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ALIVUS LIFE SCIENCES

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Initiating Coverage Report

API Giant Shifting Gears!!

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Alivus Life Sciences Ltd.

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Pharmaceuticals | Initiating Coverage **18th March, 2025**

Company Background

Alivus Life Sciences Limited, formerly Glenmark Life Sciences Ltd, has officially transitioned to a new brand name that reflects its commitment to creating life-enhancing solutions. The company is a leading developer and manufacturer of APIs, focusing on chronic therapeutic areas such as Cardiovascular, CNS, Pain and Anti-diabetes. The company also expands into CDMO services, catering to various multinational and specialty pharmaceutical companies. The company portfolio comprises 161 APIs across therapeutic segments and caters to over 700 customers in over 75 countries. With 20+ years of experience catering to leading global generic players, the company has maintained a dominant market share in some widely used APIs. It has also built strong partnerships with global generic pharmaceutical companies, primarily operating in highly regulated markets such as the US, Canada, Japan, Europe, Latin America, and India.

Investment Thesis

API business to remain the key force in driving business

Alivus Life Sciences is a high-value API manufacturer with a diversified portfolio and strong relationship with top global generic players. It focuses on complex APIs in CVS, CNS, Pain Management, and Anti Diabetics, with CVS and CNS contributing ~58% of its portfolio in 9MFY25. With ~151 APIs and 21 high-potency products targeting a $181bn market, Alivus also has a $45bn pipeline with several products in advanced stages. The company holds a dominant market share in key APIs like Perindopril and Teneligliptin and is expanding into high-margin oncology APIs. Backed by industry tailwinds and a strategy of portfolio expansion and market diversification, Alivus is set for strong growth, with external API sales projected to grow at a 10% CAGR during FY24-27E.

Scaling up in the high-growth CDMO business

Alivus Life Sciences has been expanding its CDMO business over the past 5-6 years, leveraging its expertise in process chemistry research. Despite post-COVID challenges, the global CDMO market remains attractive, driven by increased outsourcing and supply chain diversification away from China. Currently contributing 7-8% of 9MFY25 sales, Alivus has four CDMO projects underway and a multi-year API supply deal set to commercialize in H1FY26. With plans to double its CDMO business by 2027 and a projected 39% revenue CAGR from FY24-27E, Alivus is well-positioned to become a key player in the growing CDMO market.

Strategic expansion plans to bear fruit in future

With capacity utilization at ~90%, Alivus Life Sciences is accelerating expansion under Nirma's ownership, planning Rs. 600 crores capex over FY24-26 for infrastructure, tech upgrades, and process improvements. The company aims to nearly double reactor capacity from 1,198 KL in FY24 to 2,405 KL by FY26 through brownfield expansions at Ankleshwar and Dahej and a greenfield project in Solapur. This expansion supports growth in API and CDMO businesses, with backward integration enhancing cost efficiency. Investments in advanced tech platforms and high-potent API manufacturing are set to drive a ~12% revenue CAGR by FY24-27E, positioning Alivus for long-term success.

Healthy financials amid expansion plan to drive strong growth

The company plans capex for greenfield expansion and R&D, focusing on growth-driven investments and new technology platforms like flow chemistry. Despite cyclical CDMO challenges and competitive pressure, return ratios remain strong, with ROCE expected at 27.1% in FY24. The company is net debt-free with an expected Rs. 6.4Bn annual OCF and Rs. 18.5Bn FCF over FY24-27E. Efficient working capital management, steady traction in generic APIs, and ~2X growth in the CDMO business position it for ~12% sales CAGR from FY24-27E, ensuring long-term financial growth.

Valuation

Alivus is expected to deliver a 12% revenue CAGR over FY24-27E, led by its expanding generic API portfolio and 2X growth in CDMO revenues. With a robust pipeline of 21 high-potency APIs targeting a $45bn market, the company offers significant growth potential. Despite its strong outlook and premium product mix, Alivus trades at reasonable valuations, presenting a potential rerating opportunity. Its strategic shift to an API-CDMO hybrid aligns with global pharma outsourcing trends, enhancing market presence and customer reach. With a clear expansion roadmap, deep customer relationships, and Nirma's operational expertise driving efficiencies, Alivus is well-positioned to bridge the valuation gap with global CDMO players. **We value the company at 27x FY26E EPS, setting a target price of Rs. 1,317 per share, a 27% upside. We initiate coverage with a BUY rating.**

Stock Rating

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

Sector Outlook **Positive**

Stock

CMP (Rs)	1,034
Target Price (Rs)	1,317
BSE code	543322
NSE Symbol	ALIVUS
Bloomberg	ALIVUS IN
Reuters	ALIV.BO

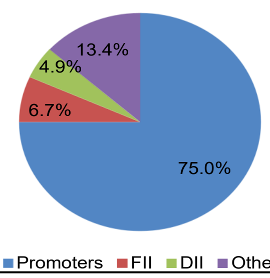
Key Data

Nifty	22,509
52 Week H/L (Rs.)	1,335 / 677
O/s Shares (Mn)	122
Market Cap (Bn)	124
Face Value (Rs.)	2

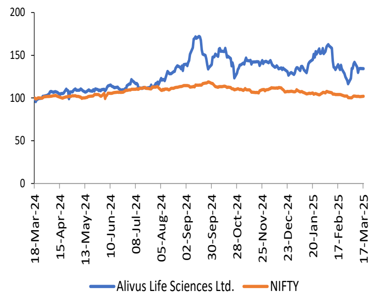
Average volume

3 months	137,130
6 months	160,540
1 year	190,930

Share Holding Pattern (%)



Relative Price Chart



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Alivus Life Sciences Ltd.

Key Financials						
YE March (Rs. Mn.)	**FY22**	**FY23**	**FY24**	**FY25E**	**FY26E**	**FY27E**
Revenue	**21,232**	**21,612**	**22,832**	**24,670**	**27,866**	**32,000**
Revenue Growth (Y-o-Y)	*12.6%*	*1.8%*	*5.6%*	*8.0%*	*13.0%*	*14.8%*
EBITDA	**6,161**	**6,423**	**6,742**	**7,108**	**8,630**	**10,682**
EBITDA Growth (Y-o-Y)	*4.2%*	*4.3%*	*5.0%*	*5.4%*	*21.4%*	*23.8%*
Net Profit	**4,187**	**4,670**	**4,709**	**4,914**	**5,976**	**7,457**
Net Profit Growth (Y-o-Y)	*19.1%*	*11.5%*	*0.8%*	*4.4%*	*21.6%*	*24.8%*
Diluted EPS	**34.2**	**38.1**	**38.4**	**40.1**	**48.8**	**60.9**
Key Ratios						
EBITDA (%)	**29.0%**	**29.7%**	**29.5%**	**28.8%**	**31.0%**	**33.4%**
NPM (%)	19.7%	21.6%	20.6%	19.9%	21.4%	23.3%
RoE (%)	**20.4%**	**21.8%**	**20.2%**	**19.4%**	**21.6%**	**24.4%**
RoCE (%)	28.9%	29.4%	27.1%	25.9%	28.8%	32.5%
Valuation Ratios						
P/E (x)	**30.3**	**27.1**	**26.9**	**25.8**	**21.2**	**17.0**
EV/EBITDA	19.7	19.1	18.2	17.4	14.2	11.3
P/BV (x)	**6.2**	**5.9**	**5.4**	**5.0**	**4.6**	**4.2**
Debt to Equity	0.0	0.0	0.0	0.0	0.0	0.0

Source: Company, BP Equities Research

Alivus Life Sciences Ltd.

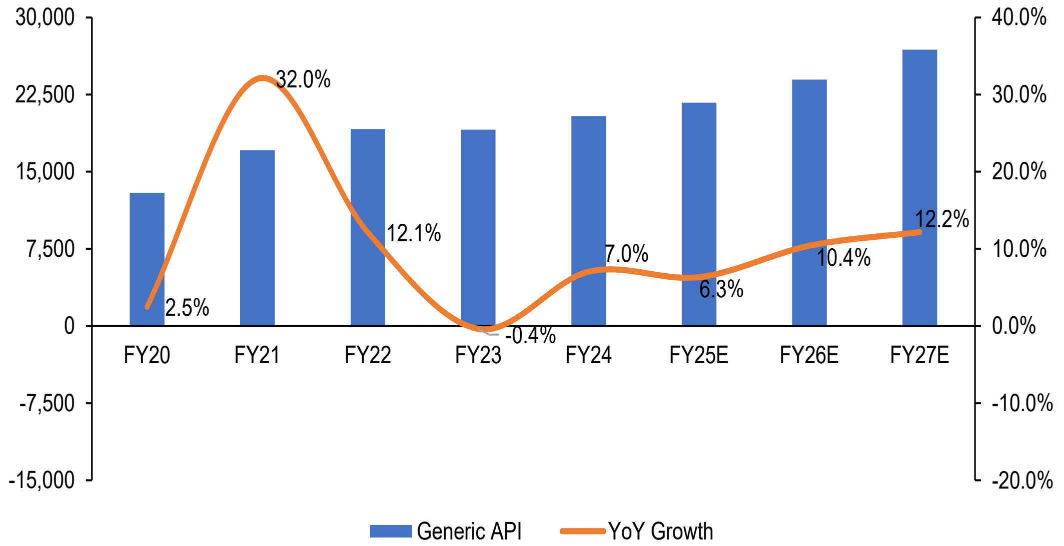
Investment Rationale

Strong API presence along with focus on essential therapeutic categories to drive business performance

Alivus Life Sciences has established a strong presence in the API industry, positioning itself as a high-value API manufacturer with a well-diversified portfolio and good relationships with the top 20 global generic players. The company focuses on complex APIs with high market entry barriers, differentiating itself from generic API manufacturers. This strategic focus has enabled Alivus to build a critical mass, particularly in key therapeutic segments such as Cardiovascular (CVS), Central Nervous System (CNS), Pain Management, and Anti-Diabetics. During 9MFY25, CVS and CNS were the primary growth drivers, collectively contributing ~58% of the company's API portfolio. As of FY24, the company's portfolio consisted of ~151 APIs, including 21 high potency APIs, with an addressable market for the company's overall API portfolio estimated around $181bn. Additionally, the company has 21 products in the pipeline, with a total addressable market of around $45bn, of which six products have been validated, and six more are in advanced stages of development. The company has also maintained a dominant market share in some widely used APIs such as Perindopril, Telmisartan, Olmesartan (all CVS), Atovaquone (anti-parasitic), Teneligliptin (anti-diabetes), Zonisamide (CNS) and Adapalene (dermatology) among others. Alivus is now focusing on developing niche, oncology-focused, high-potency APIs that enjoy better growth and margin profiles. The company has consistently expanded its API offerings, adding new APIs to its portfolio since FY20 and extending more than 40+ APIs to new markets and customers, signifying its assurance of growth and innovation. Within the pharma industry, the company benefits from structural tailwinds, including increased outsourcing, rising demand for specialized APIs, and supply chain diversification aimed at reducing dependency on single regions. As we advance, Alivus is well-positioned for healthy growth, due to steady expansion of the API portfolio, ongoing product development and the global API industry growth rate for some key therapies. The company's strategy of leveraging its marketed portfolio by filing existing products in newer geographies both regulated and semi-regulated will further drive revenue growth. We expect generic APIs to grow at a CAGR of 8% during FY24-27E, driven by external API sales, which are expected to grow at a CAGR of 10% during the same period. Overall, we believe Alivus Life Science's focus on expanding its API portfolio, maintaining strong customer relationships, and diversifying its market presence makes it a key player in the global API landscape, positioning it for sustained growth and profitability in the coming years.

"Alivus has a strong portfolio of APIs and a leading share in key products, solidifying its position in the global API space."

API business aided by strong momentum in external sales (Rs. Mn.)



Source: Company, BP Equities Research

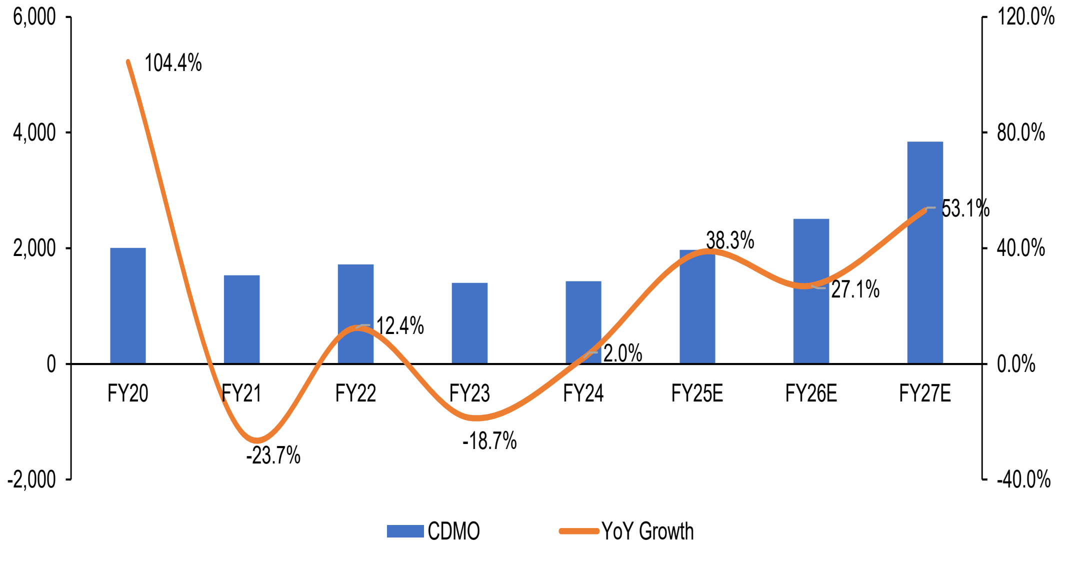
Alivus Life Sciences Ltd.

CDMO business setting benchmark under new ownership and provides visibility for enhanced financial performance

Alivus Life Sciences has started working with innovative pharmaceutical companies in CDMO over the last 5-6 years by leveraging its capabilities in process chemistry research. CDMO is a high-margin, sticky business model that ensures long-term client engagement due to the complexity and regulatory challenges associated with drug development and manufacturing. Post-COVID, the global CDMO landscape has become more challenging, with newly drawn assignments taking time to materialize due to lack of funds and tighter execution schedules. However, the long-term story remains intact. The global CDMO market is growing rapidly, driven by increasing outsourcing trends among pharmaceutical companies seeking cost-efficient, high-quality manufacturing partners. The top 10 global CDMO players control less than 30% of the market, making it a fragmented industry with ample opportunities, which bodes well for Indian pharma companies. As global pharma companies consolidate their supplier base to improve efficiency and cost-effectiveness, Alivus can benefit from this trend by offering specialized, high-value CDMO services. The US Bio Secure Act is also poised to positively influence global pharmaceutical investors as they increasingly seek alternatives to China. Indian CDMOs are becoming the preferred choice for small molecule development, driven by cost competitiveness, substantial regulatory compliance (FDA, EMA approvals), expertise in APIs, and speciality chemicals. While CDMO currently accounts for around 7-8% of sales in 9MFY25, the management is determined to accelerate the tempo with consistent deal wins and execution. The company currently has around four CDMO projects in hand, and for its fifth project, Alivus signed a multi-year definitive agreement with an innovator for the supply of API, which is expected to commercialize in H1FY26. The company aims to double its CDMO business by 2027, leveraging its existing partnerships and adding new projects. The CDMO business is set to become a significant growth driver for Alivus Life Sciences, with an expected revenue CAGR of ~39% from FY24-27E. The combination of a strong regulatory track record, robust manufacturing capabilities, and increasing deal-wins augurs well for the company to capitalize on the growing CDMO market. Additionally, with planned capacity expansions and strategic investments in high-value segments, CDMO business is expected to enhance financial performance. Overall, the API division of Alivus Life Sciences represents a low-hanging fruit, given its growing presence in the CDMO business. With strong growth potential, well-established reputation, and cost efficiency, we believe that the CDMO division is an attractive business opportunity poised to deliver significant value in the future.

