

Analyst viewpoint: Alkem Laboratories has showcased strong growth potential, driven by its leadership in domestic formulations and expanding international presence. The company's domestic business, contributing 70% of revenue, has consistently outperformed the Indian Pharmaceutical Market, with a 12% CAGR between FY18-24. Recent launches in high-growth therapeutic areas, such as anti-diabetic and neuro/CNS segments, coupled with a robust distribution network, position Alkem for sustained market penetration. Internationally, the US market contributes 22% of revenue, supported by a 13% CAGR over the same period, despite pricing pressures. The company's focus on biosimilars and BioCDMO businesses, along with operationalizing a new US manufacturing facility by FY25, further strengthens its global capabilities. Financially, Alkem's Q3FY25 performance reflects resilience, with EBITDA margins improving to 22.5% and PAT growing 5.3% QoQ, underscoring operational efficiency and cost optimization.

Valuation metrics, including a trailing P/E of 26.8 and PEG ratio of 1.52, suggest reasonable pricing given the company's growth prospects. Alkem's high RoIC of 25% and low debt/equity ratio of 0.05 highlight efficient capital allocation and financial stability. While quarterly revenue declined 2.89% QoQ due to temporary challenges, the company's ability to navigate short-term headwinds and deliver 35.47% PAT growth QYoQ reinforces its resilience. Investors should note mild concerns around pricing pressures in the US market, but Alkem's strategic initiatives and robust fundamentals make it a compelling buy for short to mid-term growth.

Please read detailed disclosure on next page.