

**Price:** 4,926

**Recommendation:** Buy

**Industry:** Pharmaceuticals

**Sector:** Healthcare

**Report Date:** 03-Apr-2025

Alkem Laboratories is advancing its market presence through strategic initiatives, including launching new brands like Glucoryl and Dapanorm. The company aims to boost its chronic segment revenue to 20% by FY24 and strengthen its Trade Generics market presence. Alkem is expanding internationally, focusing on the US and developed markets, while investing in biosimilars and medical devices. Despite strong growth, enhancing international sales and diversifying its portfolio remain key areas for improvement.

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	26.3	Sales Growth	4.08 %	Sales Growth	-2.89 %
PEG Ratio	1.50	PAT Growth	57.38 %	Sales Growth QYoY	13.84 %
EV/EBITDA	20.8	EPS Growth	33.56 %	PAT Growth	5.3 %
P/B	4.99	Dividend Yield	0.81	PAT Growth QYoY	35.47 %
Capital Allocation		Holdings		Leverage	
RoE	18.1 %	Promoter	55.7 %	Debt/Equity	0.05
RoA	13.5 %	FII	10.1 %	Debt	619 Cr
RoCE	18.4 %	DII	18.0 %	Market Cap	58896 Cr
RoIC	25.0 %	Public	16.2 %	Enterprise value	58231 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 embarked on several new initiatives to bolster its market presence and drive growth. The company has launched new brands like Glucoryl, Dapanorm, and Dapanorm Trio, which have quickly scaled to significant revenue milestones. Alkem aims to increase the contribution of its chronic segment to 20% of its revenue share by FY24, up from 17%. The company is also focusing on strengthening its presence in the Trade Generics (TGx) market, which is expected to grow at 15-18% over the next five years. Alkem's strategy includes building a direct connection with retailers to prevent substitution and enhance the share of wallet (SoW), as well as accessing granular sales data to support its prescription business.

In terms of business strategies, Alkem is leveraging its strong portfolio of 170+ dossiers to strengthen its presence in emerging markets. The company is redefining its supply chain to meet increasing demand and is focusing on becoming a partner of choice for global bio-innovators. Alkem's Bio CDMO business is poised for growth, with a strong track record of delivering value through differentiated technology. The company is also investing in biosimilars and medical devices, with 75+ new drugs launched in the past two years backed by robust R&D; capabilities. Alkem's international business is scaling rapidly, with a focus on the US and other developed markets.

Looking ahead, Alkem is well-positioned to capture growth opportunities in the Indian healthcare market, which is expected to triple in size by 2030. The company is targeting a CAGR of early double-digit growth over the next five years, driven by its strong chronic portfolio and leadership in the TGx space. Alkem's international operations are also expected to contribute significantly to its growth, with a focus on biosimilars and continuous manufacturing systems. The company's US facility is expected to go live in late FY25, further enhancing its capabilities in developed markets.

While Alkem has demonstrated strong growth and market leadership, there are areas for improvement. The company could enhance its international sales, which have seen a decline, by expanding its presence in high-growth markets. Additionally, Alkem could focus on further diversifying its product portfolio to mitigate risks associated with market fluctuations. The company's strong financial performance, with a healthy balance sheet and robust EBITDA margins, provides a solid foundation for future growth. However, maintaining this momentum will require continued investment in R&D; and strategic partnerships to stay ahead in a competitive market.

ALKEM Daily Closing One Year Price Chart



Name	Mar Cap (Rs. Cr.)	P/E	ROE	Sales(G) QoQ	Sales(G) QYoY	PAT(G) QoQ	PAT(G) QYoY
Dr Reddy's Labs	96196.00	17.85	21.39%	4.27%	15.81%	11.83%	1.69%
Lupin	95684.61	33.33	14.14%	1.67%	10.97%	0.30%	39.48%
Zydus Lifesci.	90807.65	20.06	20.67%	0.61%	16.96%	12.39%	33.34%
Aurobindo Pharma	68962.05	19.47	11.53%	2.34%	8.53%	3.50%	-9.69%
Alkem Lab	58896.50	26.34	18.11%	-2.88%	13.84%	5.36%	35.39%