"Alivus aims to double its CDMO business by FY27, led by strategic deal wins, capacity expansions, and increasing global demand for cost-efficient, high-quality manufacturing partners."

CDMO segment to witness robust growth under new ownership (Rs. Mn.)



Source: Company, BP Equities Research

Alivus Life Sciences Ltd.

Expansion plans on track with strong growth visibility

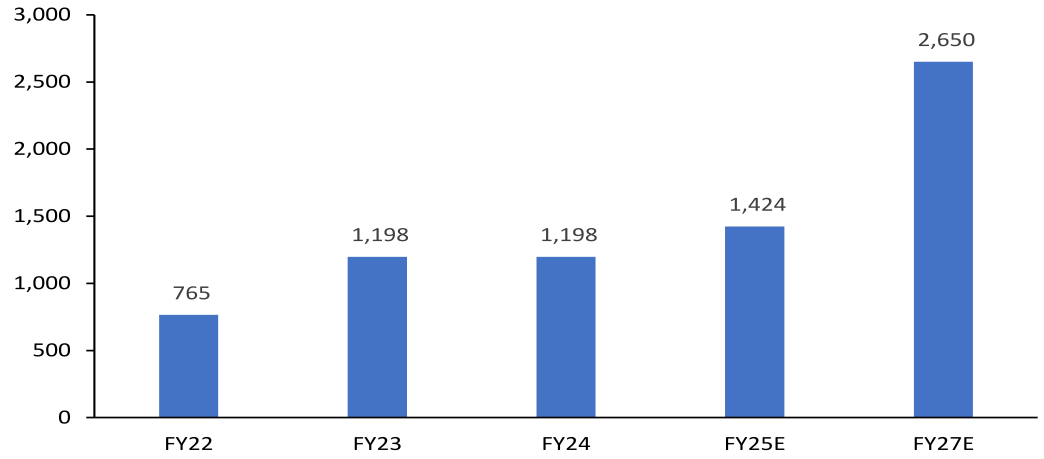
Alivus Life Sciences has focused on augmenting capacities as the average capacity utilization reached ~90% at most facilities. The capacity expansion was in the slow lane, with an overall spending of just Rs. 540 crores during FY20-24 despite operating cash flow generation of Rs. 1,900 crores. However, under the Nirma ownership, the management is expected to assume much-needed autonomy and is already visible in the capex guidance of Rs. 300-350 crores for FY25E, a sharp increase compared to its historical capex spending. Over FY24-26 period, the company plans to invest Rs. 600 crores in infrastructure, technology upgrades, and process improvement. The company is undergoing a significant expansion phase focusing on increasing production capacity, strengthening its CDMO business, and expanding into high-margin therapeutic areas. The company has planned to increase its reactor capacity from 1,198 KL in FY24 to 2,405 KL by FY26 through a combination of brownfield expansions at Ankleshwar and Dahej and a greenfield facility at Solapur, which will add substantial capacity of 800 KL. Alivus Life Sciences has completed the brownfield expansion for generic API products at Dahej, which is complete with 240 KL capacity, as is the expansion for the oncology plant. The company's backward integration plant at Ankleshwar of 208KL was also being constructed and is operational from Q2FY25. The company is now undertaking brownfield expansions at its Ankleshwar and Dahej facilities, with an addition of 60 KL and 160 KL pharma capacity by FY26 to meet the increasing demand from regulated markets. At the same time, a large-scale greenfield project is underway at Solapur, with an initial 200 KL capacity set to commence operations in FY26, followed by a 400 KL expansion to backward integration by FY27-28. Further capacity additions of 400 KL are planned beyond FY28, depending on demand dynamics. This expansion aligns with the company's strategy to scale its API and CDMO businesses, aiding it in capturing growing opportunities while safeguarding cost efficiency through backward integration. Additionally, the company invests in advanced technology platforms such as flow chemistry and high-potent API manufacturing, strengthening its ability to develop specific products for regulated markets. These strategic initiatives are expected to drive a ~12% revenue CAGR during FY24-27E, position Alivus as a key player in the growing pharmaceutical landscape under the new leadership.

"The company strategic expansion plan under new leadership, positioning it as a key player in the growing pharmaceutical landscape."

Capex Projects in Bromine Derivatives

Expansion Type	Division	Location	Status & Planned Capacity	Operational Timelines
Brownfield	API / Intermediate	Ankleshwar	Planned addition of 60 KL Pharma Capacity	FY26
Brownfield	API	Dahej	Planned addition of 160 KL	FY26
Greenfield	API	Solapur	Phase 1 – 200 KL (Construction started)	FY26
			Phase 1.1 – 400 KL (Backward Integration)	FY26
			Phase 2 - Planned addition of 400 KL	FY27/FY28

Total Reactor Capacity Expansion Plan (KL)



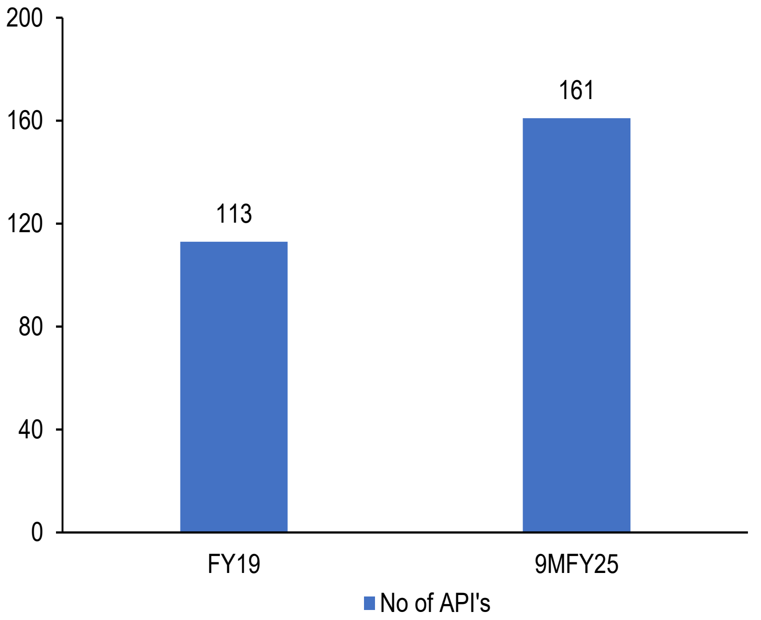
Source: Company, BP Equities Research

Large client base and steady pace of new launches to sustain growth

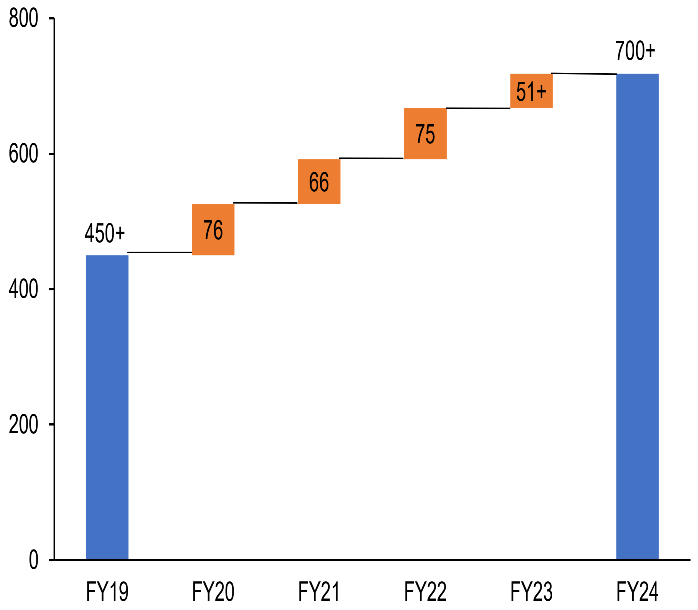
Alivus Life Sciences has built a portfolio of 151 molecules, targeting a front-end market value of ~$180bn. These molecules are strategically filed in key global markets, allowing the company to serve various pharmaceutical customers across 75+ countries. By leveraging its supply chain capabilities, Alivus continues to expand its reach by filing existing molecules in new markets. Over the past four years, the company has significantly expanded its customer base from 450+ in FY19 to 700+ as of 9MFY25. It is worth highlighting that 16 of the world's 20 largest generics companies source APIs from Alivus. The company has fostered long-standing relationships with key customers, including Teva, Aurobindo, and Torrent, with its top seven customers engaged for over 15 years. Another significant factor that could contribute to the growth of the company's external business is the high repeat percentage of purchases. During FY19-24, revenue from sales of the company's top 10 products accounted for ~50% of Alivus' generic API business sales. As a result of increased competition, pricing pressures or fluctuation in the demand or supply of these products, revenues from these products may decline in the future. The company has also actively broadened its product portfolio beyond generic APIs to include high-potency APIs, oncology products, iron complexes, and peptides. New launches will lead to growth in the medium term as Alivus expects ~50% of sales in FY28-30E to come from new launches. These niche and complex APIs cater to high-value markets with limited competition, allowing the company to build strong relationships with customers seeking specialized pharmaceutical solutions. In addition, the company is focused on entering more regulated markets, including the US, Europe, and Japan, through an extensive pipeline of API filings. The company can attract a broader range of pharma customers by safeguarding regulatory approvals and expanding its global footprint. Beyond APIs, Alivus is also scaling its CDMO business segment, which provides end-to-end solutions from drug development to commercial-scale manufacturing. The company is securing long-term contracts with both large and emerging pharmaceutical firms. Alivus has created a strong customer base and enhanced its global presence by combining product innovation, geographic expansion, technology-driven efficiencies, and customer engagement. As we advance, the company has a robust pipeline of 21 high-potency APIs that collectively address a total addressable market of ~$45bn. This will aid the company's financial performance within the API industry and strengthen its position as a preferred supplier for major pharmaceutical companies looking to source critical APIs. In addition, Alivus is intensifying its focus on regulated markets such as the US, Europe, and Japan through an extensive pipeline of API filings. Securing regulatory approvals in these markets enhances the company's ability to attract a broader customer base and strengthen its global footprint.

"New launches will lead growth in the medium to long term as Alivus expects ~50% of sales in FY2029/30E to come from new launches."

New APIs added to its portfolio since FY20



New customer addition since FY20



Source: Company, BP Equities Research

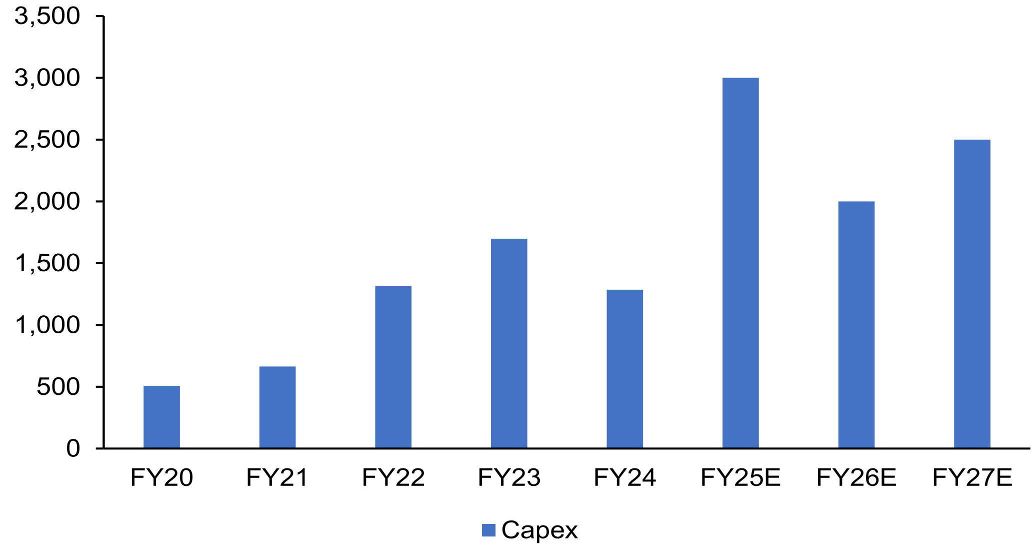
Alivus Life Sciences Ltd.

Despite accelerating capex, return ratios and cash flow profile to remain healthy

Alivus Life Sciences capex spending over the years was way below the optimum level despite having the capability to expand. This is set to change, with an estimated Rs. 400-500 crores capex planned for greenfield expansion and R&D initiatives over the next few years, with a significant portion allocated to growth-driven investments. The company is well-positioned for growth through strategic investments and a robust product pipeline despite facing cyclical challenges in the CDMO segment and competitive pressures in the generics market. While these factors may pressure return ratios, they are expected to remain among the best in the industry with ROCE expected to decrease to 25.9% in FY25E from 27.1% in FY24. Post-Nirma takeover, the company has been investing more in newer technology platforms such as flow chemistry, and growing its complex portfolio in oncology, iron complexes and peptides (current pipeline of 21 high-potent APIs with a Total Addressable Market of ~$45bn). Alivus has the potential to leverage its established presence in the generic API segment to connect with clients and steadily drive higher CDMO deals. On the financial front, the company maintains a strong balance sheet and remains net debt-free as of December 31, 2024. Over FY24-27E, we expect annual average operating cash flow (OCF) of ~Rs. 6.4 bn, cumulative capex of ~Rs. 7 bn, and free cash flow (FCF) of ~Rs. 18.5 bn over the same period. On the working capital front, Alivus plans to focus on efficient collection based on contractual obligations and improve the business mix through higher contributions from geographies with relatively shorter working capital cycles such as the EU and Japan. The company has recently delivered an improved Q3FY25 performance after several subdued performances over the past three quarters due to various factors, such as geopolitical challenges and the Ankleshwar shutdown. With the company continuing to invest in capacities under Nirma, we expect Alivus to reap these benefits over the long run. We expect Alivus to deliver healthy ~12% sales growth over FY24-27E, driven by steady traction in its generic API business and ~2X growth in the CDMO business. Overall, the company remains net debt-free with strong operational cash flow, indicating healthy financial management. Dividend policy may see adjustments post-transition, focusing on growth investments rather than high dividend payouts.

