

Price: 5,221

Recommendation: Buy

Industry: Pharmaceuticals

Sector: Healthcare

Report Date: 17-May-2025

Alkem Laboratories is advancing its market position through strategic initiatives, focusing on emerging markets with a robust portfolio of over 170 dossiers. Targeting the global BioCDMO market, Alkem leverages Enzene's technology for growth in developed markets. The company aims to increase its chronic segment revenue share to 20% and is investing in high-growth segments. Alkem's diversification includes biosimilars, injectables, and medical devices, ensuring sustainable growth.

Sales		Profit & Loss		Profitability Matrix	
Current Year	9507 Cr	Operating Profit(Year)	2326 Cr	Operating Profit Margin	24.5 %
Previous Year	9055 Cr	Operating Profit(Quarter)	658 Cr	EBITDA Margin	23.92 %
Current Quarter	2287 Cr	PAT (Year)	1802 Cr	Net Profit Margin	18.5 %
Previous Quarter	2355 Cr	PAT (Quarter)	676 Cr	EPS	195
Revenue (QYoY)	2009 Cr				
Valuation Matrix		Growth(YoY)		Growth(QoQ)	
Trailing P/E	27.9	Sales Growth	4.08 %	Sales Growth	-2.89 %
PEG Ratio	1.59	PAT Growth	57.38 %	Sales Growth QYoY	13.84 %
EV/EBITDA	22.0	EPS Growth	33.56 %	PAT Growth	5.3 %
P/B	5.30	Dividend Yield	0.77	PAT Growth QYoY	35.47 %
Capital Allocation		Holdings		Leverage	
RoE	18.1 %	Promoter	55.1 %	Debt/Equity	0.05
RoA	13.5 %	FII	9.40 %	Debt	619 Cr
RoCE	18.4 %	DII	19.4 %	Market Cap	62425 Cr
RoIC	25.0 %	Public	16.0 %	Enterprise value	61760 Cr
		No of Shares	12.0 Cr	Cash Equivalents	1284 Cr

source : Company filings

Company's Overview Based on Recent Concall and Performance:

Alkem Laboratories has outlined several new initiatives and strategies to bolster its market position and drive future growth. The company is focusing on strengthening its presence in emerging markets by leveraging a robust portfolio of over 170 dossiers. This move is aimed at redefining the supply chain to meet increasing demand. Alkem is also targeting the global BioCDMO market, which is growing at 11% annually, by becoming a partner of choice for global bio-innovators. The company is capitalizing on Enzene's differentiated technology, which is the first globally to set up end-to-end continuous manufacturing, expected to drive growth in developed markets. A US facility is anticipated to go live in late FY25, co-locating with innovators to cater to US and developed market requirements.

In terms of business strategies, Alkem is focusing on the chronic segment, aiming to increase its contribution to 20% of revenue share from 17% in FY24. The company is delivering market-beating growth in this segment, with several emerging brands and new launches scaling up to meaningful presence. For instance, Glucoryl has become a 1+ billion brand, and new launches like Dapanorm and Dapanorm Trio are scaling to a 450+ million topline within four years of launch. Alkem is also investing in high-growth segments to build the next set of growth pillars for its international business, adopting a "string of pearls" approach in the Rest of the World (RoW) market.

Looking at diversification schemes, Alkem is fortifying its therapy leadership globally through investments in growing platforms such as biosimilars and injectables, and foraying into medical devices. The company has launched 75+ new drugs in two years, backed by strong R&D; capabilities, and is the sixth player in new product launches with approximately INR 1.2 billion of new product launch sales registered. Alkem has filed 179 ANDAs and 2 NDAs, with 154 approvals received, including 15 tentative approvals. The company is also focusing on the Trade Gx segment, which is expected to deliver a CAGR of early double-digit growth in the next five years.

Alkem's future growth and scaling perspectives are promising, with a strong track record of delivering value for customers across geographies. The company is well-positioned to capture the growing opportunity in the Indian healthcare market, which is expected to triple to \$450+ billion by 2030. Alkem's extensive sales, marketing, and distribution network, along with a streamlined IT infrastructure, ensures sustainable growth. However, the company faces challenges such as severe price erosion in the US market and the need to evolve its operating model to sustain out-performance. To further enhance its growth trajectory, Alkem could focus on expanding its presence in the US and EU markets, where it has already established a strong foothold.