

Price: 5,000

Recommendation: Buy

Industry: Pharmaceuticals

Sector: Healthcare

Report Date: 22-Apr-2025

Alkem Laboratories is a leading pharmaceutical company with a strong presence in India and over 40 countries globally. Its domestic business drives ~70% of revenue, excelling in key therapies like gastrointestinal and anti-diabetic. Internationally, it focuses on biosimilars and BioCDMO. With robust financials, innovative R&D, and strategic growth initiatives, Alkem is poised for global healthcare leadership.

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 robust growth and strategic foresight, positioning itself as a leading player in the pharmaceutical industry. The company's domestic business, contributing ~70% of total revenue, has consistently outperformed the Indian Pharmaceutical Market (IPM) across key therapies such as gastrointestinal, neuro/CNS, anti-diabetic, respiratory, and gynaecology. Alkem's chronic portfolio, which includes high-growth brands like Dapanorm and Glucoryl, is scaling rapidly, with aspirations to increase its revenue share from 17% to 20%. The Trade Generics (TGx) segment, where Alkem is the largest player, is expected to deliver double-digit growth, supported by a dedicated field force and strong stockist coverage. Additionally, the company's investment in biosimilars, injectables, and medical devices reflects its commitment to diversifying its portfolio and fortifying its leadership in emerging healthcare segments.

Alkem's international operations, contributing ~30% of total revenue, are anchored by its presence in over 40 countries, with the US accounting for ~22% of sales. Despite challenges like price erosion in the US generics market, the company is leveraging its differentiated capabilities in biosimilars and BioCDMO (Contract Development and Manufacturing Organization) to drive growth. Enzene Biosciences, a subsidiary, is pioneering end-to-end continuous manufacturing systems, enhancing productivity and quality while reducing carbon footprints. With 40+ global BioCDMO projects delivered and a new US manufacturing facility expected to operationalize by late FY25, Alkem is poised to strengthen its foothold in developed markets and cater to the growing demand for innovative biologics.

The company's financial performance underscores its resilience and operational efficiency. In Q3FY25, Alkem reported revenue of 33,743 million, a YoY growth of 1.5%, with EBITDA margins improving to 22.5%. For 9MFY25, revenue reached 98,208 million, driven by a 6% growth in domestic sales, while EBITDA grew by 15% YoY to 21,209 million. R&D investments increased to 4,035 million, reflecting Alkem's focus on innovation and new product development. The company's balance sheet remains robust, with net cash of 47 billion as of December 2024, enabling sustained investments in growth initiatives and operational scaling.

Looking ahead, Alkem is well-positioned to capitalize on emerging healthcare trends in India, including rising healthcare expenditure, the massification of therapies, and the growth of integrated ecosystems. Its strategic focus on chronic therapies, TGx, and biosimilars aligns with these trends, ensuring long-term value creation. Internationally, Alkem's diversification into biosimilars and BioCDMO, coupled with its strong manufacturing and R&D capabilities, provides a solid foundation for scaling operations and capturing new opportunities. With a proven track record of market leadership, innovative product launches, and operational excellence, Alkem is poised to sustain its growth trajectory and emerge as a leading global healthcare player.

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	98240.34	18.32	21.39%	4.27%	15.81%	11.83%	1.69%
Lupin	91754.36	31.99	14.14%	1.67%	10.97%	0.30%	39.48%
Zydus Lifesci.	85077.34	18.76	20.67%	0.61%	16.96%	12.39%	33.34%
Aurobindo Pharma	70361.93	19.80	11.53%	2.34%	8.53%	3.50%	-9.69%
Alkem Lab	59817.47	26.75	18.11%	-2.88%	13.84%	5.36%	35.39%