"The company remains net debt-free, with healthy return ratios and strong growth prospects led by expanding API and CDMO businesses."

Capex trend gaining momentum under new leadership (Rs. Mn.)



Source: Company, BP Equities Research

Alivus Life Sciences Ltd.

Q3FY25 Concall Highlights

(1) Alivus is optimistic about its future growth trajectory on the back of a steady demand environment New Generic APIs launches will lead growth in the long-term as Alivus expects ~50% of sales in FY2029/30E to come from new launches.

(2) There are 21 HP APIs in the development grid, representing a market size of ~$45bn. Out of these, six products have been validated and six are in advanced stages of development. The remaining nine products are progressing through earlier stages. For HP API, the focus is on getting in early with the customers.

(3) The company has filing for one iron complex that has been completed, with two other APIs in advanced stages of development. The total addressable market is $2.2bn. For iron complexes, a lot of characterization is required to be done to establish equivalence, which increases the complexity, leading to lower competition.

"Alivus plans to set up its R&D facility within the next 1-1.5 years, strengthening its focus on innovation and future growth."

(4) Alivus CDMO Q3FY25 contribution from the 4th project was not material. Its contribution will pick up in the coming quarters. Demand for existing three products was affected by seasonality.

(5) Alivus hopes to have its own R&D facility in the next 1-1.5 years. The company is still scouting for a land parcel.

(6) Demand is healthy in RoW, Europe and Japan, while India is stable. However, demand from the US and LatAM is a bit weak. Clients in Argentina have been conservative in placing orders due to the currency depreciation. Alivus expects demand from RoW, Europe and Japan to remain strong for the next two quarters.

(7) Alivus has recently completed successful audits from PMDA for Dahej and ANVISA for Ankleshwar. The company believes USFDA could also audit its facilities over the near term.

(8) The company has already started working on two differentiated platforms and will add more platforms in the next 6-8 months. Alivus is targeting commercialization in early FY27E.

(9) The oncology platform is still at a seeding stage and has not reached the commercial stage yet. Six oncology products have been validated and another six will be validated soon.

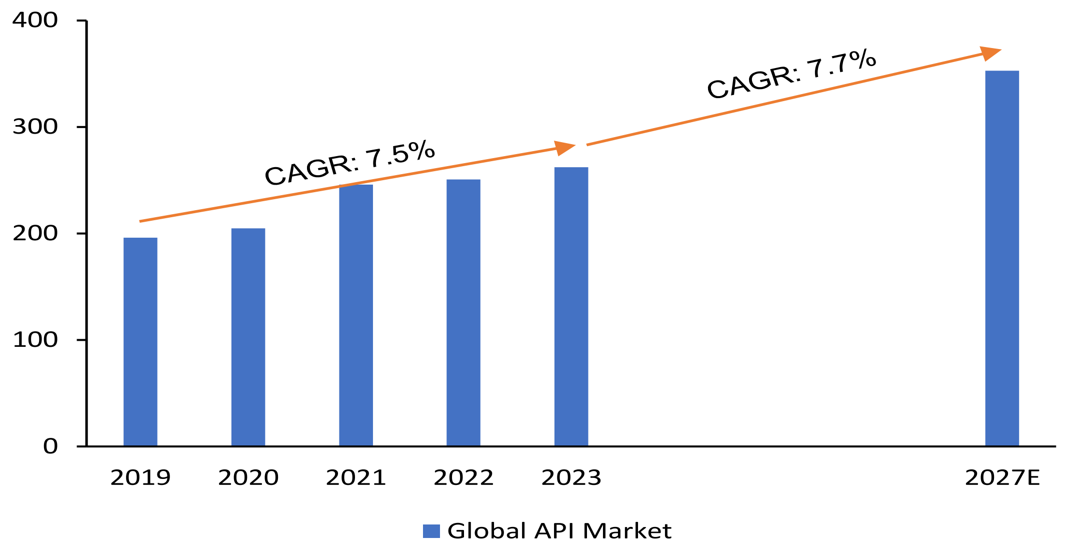
(10) Dividend will be lower than it used to be in the past, as the company will continue to invest in capex for upcoming capacities and new technologies.

Industry Overview

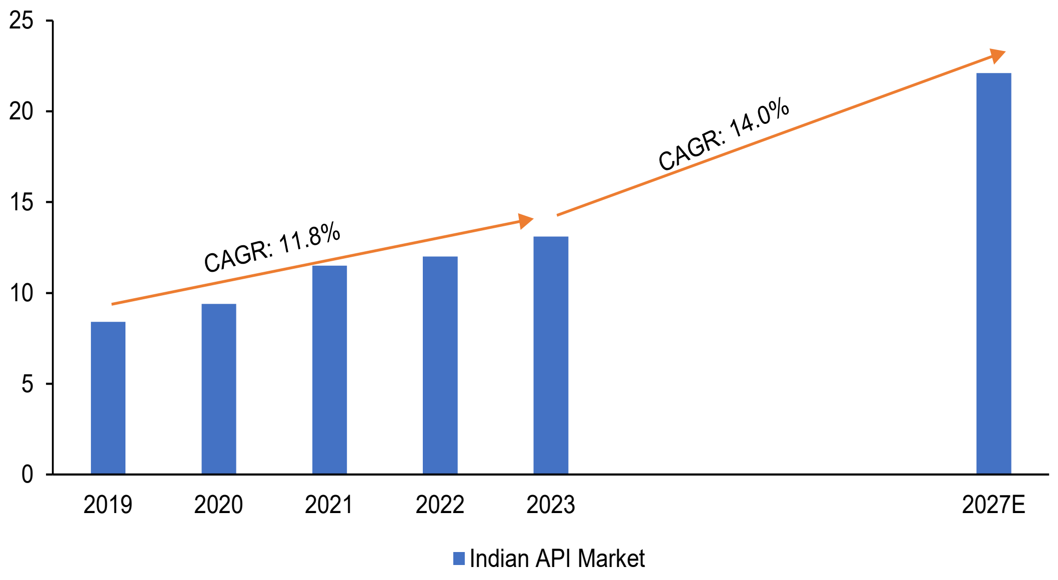
Global and Indian API Industry Overview

The Active Pharmaceutical Ingredient (API) serves as the biologically active core of a drug, inducing specific therapeutic effects, from pharmacological actions to disease diagnosis and prevention. A precisely formulated API is pivotal for ensuring the safety and efficacy of drugs, with the drug's potency directly linked to the API quantity. The demand for pharmaceutical products corresponds directly to API sales, and as this demand grows, so does the need for APIs. As disease patterns shift from acute to chronic and translate into high drug volume consumption, the growth of the API industry will follow suit. Moreover, with the increasing adoption of novel drugs, including biologics, coupled with the volume growth of the generics industry, the segment is expected to grow steadily. Notably, there is a rising preference for complex APIs like Highly Potent Active Pharmaceutical Ingredients (HPAPIs) contributing to improved drug efficacy and increasing production costs. Thus, expanding high-value APIs will result in an API market growing faster than the pharma market (by value).

Global API Market, 2019 - 2027E (in $bn)



India API Market, 2019 - 2027E (in $bn)

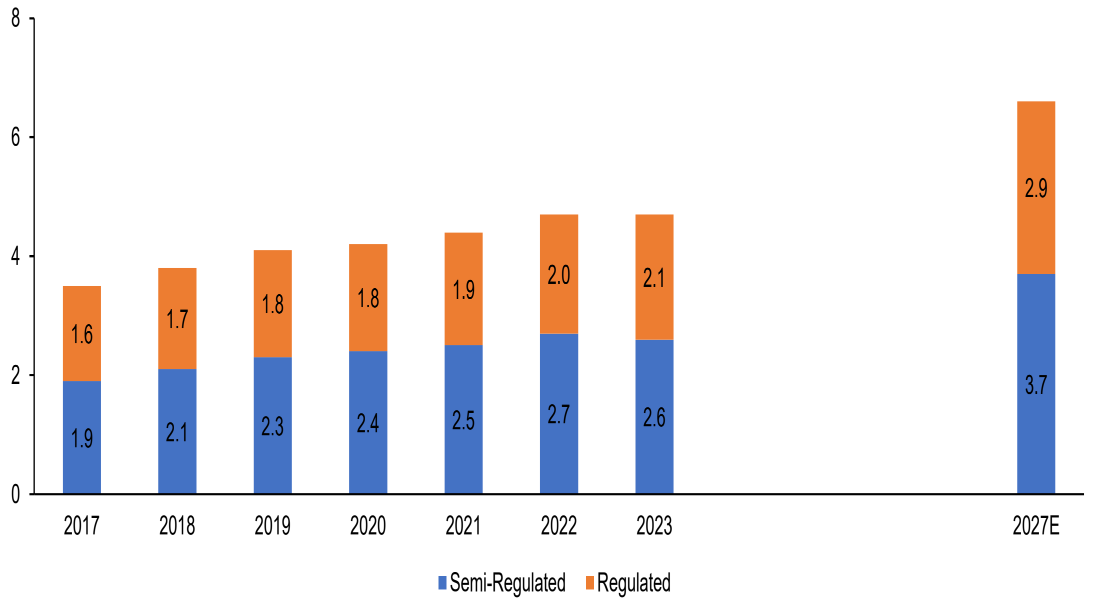


Source: Frost & Sullivan

Role of India in Global Supply of API

India has been aptly crowned Pharmacy of the World, particularly for its manufacturing ability and contributions to the global pharma sector. India commands the position of being the largest provider of generic medicines worldwide, holding a 20% share in global supply by volume, encompassing a diverse range of 60,000 generic brands across 60 therapeutic categories. The industry's global reach is underscored by the fact that India exports pharmaceuticals to over 200 countries, supplying over 50% of Africa's generic medicine needs, almost 40% of the generic demand in the US, and about 25% of all medicines in the UK. With a robust infrastructure, India boasts the highest number of USFDA-compliant pharma plants outside the US, housing over 3,000 pharmaceutical companies with an extensive network of over 10,500 manufacturing facilities. The sector is further supported by a highly skilled resource pool, including 500 API manufacturers, contributing ~5.2% to the global API industry by value. The total pharmaceutical exports API for 2023 (FY24) reached $4.7bn, highlighting the sector's global competitiveness. India is one of the largest API exporters to global markets. High process efficiencies, the experience of working with regulatory bodies across the globe, and cost competitiveness have allowed India to emerge as one of the world's largest API suppliers. In 2017, India exported $3.5bn worth of API, which jumped to $4.7bn in 2023 and is expected to reach $6.6bn by 2027, growing at a CAGR of 8.6% from 2023 to 2027.

India's API Exports by Value, 2017 – 2027E (in $bn)



Source: Ministry of Commerce and Industry, Frost & Sullivan

Note: API Exports comprises bulk drugs and intermediates. The regulated markets include South Korea, Australia, the US, Europe, Canada, and Japan. In Europe, only the nations classified as 'Stringent Regulatory Authority' by WHO are considered to be regulated markets.

Complex APIs to drive overall API market growth

Older drugs such as anti-infectives, diabetes, cardiovascular, analgesics and pain relief have historically dominated the API market. Given the current R&D trends, the market is shifting toward complex APIs, consisting of complex oncology, peptides, complex injectables and iron complexes, which are used in formulations that target niche therapeutic areas. The complex API market has been growing at a faster pace compared with the overall API market. According to Frost & Sullivan, the complex API market is expected to report a 9% CAGR over CY2023-27E, led by growing R&D activities in anti-cancer drugs, demand for biologics and technological advancement in peptide therapeutics.

Complex oncology APIs:

The oncology API market is experiencing notable growth, driven by the increasing prevalence of cancer and advancements in targeted therapies. According to IMARC Group, the global oncology API market reached ~$50bn in 2024 and is projected to grow to ~$76bn by 2033, exhibiting a CAGR of 4.8% from the 2025-2033 period. These projections underscore the robust expansion of the oncology API sector, highlighting the critical role of APIs in developing effective cancer treatments.

Complex injectable APIs:

The complex injectable API market is experiencing significant growth, driven by advancements in drug delivery systems and the increasing prevalence of chronic diseases. According to Growth Market Reports, the global complex injectable market was valued at ~$249bn in 2023 and is projected to reach around $453bn by 2032, expanding at a 7.1% CAGR in the complex injectable API market over CY23-32E.

Iron compound APIs:

These APIs form a small portion of the complex API market and was worth ~$2bn in CY23. The iron compounds API market is expected to grow at a 5.5% CAGR over CY2023-26E, led by the rising incidence of anaemia with chronic kidney diseases and an increasing number of patients with postpartum anaemia.

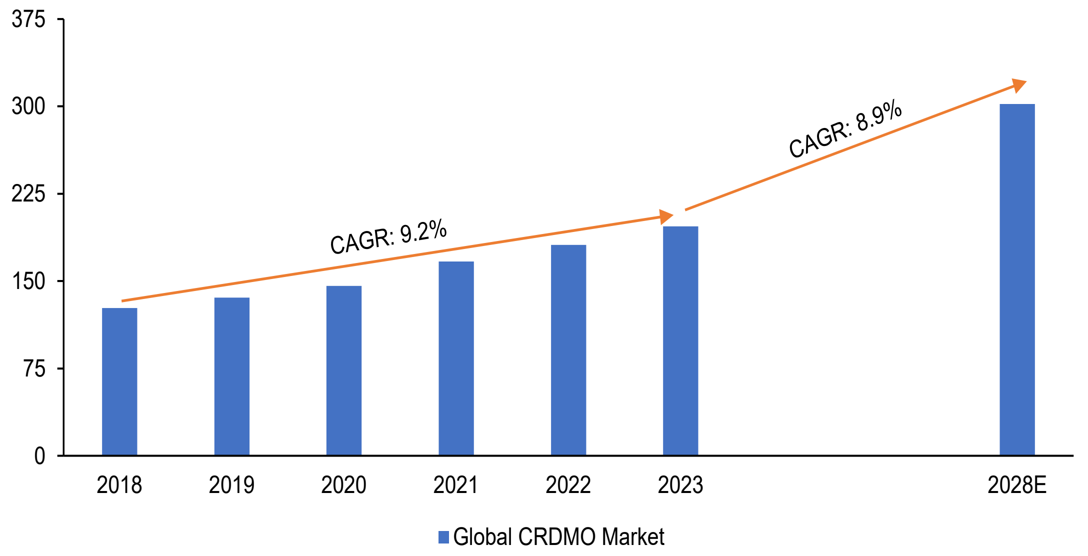
Peptide APIs:

Demand for peptide drugs is increasing due to their demonstrated pharmacological value and high therapeutic profiles. The global peptides API market is expected to grow at a 9.3% CAGR over CY23-32E, led by advancements in peptide therapeutics and the increasing prevalence of cancer and metabolic diseases, where peptides offer encouraging prospects in targeted drug delivery.

