

**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.

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
<b>Lupin</b>	94446.57	28.78	20.84%	-1.74%	14.24%	-9.66%	114.93%
<b>Zydus Lifesci.</b>	90832.74	20.03	20.67%	0.61%	16.96%	12.39%	33.34%
<b>Aurobindo Pharma</b>	70382.95	19.81	11.53%	2.34%	8.53%	3.50%	-9.69%
<b>Alkem Lab</b>	62424.89	27.91	18.11%	-2.88%	13.84%	5.36%	35.39%
<b>Sun Pharma.Inds.</b>	416260.62	35.30	16.69%	2.89%	10.46%	4.30%	22.66%

Aspect	Commentary
<b>Revenue</b>	The company shows a steady revenue increase with a current year figure of 9507 Cr, up from 9055 Cr the previous year. However, quarterly revenue decreased from 2355 Cr to 2287 Cr, indicating a potential seasonal or operational challenge. The year-over-year quarterly growth of 13.84% suggests strong underlying demand.
<b>Profit &amp; Loss</b>	Operating profit for the year stands at 2326 Cr, with a quarterly figure of 658 Cr. The PAT for the year is 1802 Cr, and 676 Cr for the quarter, reflecting robust profitability. The significant PAT growth of 57.38% YoY and 5.3% QoQ highlights effective cost management and operational efficiency.
<b>Profitability Matrix</b>	The company maintains strong profitability with an operating profit margin of 24.5% and a net profit margin of 18.5%. The EBITDA margin is 23.92%, indicating efficient cost control. An EPS of 195 suggests solid earnings performance, supporting investor confidence.
<b>Valuation Matrix</b>	The trailing P/E ratio of 27.9 and PEG ratio of 1.59 suggest the stock is reasonably valued given its growth prospects. An EV/EBITDA of 22.0 and P/B of 5.30 indicate a premium valuation, reflecting market confidence in the company's future growth potential.
<b>Growth (YoY)</b>	Year-over-year growth metrics show a 4.08% increase in sales and a substantial 57.38% rise in PAT, indicating strong operational performance. EPS growth of 33.56% further underscores the company's ability to enhance shareholder value through effective strategies.
<b>Growth (QoQ)</b>	Quarter-over-quarter analysis reveals a sales decline of 2.89%, but a PAT increase of 5.3%, suggesting improved profitability despite revenue challenges. The QYoY sales growth of 13.84% and PAT growth of 35.47% highlight the company's resilience and strategic execution.
<b>Capital Allocation</b>	The company demonstrates efficient capital allocation with RoE at 18.1%, RoA at 13.5%, and RoCE at 18.4%. A RoIC of 25.0% indicates strong returns on invested capital, reflecting effective management and strategic investment decisions.
<b>Holdings</b>	Promoter holding is at 55.1%, indicating strong insider confidence. FII and DII holdings are 9.40% and 19.4% respectively, showing institutional interest. Public holding is 16.0%, suggesting a balanced ownership structure that supports market stability.
<b>Leverage</b>	With a low debt/equity ratio of 0.05 and total debt of 619 Cr, the company maintains a conservative leverage position. A market cap of 62425 Cr and enterprise value of 61760 Cr, along with cash equivalents of 1284 Cr, indicate strong financial health and liquidity.

**Analyst viewpoint:** Alkem Laboratories is positioned for robust growth in the short to mid-term, bolstered by strategic expansion initiatives in emerging markets. The company's focus on leveraging a portfolio of over 170 dossiers and targeting the global BioCDMO market indicates a strong commitment to broadening its market footprint. Recent quarterly and QYoQ growth metrics, showing a 13.84% rise, demonstrate resilience in sales performance. The robust performance of products like Glucoryl and new launches in high-growth segments underscores its strategic agility. Additionally, valuation metrics such as the trailing P/E ratio of 27.9 and PEG ratio of 1.59 reflect a reasonable valuation with a promising growth outlook. Efficient capital allocation is evident with a RoE of 18.1% and a conservative debt/equity ratio of 0.05, signaling strong financial health.

Strategic diversification efforts into biosimilars, injectables, and medical devices illustrate Alkem's commitment to sustaining long-term growth. The company's impressive QYoQ PAT growth of 35.47% highlights effective cost management and operational efficiency. Furthermore, Alkem's investment in emerging high-growth markets, supported by a substantial cash position, enhances its capacity to navigate competitive pressures. However, a notable concern is the moderate decline in QoQ sales growth by 2.89%, which could indicate challenges in certain market dynamics. Alkem's balanced approach to expansion and innovation sets a positive trajectory, reinforced by its comprehensive product pipeline and market diversification strategies, marking it as a compelling investment opportunity.

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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