Aspect	Commentary
Revenue	The company shows a modest annual revenue increase, indicating stable growth. However, quarterly revenue has slightly decreased, suggesting potential seasonal fluctuations or market challenges. The year-over-year quarterly growth remains positive, reflecting resilience in the company's revenue-generating capabilities.
Profit & Loss	Annual operating profit and PAT indicate strong profitability, with significant quarterly PAT growth. This suggests effective cost management and operational efficiency. The quarterly operating profit remains robust, supporting the company's financial health and ability to generate shareholder value.
Profitability Matrix	The company maintains healthy profitability margins, with a strong operating profit margin and EBITDA margin. The net profit margin is impressive, indicating effective cost control and pricing strategies. A high EPS reflects strong earnings performance, enhancing investor confidence.
Valuation Matrix	The valuation metrics suggest the company is reasonably valued, with a moderate P/E ratio and a balanced PEG ratio. The EV/EBITDA indicates efficient capital utilization, while the P/B ratio suggests the stock is trading at a premium, reflecting market confidence in the company's growth prospects.
Growth (YoY)	Year-over-year growth metrics highlight robust PAT and EPS growth, indicating strong earnings performance. Sales growth is modest, suggesting room for improvement in revenue generation. The dividend yield is low, reflecting a focus on reinvestment for growth rather than immediate shareholder returns.
Growth (QoQ)	Quarterly growth analysis shows a slight decline in sales, possibly due to market conditions or seasonal factors. However, PAT growth remains positive, indicating effective cost management. The year-over-year quarterly growth in sales and PAT is strong, reflecting resilience and strategic execution.
Capital Allocation	The company demonstrates efficient capital allocation with strong RoE, RoA, and RoCE metrics, indicating effective use of shareholder funds. A high RoIC suggests the company is generating significant returns on invested capital, supporting long-term growth and value creation.
Holdings	The ownership structure shows a strong promoter holding, indicating confidence in the company's prospects. Institutional investors hold a significant stake, reflecting market trust. The public holding is moderate, providing liquidity and marketability of shares, supporting a balanced investor base.
Leverage	The company maintains a low debt-to-equity ratio, indicating prudent financial management and low financial risk. The debt level is manageable, supported by strong cash equivalents, ensuring liquidity. The market cap and enterprise value reflect the company's strong market position and growth potential.

**Analyst viewpoint:** Alkem Laboratories has demonstrated impressive resilience and strategic growth, making it a compelling investment opportunity in the short to medium term. The company boasts robust quarter-over-quarter PAT growth of 5.3%, reflecting efficient operational management. Valuation metrics are favorable with a trailing P/E of 26.3 and a PEG ratio of 1.50, indicating potential undervaluation given the expected growth trajectory. Alkem's focus on enhancing its chronic segment to reach 20% of revenue, alongside strategic initiatives like the launch of new product lines such as Glucoryl and Dapanorm, underscores its innovative approach and market adaptability. The company's strong capital allocation, evidenced by high RoIC of 25.0% and a minimal debt-equity ratio of 0.05, further strengthens its financial foundation, providing a platform for sustained growth and shareholder value delivery.

In comparison with its peers, Alkem continues to leverage its competitive advantages, sustaining a growth momentum in a rapidly evolving pharmaceutical landscape. Strategic extensions into biosimilars and medical devices, augmented by international expansions, particularly in the US and other developed markets, align with its projections for double-digit growth. Despite its solid performance, a noted area for potential enhancement includes increasing its international sales to better capture growth in high-demand regions. Overall, Alkem's robust strategic positioning and financial health suggest a bullish outlook, even as it navigates the challenges of portfolio diversification and market expansion.

Please read detailed disclosure on next page.

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Investment Rating	Expected Return (over 12-month)
BUY	>=15%
SELL	<-10%
NEUTRAL	>-10% to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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