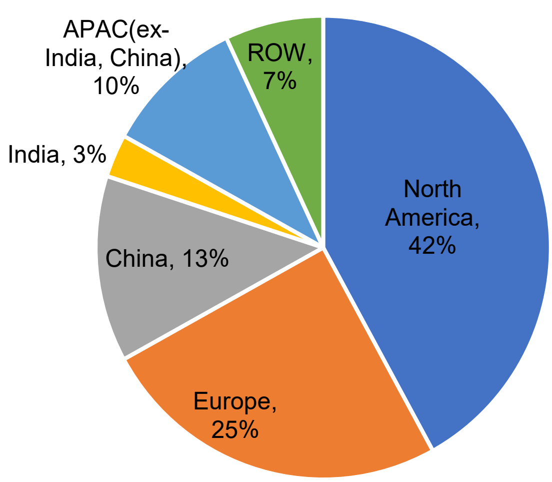
Global and Indian CDMO Industry Overview

As per Frost and Sullivan, the Asia-Pacific pharmaceutical CDMO sector is expanding rapidly, with a market size of $50+bn in 2023, and is set to deliver an ~11% CAGR until 2028. This growth is fuelled by cost-effective manufacturing, rising outsourcing trends, and the increasing shift away from China due to geopolitical risks. China remains the largest player, but India and South Korea are emerging as dominant forces in small molecules and biologics, respectively. Recent US regulatory shifts such as the Inflation Reduction Act (IRA) and the Biosecure Act are accelerating outsourcing diversification. Drug-pricing reforms in the Inflation Reduction Act (IRA) are increasing cost pressures on US pharma companies, leading to higher demand for CDMO services. Meanwhile, the US Biosecure Act (stalled for now but its impact is visible) is pushing US firms away from Chinese suppliers due to national security concerns, benefiting Indian CDMOs as alternative supply-chain partner. This shift aligns with the broader "China+1" strategy, which is driving pharma companies to establish a more diversified and resilient global supply network.

Global CRDMO Industry, 2018 - 2028E (in $bn)

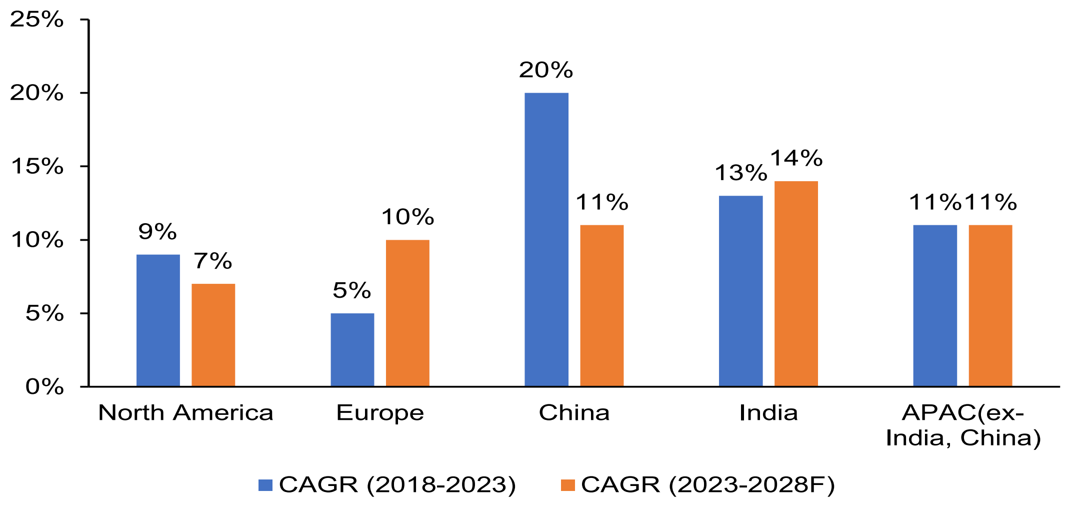


Global CRDMO Industry in 2023



Source: F&S Report, BP Equities Research

Growth Rate of Global CRDMO Industry by Region, 2018-2028E

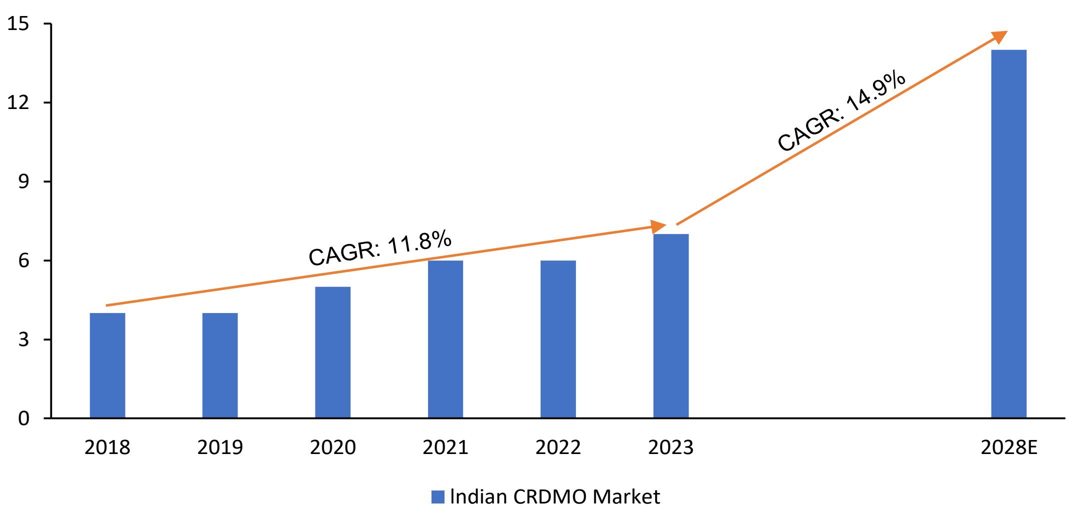


Source: F&S Report, BP Equities Research

Indian CDMO:

The fastest-growing CDMO sector globally, Indian pharma contract development, and manufacturing organization (CDMO) companies, are at an inflection point due to the secular growth tailwind of increasing outsourcing by innovator pharma companies, and the increasing trend of supply chain derisking in view of regulatory changes such as the Inflation Reduction Act (IRA) and the US Biosecure Act. Market research firm Frost & Sullivan projects the Indian CRDMO industry to reach $14bn+ by 2028, representing ~14% CAGR. Commercial manufacturing is the biggest segment within CRDMO, accounting for 55%+ of the sector and the consultancy expects it to grow at a 14% CAGR through 2028E. The consultancy expects smaller segments of the industry to grow the fastest, with pre-clinical development at a CAGR of ~16% in the period, followed by Clinical, Development, and Supplies at ~15%, and Discovery Services at ~12%. Frost & Sullivan attributes recent growth to increased collaborations and partnerships. Indian CDMO companies handled large volume contracts from innovator pharma companies during the COVID-19 pandemic, establishing themselves as reliable supply partners at lower costs. Most Indian CDMO companies currently work with at least 10 large-cap innovator pharma companies on clinical or commercial projects.

India CRDMO Industry, 2023-2028E (in $bn)

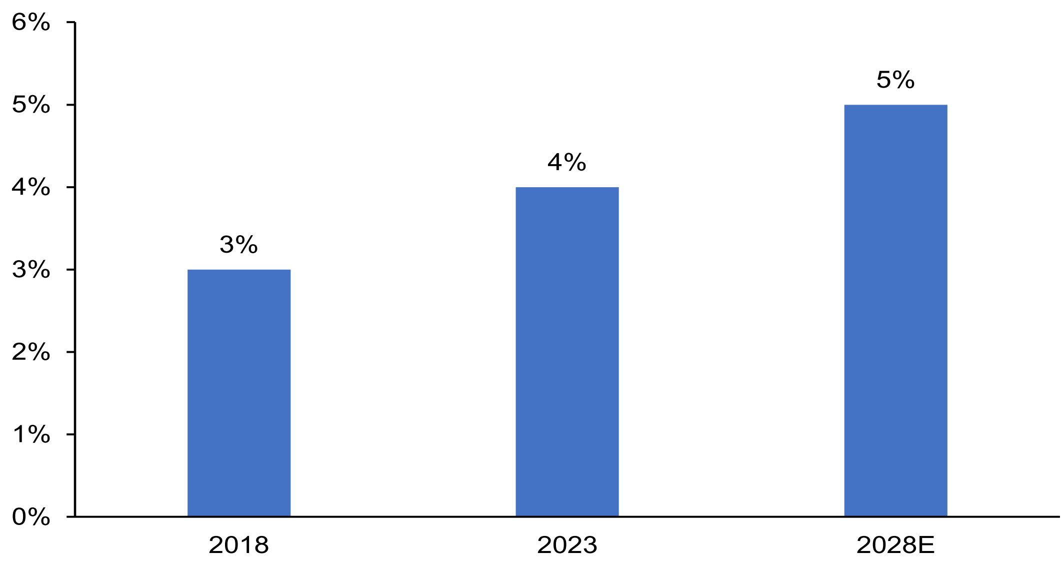


Source: F&S Report, BP Equities Research

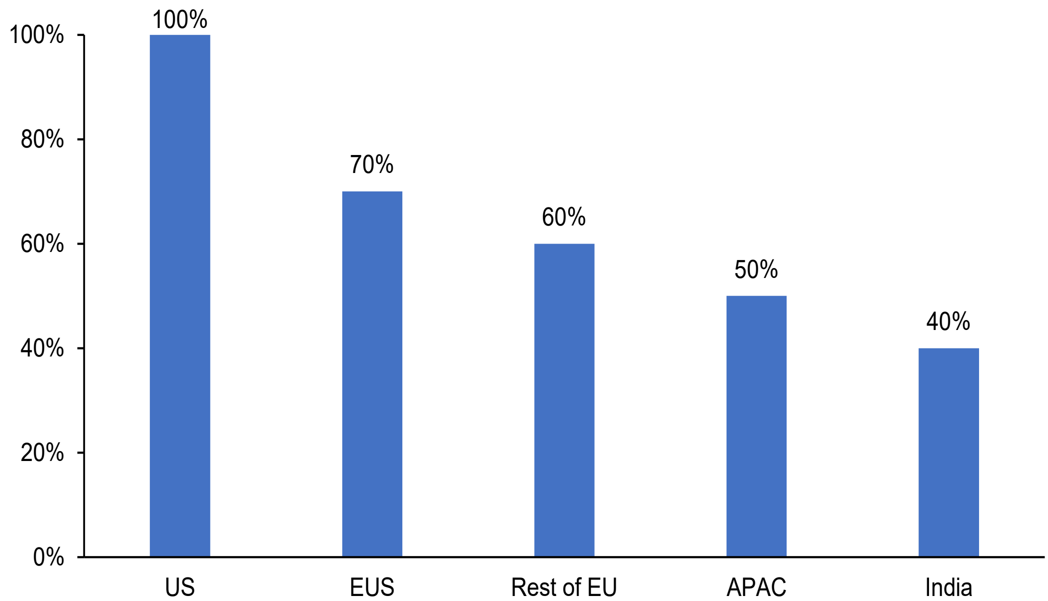
Indian CDMOs well-positioned to capture market share

India CDMO market share in the global CDMO industry to increase to ~5% by 2028E from current ~3.7% in 2023. Market share gain will be driven by significant cost advantages due to lower wage costs, robust infrastructure, and strong talent pool. India supplies ~47% of the US generic drug demand and ~25% of all UK medicines, supported by extensive regulatory experience and the highest number of US-FDA-approved plants outside the US. We believe favorable geopolitical dynamics, ease of doing business, and strong IP protection laws further enhance India's position as a preferred partner for pharmaceutical R&D and manufacturing. Hence, we expect Indian CDMOs to gain market share in the global CRDMO industry.

Indian CDMOs are expected to gain market share



Indian CDMOs offer meaningful cost advantage



Source: F&S Report, BP Equities Research

Alivus Life Sciences Ltd.

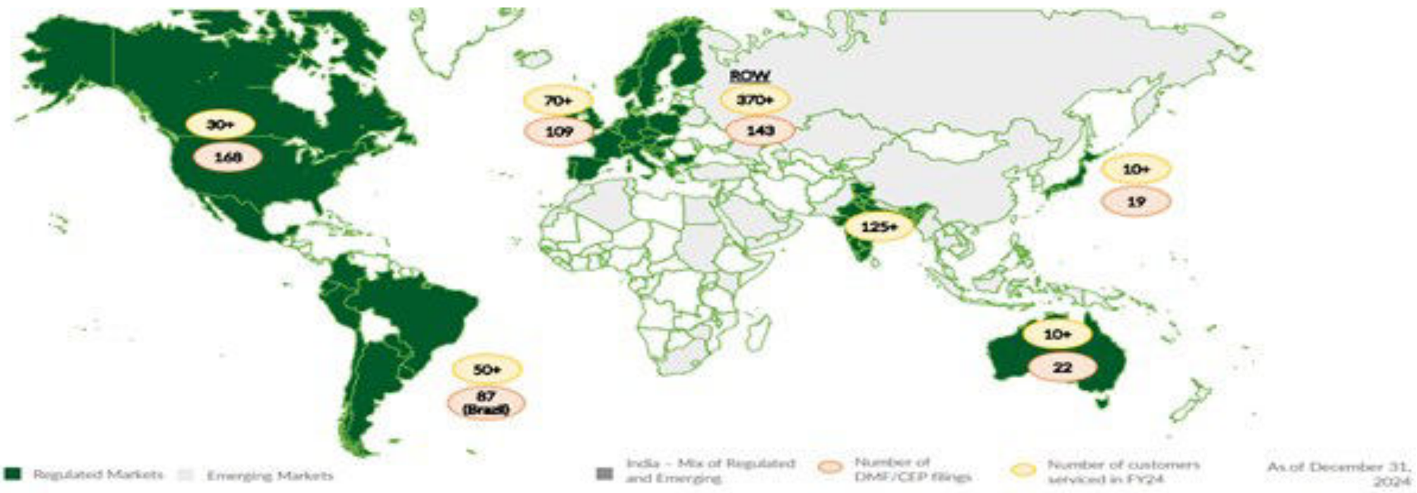
Business Overview

Alivus Life Sciences Ltd, formerly Glenmark Life Sciences Ltd, has officially transitioned to a new brand name that reflects its commitment to creating life-enhancing solutions. The company is a leading developer and manufacturer of APIs, focusing on chronic therapeutic areas such as Cardiovascular, CNS, Pain and Anti-diabetes. The company also expanded into CDMO services, catering to various multinational and specialty pharmaceutical companies. The company portfolio comprises 161 APIs across therapeutic segments and caters to over 700 customers in over 75 countries. With 20+ years of experience catering to leading global generic players, the company has maintained a dominant market share in some widely used APIs. It has also built strong partnerships with global generic pharmaceutical companies, primarily operating in highly regulated markets such as the US, Canada, Japan, Europe, Latin America, and India. The company is now focusing on developing niche, oncology-focused, high-potency APIs, which offer better growth prospects and higher margins. Following Nirma's acquisition of a 75% stake from Glenmark Pharma, Alivus is positioned for accelerated growth under new ownership. Although structurally and strategically, the business remains the same, and the change of ownership will likely provide more autonomy regarding growth capex. Alivus currently operates four manufacturing facilities located in Ankleshwar, Dahej, Mohol and Kurkumbh, with a total installed capacity of 1198 KL, which are regularly inspected by global regulators such as USFDA, PMDA (Japan) and EDQM (Europe). Alivus Life Sciences is further expanding its manufacturing capacity, looking for brownfield expansion at Ankleshwar and Dahej and setting up a fresh plant in Solapur. With a robust product pipeline, global partnerships, and strategic expansion initiatives, Alivus Life Sciences is well-positioned for sustained growth in the API and CDMO space. The company is a leading developer and manufacturer of APIs (~93% of FY24 revenue) in chronic therapeutic and providing CDMO services (~7% of FY24 revenue). The company is also increasingly a range of multinational and specialty pharmaceutical companies.

