

Analyst & Advisor: Abhishek Jain  
www.stocksidea.com  
+91-98260-41144

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Equity Research

## **Alembic Limited —STRONG BUY—100—INR**

Sector— Pharmaceuticals  
Regd.off— Alembic Road, Vadodara, Gujarat -390003  
Listed— BSE, NSE

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### **Company Overview—**

Alembic started its operations in 1907 & now it is Asia's most respected integrated pharmaceutical company with manufacturing facilities in Baroda and Baddi, India with R&D facilities spearheading landmark research in the areas of Chemistry, Microbiology, Pharmaceutical Technology and Bio-Equivalence. Company has "BIO ARC RESEARCH CENTRE" at Baroda to capitalize its strength in research and developments. Alembic is a certified ISO-9002 and ISO-14001 company with manufacturing practices and facilities that conform to WHO-GMP guidelines ensuring that every Alembic product meets the most stringent quality standards. Alembic is spreading its wings now to regulatory markets both in respect of API and Formulation. Company is Asia's most respected integrated pharmaceutical company with manufacturing practices and facilities that conform to WHO-GMP guidelines, Alembic is in the business of improving the quality of life and healthcare in over 75 countries around the world. Company's extensive range of "Finished Dosage Forms" covers every aspect of human life. It has expertise in the manufacture of high volume Finished Dosage Forms and effectively control their release profile. This expertise is in the field of sterile as well as non-sterile dosage forms.

### **Products & Services—**

Company manufactures pharmaceuticals and chemicals, bulk drugs (penicillin and other antibiotics) and formulations. It also promotes herbal products. The major therapeutic segments where Alembic has presence are antibiotics and antibacterial, cough and cold remedies, analgesic and anti-inflammatory medications, nutraceuticals and anti-diabetics. Company's business division includes Alembic Mainline Pharma division. It services general practitioners, physicians, ENT Surgeons, paediatricians and orthopaedics. Megacare division has greater focus towards gynaecologists, besides physicians, ENTs, Paediatricians and GPs. Specia division includes speciality brands for cardiovascular and diabetology.

In Branded formulations company manufactures Antibiotics & Anti bacterials, cough & cold, antihistamines, NSAIDS, oral hypoglycemic, herbals & nutraceuticals, cardiovascular, others. In Generics it have 90 brands with extension in various forms covering the therapeutic segments of Antibiotic, Cough & cold, NSAID, B-complex, C.V.Drugs etc. it covers Therapeutic segments, antiallergic, anticold preparation, antimalarials, antioxidants, antiseptic, antiulcerants, corticosteroids, enzyme preparation, Nsaids, antihelminthic, antimicrobials, antipyretics, antispasmodic, cardiovascular drugs, cough preparations, mucolytics & proteolytics, tranquiliser, vitamin preparations, others.

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Research and Development at Alembic is focused on fermentation technology, strain improvement, industrial enzymes, non-infringing process developments for API & intermediates, development of innovative formulations, NDDS. The Department of Scientific and Industrial Research (DSIR) of the Government of India recognize Alembic's Research and Development Unit since 1975. Company's research is mainly involved into Chemistry & synthesis, Formulations development and Contract or collaborated research.

### Financials—

#### Financial Results for 2<sup>nd</sup> Quarter FY 2007-08

Financial Results	(Rs.lakhs)
Net Sales/Income from Operations	30710.00
Other Income	92.00
Total Income	30802.00
Consumption of Raw Materials	8756.00
Purchase of traded goods	5655.00
Employees Cost	2443.00
Depreciation	817.00
Other Expenditure	7254.00
Total Expenditure	25406.00
Interest	790.00
Profit from Ordinary Activities before tax	4606.00
Tax Expense	47.00
Net Profit from Ordinary Activities after tax	4559.00
Net Profit for the period	4559.00
Face Value (in Rs.)	2.00
Paid-up Equity Share Capital	2769.00
Basic EPS	3.29

### Recent developments—

Drug maker Alembic will invest Rs 600 million over two years, to set up a drug manufacturing facility in Vadodara. It is to cater to the domestic and international market demand. The company planned a capital expenditure of Rs 400-500 million for 2007 - 08 including investments in the new unit and on research and development. Alembic, having acquired Dabur Pharma's domestic non-oncology business, has full rights to market the 24 brands it acquired from Dabur.

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Company entered into a licensing agreement for its novel drug delivery platform for Keppra XR (Levetiracetam extended release tablets) with Belgium-based biopharmaceutical company UCB. The company will receive milestone payments of USD 11 million and royalty on future worldwide sales of Keppra XR subject to necessary legal and regulatory approvals.

### **Valuation—**

Alembic's efforts of last few quarters to break into regulated markets have started yielding results. Its sales to regulated markets in the quarter was Rs 44.45 crore, as against Rs 9.94 crore in corresponding quarter for the previous year. Alembic has a turnover and growth rate that takes it into the top bracket of Indian pharmaceutical companies with a series of brands among the top five in their respective categories. It also desires to enhance its collaborative discovery program and augment R&D through increased collaborations. At CMP, Stock is trading at very attractive valuation of 8.4 X of its FY2008 Estimated EPS. We recommend investors to "Strong BUY" "Alembic limited" with medium to long-term investment horizon.

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