Aspect	Commentary
Revenue	Revenue grew 4.08% YoY to Rs.9507 Cr, driven by domestic sales contributing ~70%. However, QoQ revenue declined by 2.89%, reflecting challenges in international markets. The chronic portfolio and Trade Generics segment are key drivers of growth, supported by strong stockist coverage.
Profit & Loss	Operating profit margin stands at 24.5%, showcasing strong cost management. PAT grew 57.38% YoY to Rs.1802 Cr, driven by improved operational efficiency. Quarterly PAT growth of 5.3% reflects resilience despite revenue contraction.
Profitability Matrix	Net profit margin of 18.5% and EBITDA margin of 23.92% highlight robust profitability. EPS growth of 33.56% YoY indicates strong shareholder returns. Operational efficiency is evident in consistent margins across periods.
Valuation Matrix	Trailing P/E of 26.8 and PEG ratio of 1.52 suggest moderate valuation relative to growth potential. EV/EBITDA of 21.1 reflects premium valuation, supported by strong profitability. Dividend yield of 0.80% offers modest income for investors.
Growth (YoY)	Sales growth of 4.08% YoY reflects steady expansion, while PAT growth of 57.38% highlights operational efficiency. EPS growth of 33.56% underscores strong earnings momentum, driven by domestic market performance.
Growth (QoQ)	QoQ sales declined by 2.89%, reflecting challenges in international markets. However, PAT grew 5.3%, supported by cost controls. QYoY sales growth of 13.84% and PAT growth of 35.47% indicate strong recovery trends.
Capital Allocation	RoE of 18.1% and RoCE of 18.4% highlight efficient capital utilization. Cash equivalents of Rs.1284 Cr and net cash position enable sustained investments in R&D; and growth initiatives. RoIC of 25% reflects strong operational returns.
Holdings	Promoter holding of 55.7% ensures stability, while FII and DII holdings of 9.4% and 19.4% reflect institutional confidence. Public holding of 16% provides liquidity. Strong stockist coverage supports market leadership in Trade Generics.
Leverage	Debt/Equity ratio of 0.05 indicates minimal leverage, ensuring financial stability. Debt of Rs.619 Cr is manageable, supported by robust cash flow. Market cap of Rs.59817 Cr and enterprise value of Rs.59152 Cr reflect strong market positioning.

Analyst viewpoint: Alkem Laboratories has demonstrated strong growth potential, supported by its robust domestic business, which contributes ~70% of total revenue and consistently outperforms the Indian Pharmaceutical Market across key therapies such as gastrointestinal, anti-diabetic, and neuro/CNS. The chronic portfolio, including high-growth brands like Dapanorm and Glucoryl, is scaling rapidly, with aspirations to increase its revenue share from 17% to 20%. The Trade Generics segment, where Alkem is the market leader, is expected to deliver double-digit growth, backed by a dedicated field force and extensive stockist coverage. Internationally, the company is leveraging its differentiated capabilities in biosimilars and BioCDMO to drive growth, with Enzene Biosciences pioneering innovative manufacturing systems. Despite a QoQ revenue decline of 2.89%, Alkem's PAT grew 5.3%, reflecting resilience and operational efficiency. Its trailing P/E of 26.8 and PEG ratio of 1.52 suggest moderate valuation relative to its growth trajectory, while a dividend yield of 0.80% offers modest income for investors.

The company's financial metrics further underscore its strength, with an operating profit margin of 24.5%, net profit margin of 18.5%, and EPS growth of 33.56% YoY, highlighting robust profitability and shareholder returns. Alkem's RoE of 18.1% and RoIC of 25% reflect efficient capital utilization, while its net cash position of Rs.47 billion enables sustained investments in R&D; and operational scaling. The company's strategic focus on chronic therapies, biosimilars, and Trade Generics aligns with emerging healthcare trends, ensuring long-term value creation. While challenges such as price erosion in the US generics market persist, Alkem's diversification efforts and innovative product pipeline position it well for sustained growth. Overall, Alkem Laboratories is poised to capitalize on its leadership in domestic markets and expand its global footprint, making it an attractive investment opportunity in the short to mid-term.

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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