API Business

The company's API business comprises of the development, manufacture and sale of select high value, non-commoditized APIs in chronic therapeutic areas, including CVS, CNS, pain management and diabetes. They also manufacture and sell APIs for gastro-intestinal disorders, anti-infective and other therapeutic areas. As of December 31, 2024, they had filed 548 DMFs and CEPs across various major markets. The API product portfolio spans across therapeutic areas including CVS, CNS, Pain management,   Diabetes and others which are sold in both regulated markets and emerging markets.

DMFs and CEP filing status



Source: Company, BP Equities Research

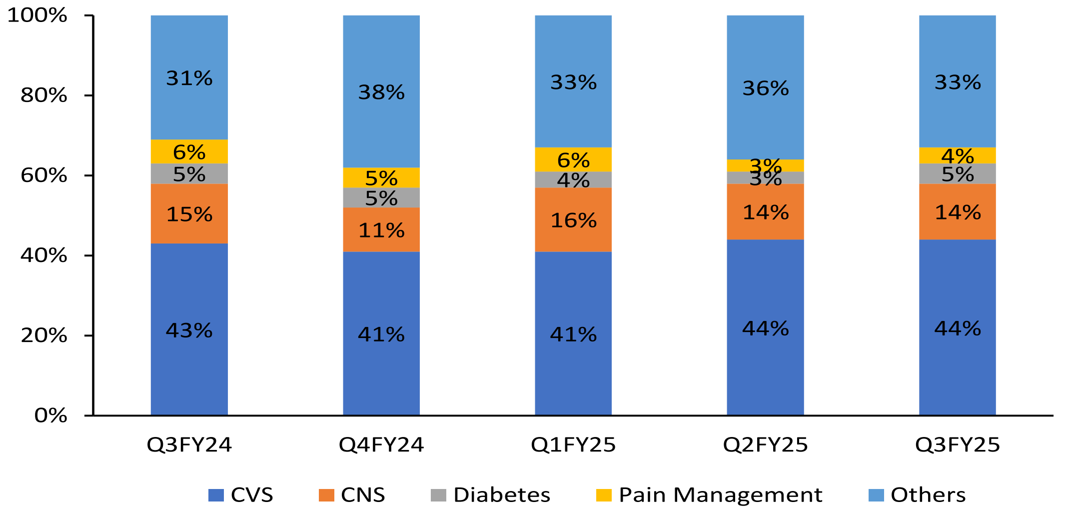
Alivus Life Sciences Ltd.

Alivus Life Sciences Cumulative Filing Status as on 31st December 2024

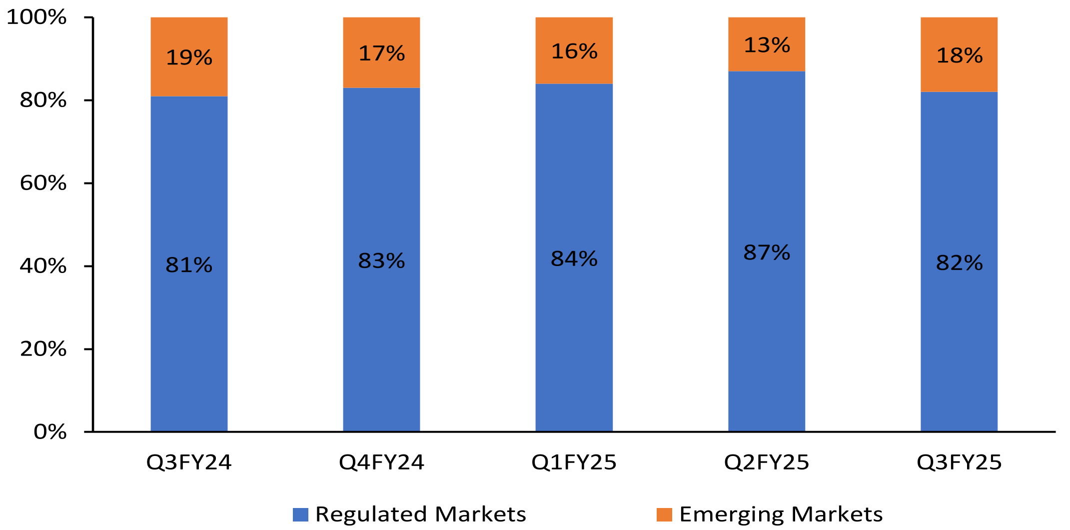
Therapy	North America	Europe	Japan	Brazil	Australia	ROW	Total
CVS	38	37	4	21	10	38	**148**
CNS	39	25	8	16	2	20	**110**
Diabetes	10	5	0	9	0	14	**38**
Pain Management	1	2	0	4	1	9	**17**
Others	80	40	7	37	9	62	**235**
Total	**168**	**109**	**19**	**87**	**22**	**143**	**548**

Source: Company, BP Equities Research

Therapy Mix



Market Mix



Source: Company, BP Equities Research

Alivus Life Sciences Ltd.

A Snapshot of Key Molecules Classified by Therapy Areas

Product Area	No of Products	Key Products
CVS Therapeutic Area	32 CVS products	Olmesartan, Amiodarone, Telmisartan, Perindopril, Rosuvastatin and Cilostazol
CNS Therapeutic Area	26 CNS products	Oxcarbazepine, Zonisamide, Topiramate, Bupropion, Ropinirole, Riluzole and Lacosamide
Diabetes Therapeutic Area	11 Diabetes products	Glimepiride, Teneligliptin, Vildagliptin and Linagliptin
Pain Management Therapeutic Area	6 Pain Management products	Etoricoxib and Lornoxicam
Oncology	13 Oncology Product	Olaparib, Enzalutamide, Palbociclib and Tivozanib HCl monohydrate
APIs in Other Therapeutic Areas	-	The other generic API business is focused on manufacturing APIs for other therapeutic areas, such as gastro-intestinal, anti-infective, respiratory, anti-emetic and other therapeutic areas.

Source: Company, BP Equities Research

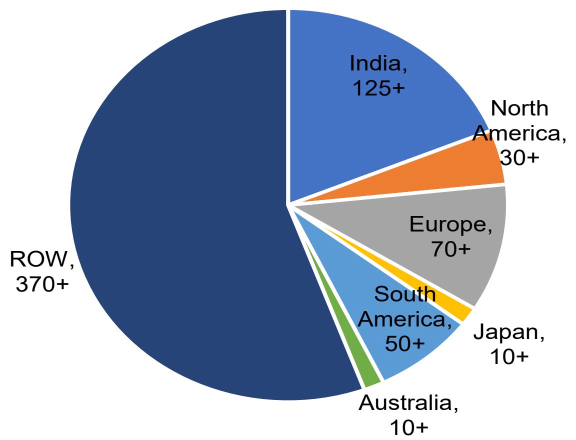
CDMO Business

Alivus Life Sciences offers customised support to global Pharma Innovators from making regulatory filings, providing research and technological support to manufacturing specialty APIs. The work encompasses through a blend of product customisation and regulatory strategy to allow market access. The specialty business offers higher business stability (with improved margins) due to the complex nature of the products, thereby leading to high customer stickiness for Alivus. At present, Alivus has around five CDMO projects in hand whereas company targets to double its CDMO business by 2027 via leveraging its existing partnerships and adding new projects.

Major Clientele

Over the years, Alivus has established strong relationships with leading global generic pharmaceutical companies that have helped them expand their product offerings and geographic reach. As of March 31, 2024, 20 largest generic companies globally were their customers. They are maintaining high customer loyalty with 80% repeat client every year. The company also have a long history with many of their key customers, which is a global leader in generic pharmaceuticals and biosimilars.

Number of Customers Serviced Across the Globe in FY24



Source: Company, BP Equities Research

Alivus Life Sciences Ltd.

APIs Developed

Products	Therapeutic Area	Therapies Categories
Laninamivir	Anti-viral	Anti-Infectives
Bempedoic acid	Anti-hyperlipidemic	Cardiovascular
Cenobamate	Anti-epileptic	Central Nervous System (CNS)
Gepirone	Antidepressant	
Lasmiditan	Anti-migraine	
Ondansetron	Anti-emetic	
Viloxazine	Psychotropic agent	
Tapinarof (Benvitimod)	Topical agent	Derma
Fezolinetant	NK3R Antagonist	Endocrinology & Women's Health
Belumosudil Mesylate	Immuno-modulator	Oncology
Cabozantinib S-malate	Oncology	
Deucravacitinib	Immuno-modulator	
Enzalutamide premix	Oncology	
Glycerol Phenyl butyrate	Immuno-modulator	
Niraparib	Oncology	
Ribociclib	Oncology	
Selumetinib sulphate	Oncology	
Ferumoxytol	Iron supplement	Vitamin Mineral & Nutrient
Ferric carboxymaltose	Iron supplement	

APIs Under Development

Products	Therapeutic Area	Therapies Categories
Aprocitentan	Anti-hypertensive	Cardiovascular
Patiromer	Potassium binder	
Benzgalantamine	CNS Agent	Central Nervous System (CNS)
Pyridostigmine Br	Acetylcholinesterase	
Xanomeline	CNS Agent	
Cholic acid	Metabolic agent	Anti-Diabetes
Chenodeoxycholic acid	Metabolic agent	
Resmetirom	Metabolic agent (NASH)	
Seladelpar	Metabolic agent	
Vonoprazan	Antacid	Gastrointestinal
Abemaciclib	Oncology	Oncology
Alectinib	Oncology	
Apalutamide	Oncology	
Binimetinib	Oncology	
Capivasertib	Oncology	
Elacestrant	Selective Estrogen Receptor Degrader (SERD)	
Encorafenib	Oncology	
Fostamatinib	Oncology	
Fruquintinib	Oncology	
Ritlecitinib	Oncology	
Upadacitinib	Immuno-modulator	
Sevoflurane	Anaesthetic	Pain
Ensifentrine	Respiratory - COPD	Respiratory
Vibegron	Urinary anti-spasmodic	Urology
Ferric derisomaltose	Iron supplement	Vitamin Mineral & Nutrient
Vadadustat	Anti-anaemic	

Source: *Company, BP Equities Research*
Note: Product filings updated till December 2024

Alivus Life Sciences Ltd.

Manufacturing Facilities and Approvals

Key Details of Manufacturing Facilities:

Location	Annual Installed Capacity	Last USFDA Inspection Date	Approvals	Markets
Ankleshwar, Gujarat	950.2 KL	Jul-19	USFDA, MHRA (UK), FIMEA (Finland), Romania (Europe) PMDA (Japan), COFEPRIS (Mexico), Health Canada, KFDA (South Korea), Gujarat FDCA, ANVISA (Brazil)	US, EU, LatAm, EM, Japan
Dahej, Gujarat	399.9 KL	Oct-18	USFDA, EDQM (Europe), PMDA (Japan), KFDA (South Korea), ANVISA (Brazil)	US, EU, LatAm, EM, Japan
Mohol, Maharashtra	49.1 KL	Mar-18	USFDA, Maharashtra FDA	India, EM
Kurkumbh, Maharashtra	24.6 KL	NA	Maharashtra FDA	India, EM

Source: Company, BP Equities Research

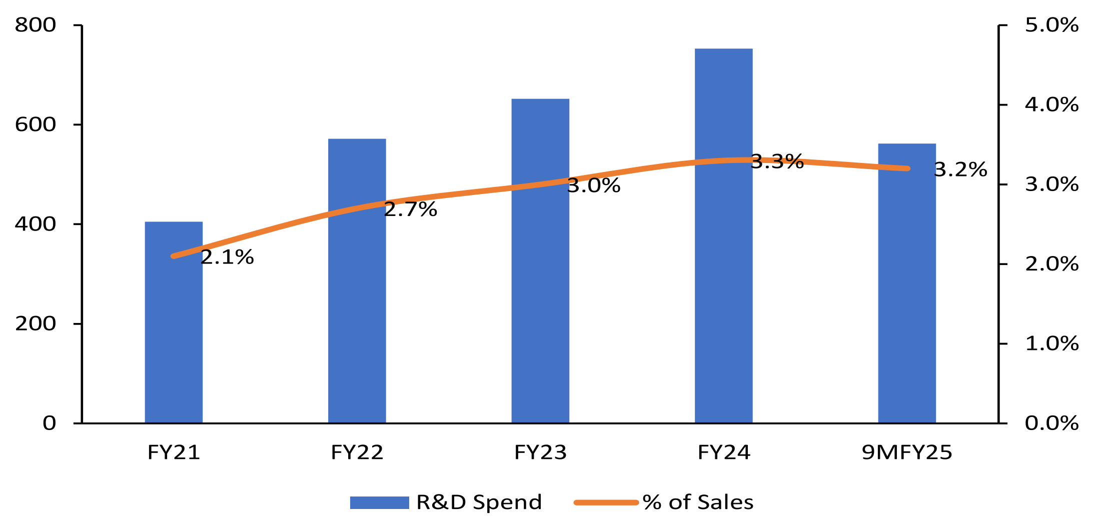
Research and Development

Alivus Life Sciences has focused on undertaking dedicated R&D in areas which have significant growth potential. Their R&D operations are focused on developing new products and complex molecules as well as improving the efficiency of their existing products.

