

Analyst viewpoint: Alkem Laboratories has showcased strong growth potential, driven by its strategic focus on chronic therapies and trade generics, which now contribute significantly to its revenue mix. The company's domestic business, accounting for ~70% of total revenue, has grown at a CAGR of ~12% over the past six years, supported by an extensive distribution network and rapid scaling of key brands like Dapanorm. Internationally, Alkem's differentiated technology platforms, including biosimilars and BioCDMO, position it well for growth in developed and emerging markets. Recent financial performance highlights operational efficiency, with PAT growing 57.38% YoY and EBITDA margins improving to 23.92%. Despite a QoQ revenue decline of 2.89%, the company's ability to deliver 35.47% QYoQ PAT growth underscores its resilience and cost management capabilities. Valuation metrics such as a trailing P/E of 26.7 and PEG ratio of 1.52 suggest moderate pricing relative to growth potential, while a dividend yield of 0.8% adds to investor appeal.

Alkem's robust R&D; investments, including its subsidiary Enzene Biosciences, and its strategic diversification across high-growth segments like biosimilars and injectables, align with broader industry trends. The company's operational excellence is further supported by a healthy balance sheet, minimal leverage with a debt/equity ratio of 0.05, and strong cash reserves of Rs.1284 Cr. Peer comparison highlights Alkem's competitive edge, with superior PAT growth and efficient capital allocation metrics such as RoIC of 25%. While short-term revenue pressures persist, the company's long-term growth trajectory remains intact, supported by its leadership in chronic therapies and international expansion. Investors should note mild concerns around quarterly revenue volatility, but overall, Alkem Laboratories is well-positioned for sustainable growth in the short to mid-term.

Please read detailed disclosure on next page.