

Alkem Laboratories Limited : Very Good

IPO Note: Fifth Largest Pharma Company in domestic Sales: Ranking****



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Issue details

Price band (Rs)	Rs. 1020 - Rs.1050
IPO Opening Date	08-12-2015
IPO Closing Date	10-12-2015
Issue Size	Rs. 1347 Crore

Recommendations

Alkem's 75% revenue is coming from domestic market. So it has less reason to worry for FDA compliance, US inspection etc.

In FY15, the company has posted a restated net profit of Rs.460.75 crore on income of Rs.3964 crore. It reported EPS of Rs.38.54. Net revenues from operations grew at a CAGR of 22.3% in the period from FY 2011 to FY 2015. The company is offering shares at a PE of 27.24 on the higher price band of Rs.1050 This looks attractive when compared to peers such as Torrent Pharma, Alembic Pharma, Ipca Lab which are similar in size and business portfolio. Their stocks are currently trading at PE ratio between 33.0 to 46.0.

Highlights

- Alkem Labs For fiscal year 2015, were the fifth largest pharmaceutical company in India in terms of domestic sales
- Alkem Labs products are also sold in 56 countries. In the United States, company has filed 66 abbreviated new drug applications.
- Consolidated net revenues from operations grew at a compounded annual growth rates (CAGR) of 22.3% in the period from fiscal year 2011 to fiscal year 2015.
- For fiscal year 2015, domestic and international operations accounted for 74.7% and 25.3%, respectively
- Company sells a range of high-quality, cost effective generic drugs to major drug chains, pharmaceutical retailers, wholesalers, food and grocery stores, distributors and managed care companies in the United States

Financial Note:

The company's net profit for the FY15 has lower compared to last fiscal. But because of the adjustment of Rs.69.17 crore, restated net profit has increased in FY15.

Company Introduction

Company Profile

Incorporated in 1973, Alkem Labs is leading India based pharmaceutical company engaged in the development, manufacture and sale of pharmaceutical and nutraceutical products. Alkem Labs



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www.alkemlabs.com

produces branded generics, generic drugs, active pharmaceutical ingredients and nutraceuticals, which they market in India and 55 countries internationally, primarily the United States. Company's pharmaceutical business is organized into domestic and international operations. Alkem Labs has a portfolio of over 736 brands in India. Company's most significant therapeutic areas in domestic market are anti-infectives, gastro-intestinal, pain and analgesics, and vitamins, minerals and nutrients.

Alkem Labs have a total of 16 manufacturing facilities: 14 manufacturing facilities at five locations in India and two in the United States. Company have four research and development facilities, two in India and two in the United States. As of June 30, 2015, company employed 483 scientists in research and development functions.

Alkem Labs has 23 Promoters who jointly hold 64,302,440 Equity Shares of the Company which, in aggregate, constitutes 53.8% of the issued and paid-up Equity Share capital of our Company.

CRISIL View

According to CRISIL Research, Indian pharmaceutical companies are well-positioned to expand their presence in the US generic drugs market, as reflected in the rising number of such companies seeking ANDA approvals and tentative approvals from the US FDA. As of March 2015, India ranks second, after the US, in having the most number of ANDA approvals.

Objects of the Issue

The objects of the Offer are to achieve the benefits of listing the Equity Shares on the Stock Exchanges and for the sale of 12,853,442 Equity Shares by the Selling Shareholders. Further, the Company expects that the listing of the Equity Shares will enhance visibility and brand image among our existing and potential customers and provide liquidity to the existing shareholders. The listing of the Equity Shares will also provide a public market for the Equity Shares in India. The Company will not receive any proceeds of the Offer and all the proceeds will go to the Selling Shareholders.

Financial Summary (Rs. In Crore)

Particulars	FY2012	FY2013	FY2014	FY2015
Total Income	2,160.92	2,662.40	3,291.35	3,964.20
Restated Net Profit	406.54	383.82	435.32	460.75
EPS (Rs)	34.00	32.10	36.41	38.54

Source:DRHP

RANKING METHODOLOGY

WEAK	*
AVERAGE	**
GOOD	***
VERY GOOD	****
EXCELLENT	*****

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