Key Details of 3 Dedicated R&D Infrastructure as of December 31, 2024

Location	Description
Mahape, Navi Mumbai	R&D for new product development and complex molecules
	High-end analytical equipment for characterization
Ankleshwar, Gujarat	Cost improvement programs and process improvements
Dahej, Gujarat	Oncology product development
	Cost improvement programs and process improvements

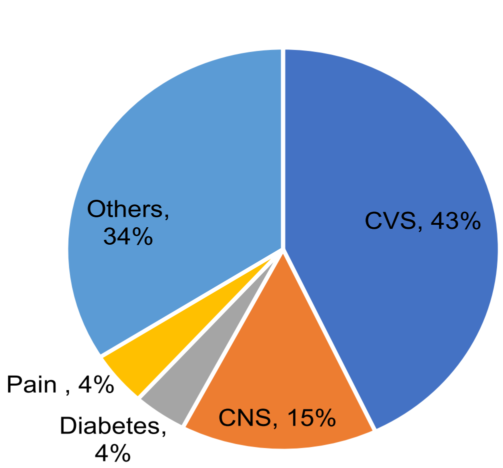
R&D Spend on New Product Development

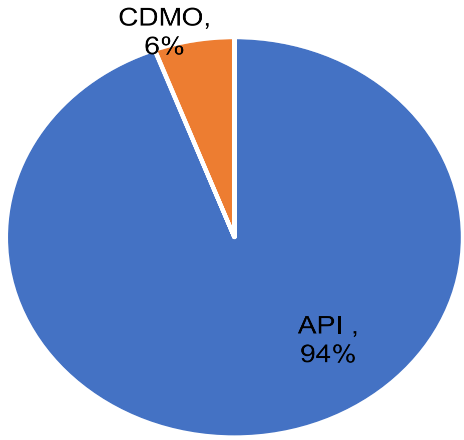


Source: Company, BP Equities Research

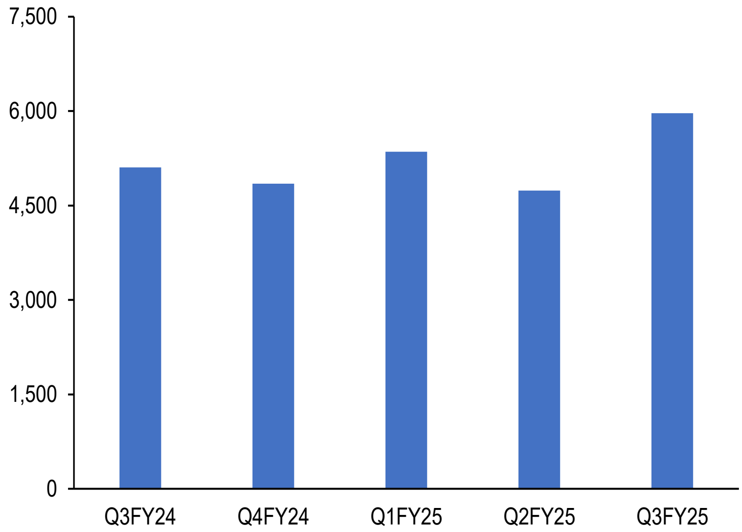
Alivus Life Sciences Ltd.

Therapeutic Area Mix (9MFY25)	Revenue Split (9MFY25)

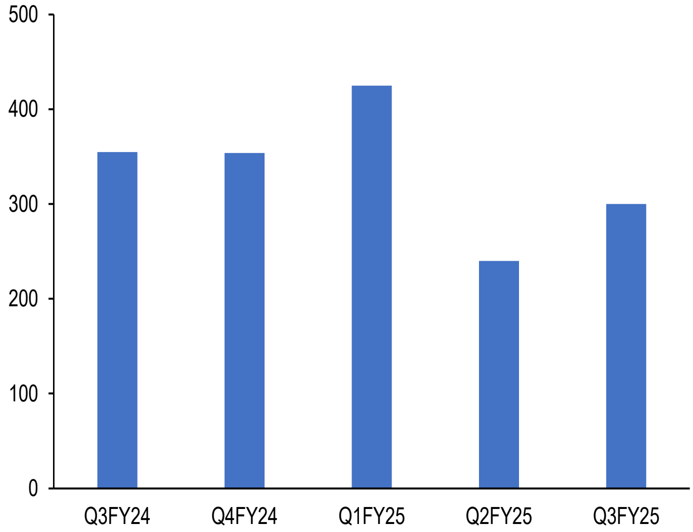




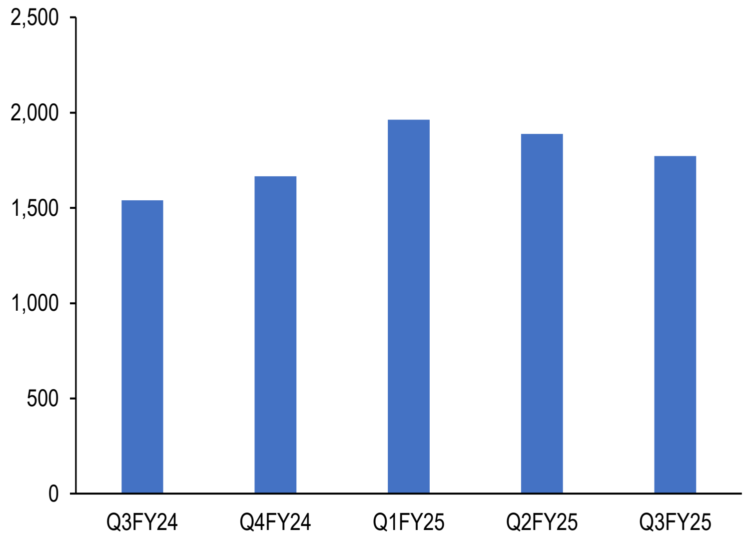
Generic API Quarterly Revenue Trend (Rs. Mn)



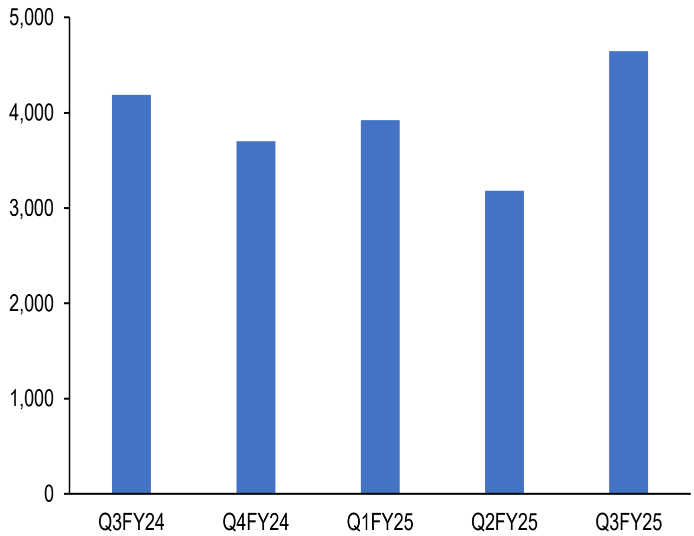
CDMO Quarterly Revenue Trend (Rs. Mn)



GPL Business Quarterly Revenue Trend (Rs. Mn)



Non-GPL Business Quarterly Revenue Trend (Rs. Mn)



Source: Company, BP Equities Research

Alivus Life Sciences Ltd.

Board of Directors		
Name	**Designation**	**Details**
Dr. Yasir Rawjee	Managing Director and Chief Executive Officer	He leads the overall operations of the company and is responsible for the overall business strategy of the company. He holds a Bachelor's Degree in Science from St. Xavier's College, University of Mumbai and a Bachelor's Degree in Science (Technology) from University Department of Chemical Technology, University of Mumbai. He also holds a PhD from Texas A&M University, U.S.A. He has over three decades of industry work experience and prior to joining Alivus, he was the head of global API operations at Mylan Laboratories Limited. He was also the Senior Vice President at Matrix Laboratories Limited and has worked in GlaxoSmithKline in the USA.
Mr. Tushar Mistry	Chief Financial Officer & Senior Vice President	He has over 24 years of experience in API & Formulation, handling Strategic & Tactical Planning, Investor Relationship, Budgetary Control, Fund Sourcing & Management, Mergers & Acquisitions & Business Partnering. He has recently joined the company in June 2022, from Sequent Scientific Limited, where he was working as a CFO. Prior to Sequent, he was associated with Wockhardt Limited. Tushar is a Chartered Accountant from ICAI and has completed his ICWA from Institute of Cost & Works Accountant of India.
Dr. Palle V R Acharyulu	Group Vice President of R&D	He leads the research and development team to plan and execute API research and development. He also leads the project management and intellectual property functions of the company. He holds a Masters of Sciences Degree in Chemistry from the University of Hyderabad and has completed the senior management programme from the Indian Institute of Management, Calcutta. He holds a PhD in chemistry from the University of Hyderabad. Prior to joining the company, he has worked with Biocon Limited. He was also a Director at Dr. Reddy's Laboratories Limited. He has also been associated with Sun Pharmaceutical Industries Limited as a Senior Executive of the Research and Development (Organic Synthesis) department.
Mr. Vinod Naik	Executive Director and Group VP and Head of Technical Operation	He oversees the daily operations of the manufacturing plants such as production and manufacturing of APIs and intermediates. He is also responsible for the supply chain function of the company. He holds a Bachelor's of Science Degree and a Master's of Science Degree from the Karnataka University, Dharwad. He has also completed a Masters Program in Business Administration with a specialization in financial management from the National Institute of Management. Prior to joining the company, he was working with Sun Pharmaceutical Industries Limited. He has also been associated with Cipla Limited where was heading a manufacturing unit and has worked with Micro Labs Limited, as Vice President of the technical and operations department.
Mr. Navin Kumar Agrawal	Head Corporate Quality, API	He has almost three decades of experience in the industry, and is leading the company's Global Quality & Compliance in accordance with cGMP & regulatory requirements for Active Pharmaceutical Ingredients (APIs). Since joining Alivus, Navin has spearheaded the development and ongoing maintenance of robust quality management systems that ensure the company's statutory and regulatory duties are upheld. Prior to joining Alivus, Navin was associated with Sun Pharmaceutical Industries Ltd. as Associate Vice President, Quality. He has also worked with Aurobindo Pharma Ltd. and Orchid Chemical & Pharmaceuticals. Navin holds an M.Sc. in Inorganic Chemistry from Barkatullah University, Bhopal.
Mr. Mathew George	Vice President and Head of Regulatory Affairs	He leads the Regulatory Affairs team to plan and submit Drug Master Files (DMFs) / Registration dossiers with various Regulatory Agencies. He has over two decades of rich experience in Quality Assurance and Regulatory Affairs. Mr. Mathew completed his graduation in Chemistry from Loyola College Chennai and post-graduation in Inorganic Chemistry from I.I.T. Bombay. Prior to joining the company, he has worked with Cadila Healthcare Limited as General Manager and Head of API Regulatory Affairs. Infact he joined the industry in 1995 with Shasun Chemicals & Drugs Limited and has also been associated with Marksans Pharma Limited as Head of QA & RA, as well as with Ranbaxy Laboratories Ltd. and Mylan Laboratories Ltd. handling the Regulatory Affairs function.

Source: BP Equities Research

Alivus Life Sciences Ltd.

Key Milestones	
2001	Promoter established its API business
2002	Established manufacturing plant at Kurkumbh, Maharashtra
2003	Acquired Glaxo SmithKline's (GSK) API manufacturing plant in Ankleshwar, Gujarat
2003	API R&D centre approved by Department of Science & Technology
2003	First product registered with USFDA and MHRA UK
2004	Commenced manufacturing at Mohol, Maharashtra
2008	First product registered with ANVISA, Brazil
2008	Ankleshwar plant at Gujarat inspected by US FDA
2012	Ankleshwar plant inspected by PMDA, AFSSAPS and COFEPRIS
2013	Commenced manufacturing at Dahej, Gujarat
2015-16	Dahej plant inspected by USFDA and PMDA, Japan
2018	Dahej plant inspected by EDQM, ANSM and USFDA
2018	Mohol plant inspected by USFDA
2019	API business was spun off into the company
2019	Ankleshwar plant inspected by US FDA, Health Canada and PMDA, Japan
2020	399 drug master files (DMFs) across multiple markets globally
2020	Launched Favipiravir for the treatment of Covid cases
2021	Listed on the Indian Stock Exchanges
2021	Achieved milestone of 403 cumulative drug master files (DMFs) across multiple markets globally
2022	Commenced operations for the new Dahej block
2022	Dahej Manufacturing facility gets ANVISA GMP certified
2024	Nirma Limited acquired majority stake in Glenmark Life Sciences
2024	Company name changed to Alivus Life Sciences

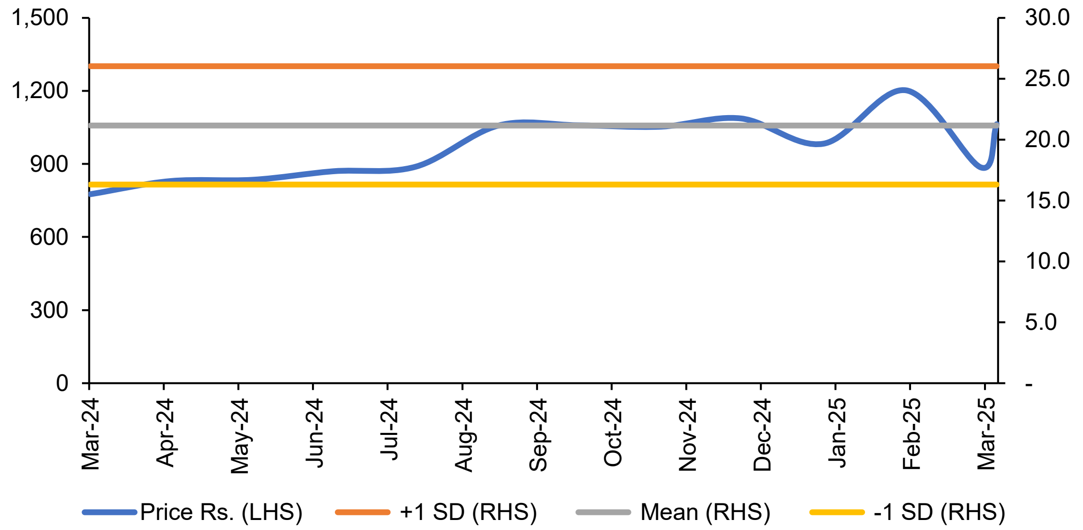
Source: BP Equities Research

Alivus Life Sciences Ltd.

