

Price: 5,000

Recommendation: Buy

Industry: Pharmaceuticals

Sector: Healthcare

Report Date: 21-Apr-2025

Alkem Laboratories is a leading pharmaceutical company in India, ranked 5th in domestic formulations with strong positions in key therapeutic areas. Its domestic business drives ~70% of revenue, while international markets contribute 30%+. With robust R&D, innovative biosimilars, and expanding global presence, Alkem is poised for sustainable growth, delivering value and inspiring healthier lives globally.

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	26.8	Sales Growth	4.08 %	Sales Growth	-2.89 %
PEG Ratio	1.52	PAT Growth	57.38 %	Sales Growth QYoY	13.84 %
EV/EBITDA	21.1	EPS Growth	33.56 %	PAT Growth	5.3 %
P/B	5.08	Dividend Yield	0.80	PAT Growth QYoY	35.47 %
Capital Allocation		Holdings		Leverage	
RoE	18.1 %	Promoter	55.7 %	Debt/Equity	0.05
RoA	13.5 %	FII	9.40 %	Debt	619 Cr
RoCE	18.4 %	DII	19.4 %	Market Cap	59817 Cr
RoIC	25.0 %	Public	16.0 %	Enterprise value	59152 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 demonstrated a robust trajectory, leveraging its market leadership in India and expanding its international footprint. The company's domestic business, contributing ~70% of revenue, has consistently outperformed the Indian Pharmaceutical Market (IPM) with a 12% CAGR between FY18-24. Alkem is ranked 5th in the domestic formulations market and holds leadership positions in key therapeutic areas (TAs) such as anti-infectives, gastrointestinal, and vitamins/minerals/nutrients. The company has invested in scaling its chronic portfolio, with aspirations to increase its contribution to 20% of revenue from the current 17%. Notable growth in anti-diabetic and neuro/CNS segments, supported by new launches like Dapanorm and Dapanorm Trio, underscores its focus on high-growth areas. Additionally, Alkem's extensive sales and distribution network, with 12,500+ field force members and 85%+ prescriber coverage, ensures sustainable growth and market penetration.

Internationally, Alkem has built a strong presence, with 30%+ revenue contribution from global markets, including the US and Rest of the World (RoW). The US market, contributing ~22% of total revenue, has seen a 13% CAGR between FY18-24, despite challenges like price erosion. The company is also expanding its biosimilars and BioCDMO businesses, with 10+ biosimilars commercialized globally and 40+ BioCDMO projects delivered. Enzene Biosciences, a subsidiary, is pioneering end-to-end continuous manufacturing systems, positioning Alkem as a global partner of choice for innovators. A new US manufacturing facility, expected to operationalize by late FY25, will further strengthen its international capabilities. These initiatives align with Alkem's strategy to diversify revenue streams and capitalize on emerging opportunities in high-growth markets.

Alkem's financial performance reflects its strategic focus and operational efficiency. In Q3FY25, revenue grew by 1.5% YoY to 33,743 million, with EBITDA margins improving to 22.5%. For 9MFY25, revenue reached 98,208 million, with a 15% YoY increase in EBITDA and a 23.8% rise in net profit. R&D investments, constituting ~4% of revenue, highlight the company's commitment to innovation, with 179 ANDAs filed and 154 approvals received to date. The Trade Generics (TGx) segment, contributing 20%+ to domestic sales, is expected to grow at a double-digit CAGR, driven by a dedicated team and expanded stockist network. Alkem's focus on cost optimization, digital enablement, and targeted investments in high-potential brands ensures resilience and profitability.

Looking ahead, Alkem is well-positioned to capitalize on evolving healthcare trends in India and globally. The Indian healthcare market is projected to triple by 2030, with integrated ecosystems and channel power reshaping the landscape. Alkem's strategic investments in biosimilars, injectables, and medical devices, coupled with its leadership in chronic and TGx segments, provide a strong foundation for future growth. The company's ability to innovate, adapt to market dynamics, and maintain operational excellence will be critical in sustaining its growth momentum. With a healthy balance sheet, robust pipeline, and