹1,252.

Technically: Alembic Pharma is trading at a strong top higher bottom chart structure on the weekly chart and is now on a verge of giving a big bullish consolidation breakout. The stock has consistently made a base around its 89DEMA, currently placed at 981 level which could act as a strong support level for the stock in the medium term. If the current impulse move accentuates the way it should, we expect Alembic Pharma to trend higher and test our immediate target price of ₹1,252.



Scalping Opportunity: Alembic Pharma is also providing a scalping opportunity for the high-frequency algo traders. Traders can initiate the scalping trade on Blitz Master Scalping Algo format which is an Alpha seeking Algo Format. It supports a designed trade wherein the Entry and Exit points are pre-defined. This format is designed to take advantage of the market swings. We recommend a "Buy on Dips & Sell on rise" Scalping Strategy only to high-frequency traders with ₹25 Gap on the buying trade & ₹50 Gap on the selling trade.

[Click here](#) You can also understand the report by watching this video.

Previous Recommendations:

Date	Stock Name	Reco Price	Target Price	P & L %	Status
26-May-20	Emami Limited	205	241	18%	Target Achieved
2-Jul-20	ITC	201	235	10%	Open (Dividend Rs10.15 exdate 6th Jul 2020)
2-Jul-20	NHPC	19.5	24	23%	Target Achieved
15-Jul-20	HCL Tech	610	695	14%	Target Achieved
30-Jul-20	INDIGO	920	1074	17%	Target Achieved
11-Aug-20	JB Chemicals & Pharmaceuticals	750	867	16%	Target Achieved
13-Aug-20	UPL	480	555	-2%	Open
18-Aug-20	Crompton Consumer	256	299	17%	Target Achieved
28-Aug-20	Sudarshan Chemical	474	557	2%	Open
14-Sep-20	Apollo Tyres	114.5	138	21%	Target Achieved
1-Oct-20	Manappuram Finance Ltd	155.5	186	12%	Open
16-Oct-20	Cyient Ltd	370	440	19%	Target Achieved
28-Oct-20	Amara Raja Batteries	770	898	17%	Target Achieved
2-Nov-20	SIS (I) Ltd	363	423	17%	Target Achieved
3-Dec-20	Bharat Electronics	112	139	17%	Open
16-Dec-20	RBL Bank	233	273	8%	Open



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