Valuation & Outlook:

Alivus Life Sciences is at a transformative stage, building on its legacy in the API space and focusing on expanding into the high-margin CDMO business. Under Nirma's ownership, Alivus now has greater autonomy in capital allocation, which is seen from its robust capex plan of Rs. 4-6bn capex over FY24-27E, aimed at enhancing manufacturing capacities, strengthening backward integration, and accelerating R&D efforts. This investment will enable the company to double its reactor capacity from 1,198 KL in FY24 to 2,405 KL by FY26, with significant brownfield expansions at Ankleshwar and Dahej and a new greenfield facility at Solapur. At the same time, the company is making rapid strides in CDMO, having already secured four projects, with a fifth multi-year contract expected to commercialize in H1FY26, which will accelerate revenue diversification and improve margin stability. The company is also poised for long-term growth with a strong product portfolio and a growing presence in regulated markets. The company remains financially strong and maintains a net debt-free status, with healthy operating cash flows of ~Rs. 6.4bn per year. However, the significant capex outlay will likely result in a temporary decline in return ratios, with ROCE moderating from 27.1% in FY24 to 25.9% in FY25E, as it is expected to yield long-term benefits as capacity utilization ramps up and CDMO revenues scale. However, revenue growth visibility remains strong, with Alivus expected to deliver a 12% revenue CAGR over FY24-27E, driven by expansion of its generic API portfolio and 2X growth in CDMO revenues. The company's robust pipeline of 21 high-potency APIs, targeting a $45bn total addressable market, positions with a significant market opportunity and continues to advance with multiple products in various stages of development. We, thus, believe Alivus presents a compelling opportunity. Despite its substantial growth outlook, premium product mix, and industry-leading financials, the company continues to trade at a reasonable valuation, offering a potential rerating opportunity. Its strategic decision from a pure-play API manufacturer to a value-driven API-CDMO hybrid aligns with global pharma outsourcing trends, which will aid more customer acquisition and market presence as drugmakers increasingly seek cost-efficient, high-quality manufacturing partners. With a clear expansion roadmap, deep customer relationships, and Nirma's operational expertise driving efficiencies, Alivus is well-positioned to bridge the valuation gap with global CDMO players. Overall, Alivus Life Sciences presents a combination of financial strength, growth visibility, and strategic expansion into premium pharmaceutical segments, making it an attractive long-term growth play. We, thus, believe Alivus is well-positioned to emerge as a key player in the global API and CDMO landscape in the coming years. **We value the company at 23x FY25e EPS and arrive at a TP of Rs. 1,122 per share, implying an upside of 25%. Thus, we initiate coverage on Alivus Lifesciences and ascribe a BUY rating on the stock.**

One-Year Forward PE Band



Source: BP Equities Research

Alivus Life Sciences Ltd.

Peer Comparison

Companies	Market Cap (Rs. Crs.)	P/E (x)			EV/EBITDA (x)			ROE		
		FY24	FY25E	FY26E	FY24	FY25E	FY26E	FY24	FY25E	FY26E
Alivus Life Sciences	12,621	24.6	20.2	16.2	17.3	16.5	13.5	20.2%	19.4%	21.6%
Peers										
Aarti Drugs	3,218	22.9	22.8	16.0	12.6	14.5	10.6	13.8%	10.7%	14.1%
Divi's Laboratories	152,354	92.0	69.4	54.9	56.1	49.5	39.5	12.1%	15.0%	16.9%
Laurus Labs	31,751	192.6	96.1	52.7	43.5	31.8	23.2	3.9%	7.6%	12.5%
Neuland Laboratories	14,195	47.7	54.5	32.4	34.5	34.8	21.7	26.3%	18.4%	24.5%
Shilpa Medicare	6,875	179.9	51.3	20.8	23.4	18.4	11.4	1.8%	6.0%	12.0%

Source: BP Equities Research, Bloomberg estimate

Companies	Revenue (Rs. Mn.)			EBITDA Margin			PAT (Rs. Mn.)		
	FY24	FY25E	FY26E	FY24	FY25E	FY26E	FY24	FY25E	FY26E
Alivus Life Sciences	22,832	24,670	27,866	29.5%	28.8%	31.0%	4,709	4,914	5,976
Peers									
Aarti Drugs	25,286	23,031	26,804	12.5%	11.4%	13.4%	1,714	1,412	2,017
Divi's Laboratories	78,450	92,917	108,690	28.1%	31.2%	33.5%	16,000	21,149	26,626
Laurus Labs	50,408	55,166	64,317	15.4%	19.1%	22.5%	1,606	3,218	5,877
Neuland Laboratories	15,586	15,438	20,404	29.7%	26.6%	32.2%	3,001	2,648	4,451
Shilpa Medicare	11,516	13,975	18,340	21.2%	27.0%	33.1%	380	1,340	3,648

Source: BP Equities Research, Bloomberg estimate

Key Risks

⇒ **Regulatory concern:** The company is required to comply with regulations and quality standards stipulated by such multiple regulators including USFDA, European regulatory agencies and others. Its manufacturing facilities and products are subject to periodic inspection by customers and such regulatory agencies. If they are not compliant with any of their requirements, facilities and products may be the subject of a warning letter, which could result in the withholding of the product approval for new products.

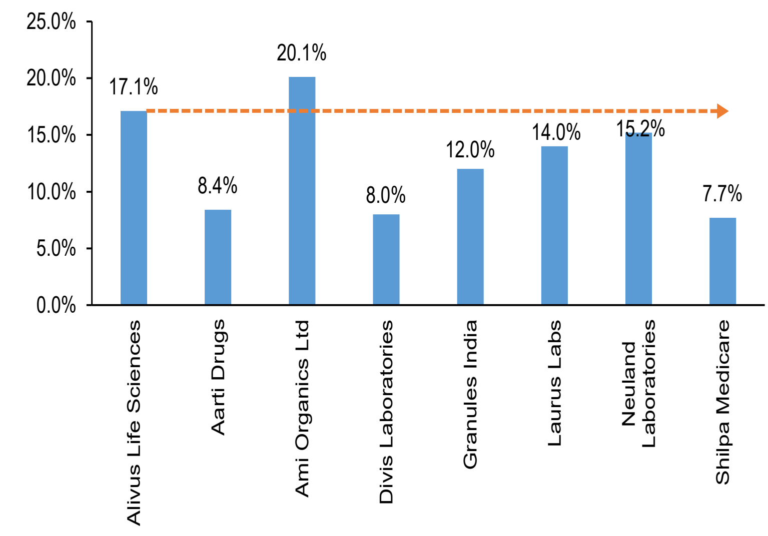
⇒ **Raw material volatility:** The company has multiple third-party vendors, with whom it places purchase orders from time to time, for the purchase of raw materials. Alivus Life Sciences currently sources a significant portion of key starting materials from vendors in China and India. Any reductions or interruptions in supply of raw materials, abrupt increase in prices of raw materials, inability to find alternate sources for the procurement of such raw materials may adversely affect business, results of operations, cash flows and financial condition.

⇒ **Pricing pressure from customers:** Pursuing cost-cutting measures while maintaining rigorous quality standards may lead to an erosion of margins, which may have a material adverse effect on business, results of operations and financial condition. In addition, estimating amounts of such price reductions is subject to risk and uncertainties, as any price reduction is the result of negotiations and other factors. If it is unable to offset customer price reductions in future through improved operating efficiencies, new manufacturing processes, sourcing alternatives and other cost reduction initiatives, the company's business, results of operations and financial condition may be materially adversely affected.

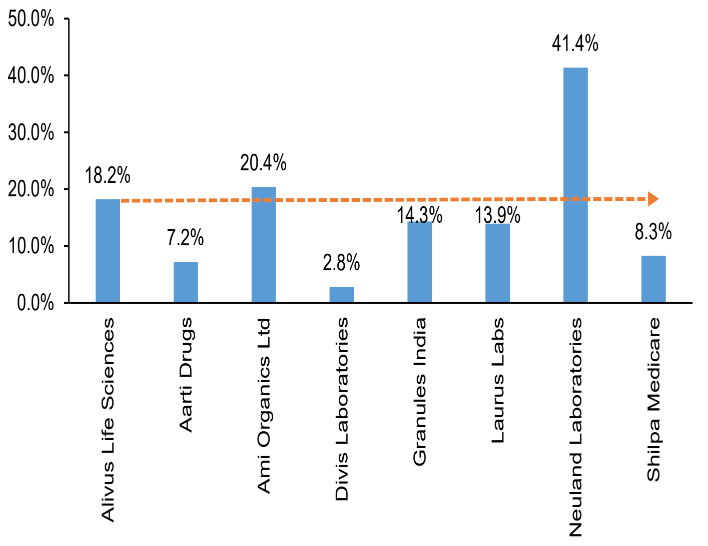
Alivus Life Sciences Ltd.

Peer Comparison

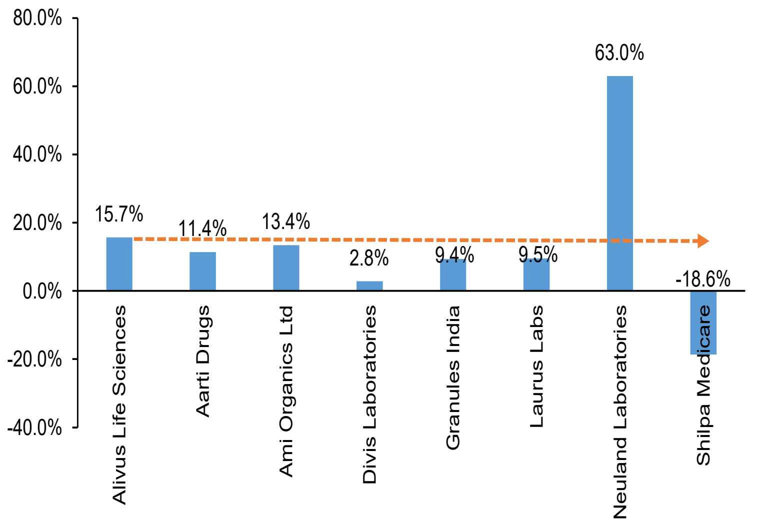
Company-wise Revenue CAGR during FY19-24



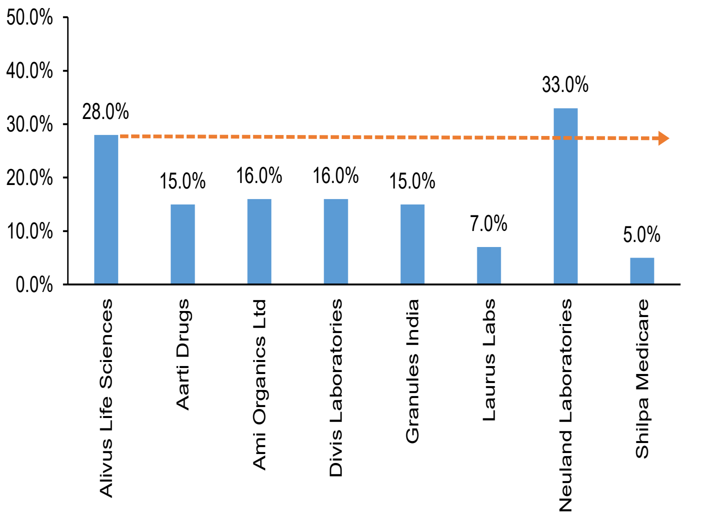
Company-wise EBITDA CAGR during FY19-24



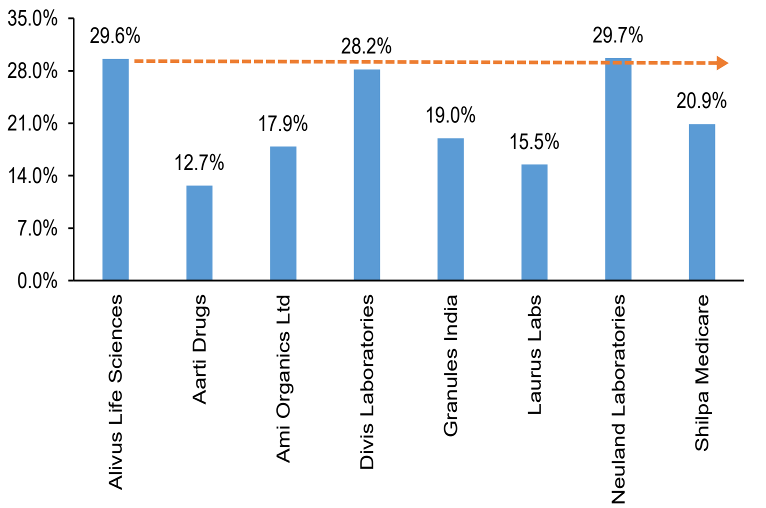
Company-wise PAT CAGR during FY19-24



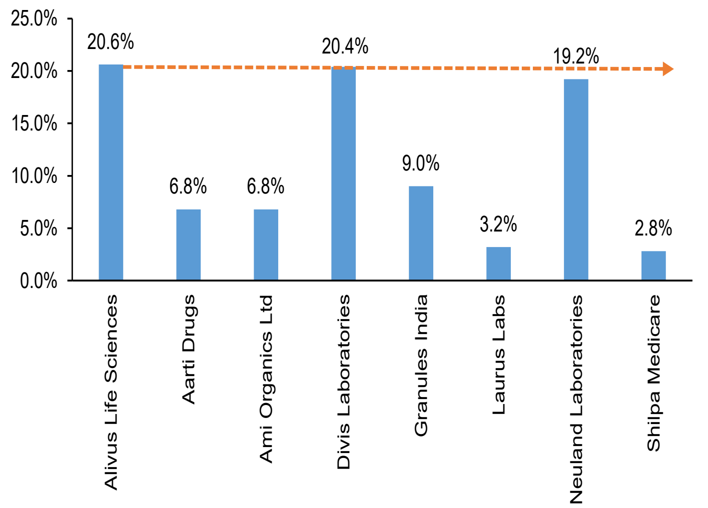
Company-wise FY24 ROCE (%)



Company-wise FY24 EBITDA Margin (%)



Company-wise FY24 PAT Margin (%)



Source: Bloomberg, BP Equities Research

Alivus Life Sciences Ltd.

Financial Matrix

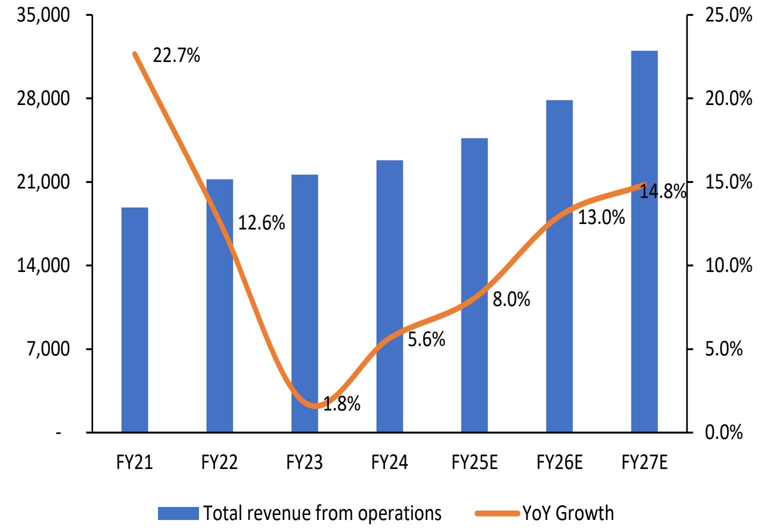
YE March Rs. Mn.	FY22	FY23	FY24	FY25E	FY26E	FY27E
Revenue	21,232	21,612	22,832	24,670	27,866	32,000
Gross profit	10,803	11,471	12,812	13,568	15,605	18,240
EBITDA	6,161	6,423	6,742	7,108	8,630	10,682
PAT	4,187	4,670	4,709	4,914	5,976	7,457
(Ratios % of sales)						
Gross margin	50.9%	53.1%	56.1%	55.0%	56.0%	57.0%
Staff costs	7.9%	8.3%	11.3%	11.2%	11.1%	11.0%
Other expenses	13.9%	15.0%	15.3%	15.0%	13.9%	12.6%
EBITDA margin	29.0%	29.7%	29.5%	28.8%	31.0%	33.4%
PAT margin	19.7%	21.6%	20.6%	19.9%	21.4%	23.3%
OCF (% of EBITDA)	97.0%	47.6%	61.3%	65.8%	71.6%	71.3%
FCF (% of PAT)	111.2%	30.7%	60.4%	46.4%	70.0%	80.7%
ROE	20.4%	21.8%	20.2%	19.4%	21.6%	24.4%
ROCE (%)	28.9%	29.4%	27.1%	25.9%	28.8%	32.5%
FA turnover (x)	3.2	2.7	2.4	2.2	2.1	2.1

Source: BP Equities Research

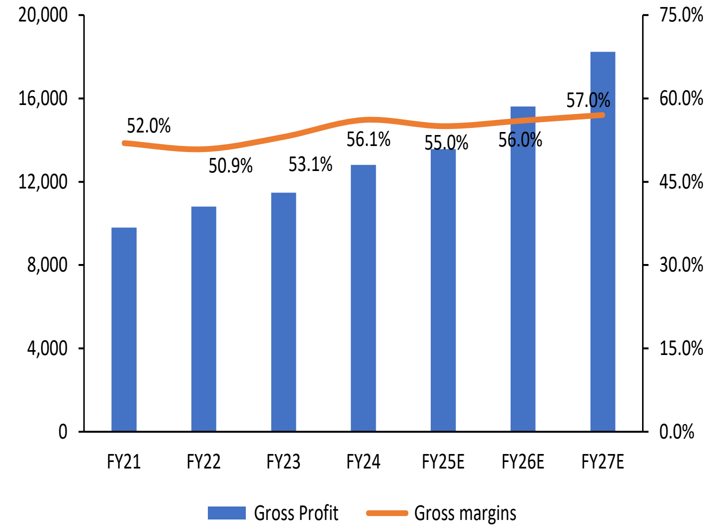
Alivus Life Sciences Ltd.

Financials in Charts

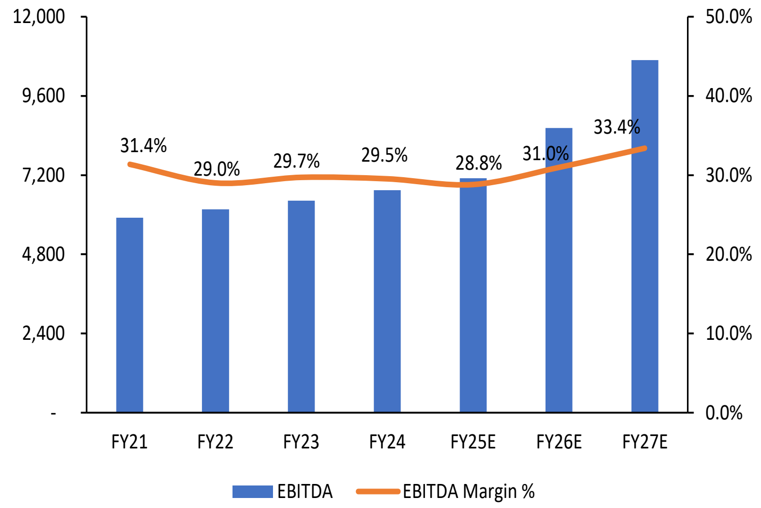
Revenues to grow at a healthy pace (Rs. Mn.)



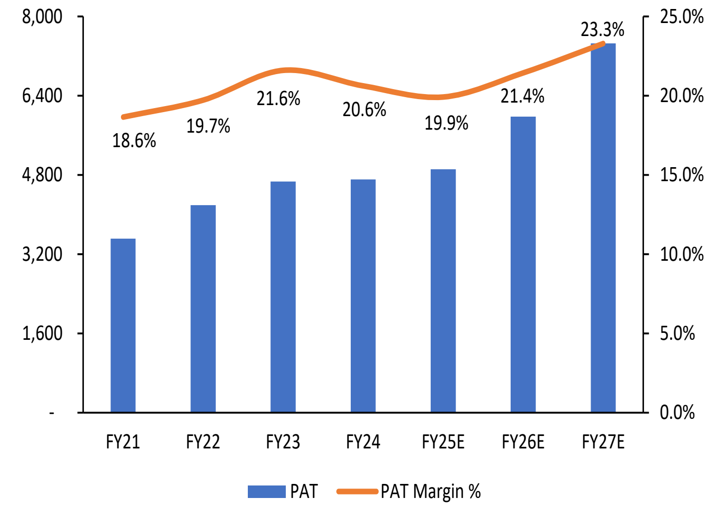
Gross Margin to remains stable (Rs. Mn.)



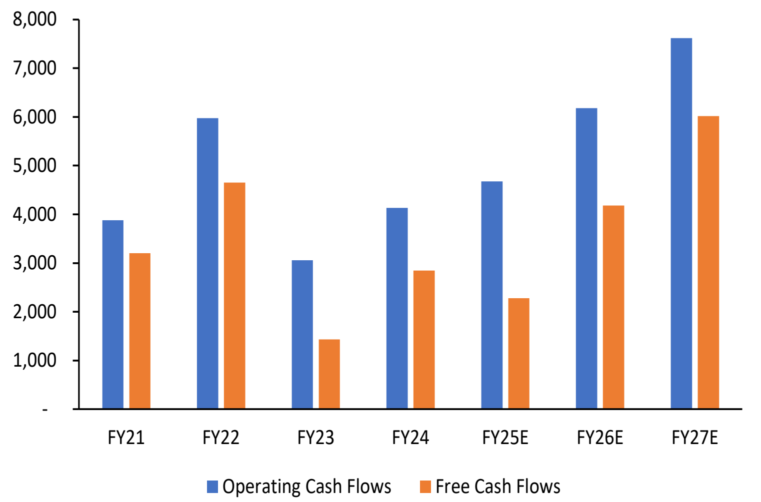
Operating Margin to witness recovery (Rs. Mn.)



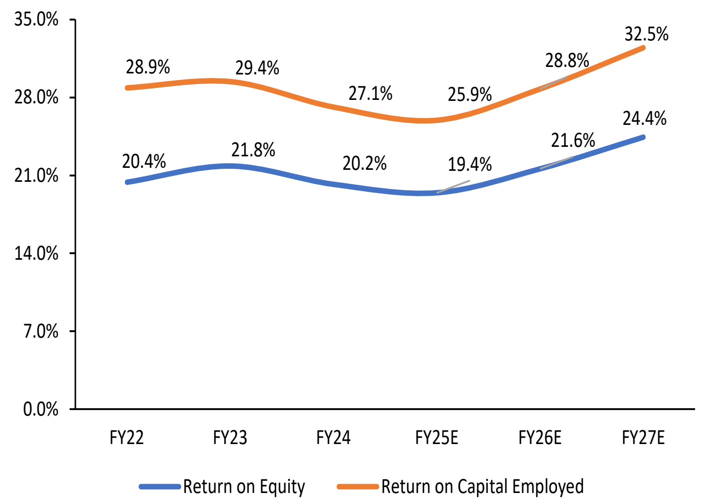
Overall PAT Margin to improve going ahead (Rs. Mn.)



FCF remains positive (Rs. Mn.)



Return Ratios to remain healthy



Source: BP Equities Research

Alivus Life Sciences Ltd.

Profit & Loss A/c						
YE March (Rs. Mn.)	**FY22**	**FY23**	**FY24**	**FY25E**	**FY26E**	**FY27E**
Revenue from Operations	**21,232**	**21,612**	**22,832**	**24,670**	**27,866**	**32,000**
% YoY growth	12.6%	1.8%	5.6%	8.0%	13.0%	14.8%
Cost of Revenues (incl Stock Adj)	10,429	10,141	10,020	11,101	12,261	13,760
Gross Profit	**10,803**	**11,471**	**12,812**	**13,568**	**15,605**	**18,240**
Gross margin (%)	***50.9%***	***53.1%***	***56.1%***	***55.0%***	***56.0%***	***57.0%***
Employee Cost	1,687	1,802	2,582	2,763	3,093	3,520
Other Operating Expenses	2,955	3,247	3,488	3,697	3,882	4,037
EBITDA	**6,161**	**6,423**	**6,742**	**7,108**	**8,630**	**10,682**
EBITDA margin (%)	**29.0%**	**29.7%**	**29.5%**	**28.8%**	**31.0%**	**33.4%**
Depreciation	379	421	535	667	789	893
Other income	147	290	120	120	120	120
EBIT	**5,929**	**6,292**	**6,328**	**6,562**	**7,961**	**9,910**
Finance Cost	280	5	15	10	15	20
PBT	**5,649**	**6,286**	**6,313**	**6,552**	**7,946**	**9,890**
Tax	1,462	1,616	1,604	1,638	1,971	2,433
Profit After Tax	**4,187**	**4,670**	**4,709**	**4,914**	**5,976**	**7,457**
PAT margin (%)	***19.7%***	***21.6%***	***20.6%***	***19.9%***	***21.4%***	***23.3%***
EPS	**34.2**	**38.1**	**38.4**	**40.1**	**48.8**	**60.9**

Source: Company, BP Equities Research

Alivus Life Sciences Ltd.

Balance Sheet						
YE March (Rs. Mn.)	**FY22**	**FY23**	**FY24**	**FY25E**	**FY26E**	**FY27E**
Liabilities						
Share Capital	245	245	245	245	245	245
Reserves and Surplus	20,298	21,137	23,078	25,044	27,434	30,268
Total Shareholders funds	**20,543**	**21,382**	**23,323**	**25,289**	**27,679**	**30,513**
Long-term borrowings	-	-	-	-	-	-
Other Long Term Liabilities	12	171	148	159	180	207
Deferred Tax Liability (net)	315	424	488	488	488	488
Long term Provision	-	79	158	159	161	164
Non-Current Liabilities	**327**	**674**	**793**	**807**	**829**	**859**
Short-term borrowings	-	-	-	-	-	-
Trade payables	3,077	4,272	3,687	4,830	5,095	7,003
Other Financial Liabilities	448	226	403	435	491	564
Other current liabilities	51	319	178	135	153	175
Short-term provisions	144	77	120	130	147	169
Income Tax Liabilities (net)	120	71	-	-	-	-
Total Current Liabilities	**3,840**	**4,965**	**4,388**	**5,530**	**5,886**	**7,911**
Total Liabilities	**24,710**	**27,021**	**28,504**	**31,625**	**34,394**	**39,283**
Assets						
Total Net Block	**5,846**	**7,749**	**7,950**	**9,684**	**10,895**	**11,602**
Capital work-in-progress	917	494	1,012	1,012	1,012	1,012
Intangible Assets under development	53	123	48	48	48	48
Investments	-	1	1	1	1	1
Other Intangible Assets	51	57	101	101	101	101
Investments	1			-	-	-
Income Tax Assets Net	-	-	37	37	37	37
Other Financial Assets	56	82	110	110	110	110
Other Non-Current Assets	141	13	86	93	105	120
Total Non-current assets	**7,064**	**8,518**	**9,344**	**11,084**	**12,308**	**13,030**
Current Assets						
Current investments	-	-	-	406	534	614
Inventories	5,162	6,042	6,666	6,582	7,161	7,743
Trade receivables	6,735	8,068	7,654	9,108	9,063	10,751
Cash and cash equivalents	5,122	2,838	3,014	2,050	2,623	4,038
Bank Balances other than Cash & Cash Eq.	0	256	2	-	-	-
Other Current Assets (Inc Current tax assets)	568	591	920	1,419	1,603	1,841
Other current financial assets	59	709	904	976	1,103	1,267
Total Current Assets	**17,646**	**18,503**	**19,160**	**20,541**	**22,087**	**26,253**
Total Assets	**24,710**	**27,021**	**28,504**	**31,625**	**34,394**	**39,283**

Source: Company, BP Equities Research

Alivus Life Sciences Ltd.

Cash Flow Statement						
YE March (Rs. Mn.)	**FY22**	**FY23**	**FY24**	**FY25E**	**FY26E**	**FY27E**
PBT	5,649	6,286	6,313	6,552	7,946	9,890
Depreciation & Amortization	379	421	535	667	789	893
Other Adjustments	331	25	258	(110)	(105)	(100)
(Inc) / Dec in Working Capital	998	(2,137)	(1,341)	(792)	(478)	(632)
Taxes	(1,382)	(1,536)	(1,630)	(1,638)	(1,971)	(2,433)
Cash from Ops.	**5,976**	**3,060**	**4,135**	**4,678**	**6,181**	**7,617**
Capital Expenditure & investments	(1,222)	(1,467)	(1,165)	(2,683)	(2,008)	(1,559)
Cash from Investing	**(1,222)**	**(1,467)**	**(1,165)**	**(2,683)**	**(2,008)**	**(1,559)**
Issue of Share capital	10,119	-	-	-	-	-
Net Borrowings	(9,329)	-	-	-	-	-
Others	(1,578)	(3,876)	(2,794)	(2,958)	(3,600)	(4,643)
Cash from Financing	**-788**	**-3,876**	**-2,794**	**-2,958**	**-3,600**	**-4,643**
Extraordinary receipts/payment	0	0	0	0	1	2
Net Inc/Dec in cash equivalents	**3,966**	**-2,283**	**176**	**-964**	**572**	**1,415**
Opening Balance	1,156	5,122	2,838	3,014	2,050	2,623
Forex & Others	-	-	-	-	-	-
Closing Balance Cash and Cash Equivalents	**5,122**	**2,838**	**3,014**	**2,050**	**2,623**	**4,038**

Source: Company, BP Equities Research

Key Operating Ratios						
YE March	**FY22**	**FY23**	**FY24**	**FY25E**	**FY26E**	**FY27E**
Profitability						
Return on Assets	16.9%	17.3%	16.5%	15.5%	17.4%	19.0%
Return on Capital Employed	28.9%	29.4%	27.1%	25.9%	28.8%	32.5%
Return on Equity	20.4%	21.8%	20.2%	19.4%	21.6%	24.4%
Margin Analysis						
Gross Margin	50.9%	53.1%	56.1%	55.0%	56.0%	57.0%
EBITDA Margin	29.0%	29.7%	29.5%	28.8%	31.0%	33.4%
Net Income Margin	19.7%	21.6%	20.6%	19.9%	21.4%	23.3%
Short-Term Liquidity						
Current Ratio	4.6x	3.7x	4.4x	3.7x	3.8x	3.3x
Quick Ratio	3.3x	2.5x	2.8x	2.5x	2.5x	2.3x
Fixed Asset Turnover	3.2x	2.7x	2.4x	2.2x	2.1x	2.1x
Long-Term Solvency						
Total Debt / Equity	0.0x	0.0x	0.0x	0.0x	0.0x	0.0x
EBIT / Interest Expense	21.2	1150.2	409.3	656.2	530.8	495.5
Valuation						
EV/EBITDA	19.7x	19.1x	18.2x	17.4x	14.2x	11.3x
P/E	30.3x	27.1x	26.9x	25.8x	21.2x	17.0x
P/B	6.2x	5.9x	5.4x	5.0x	4.6x	4.2x

Source: Company, BP Equities Research

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