

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

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 formulations contributing 70% and international markets 30%. Quarterly revenue declined 2.89% QoQ, reflecting temporary challenges. Strong domestic performance and expanding global presence support sustainable growth.
Profit & Loss	Operating profit reached Rs.2326 Cr, with a margin of 24.5%. PAT grew 57.38% YoY to Rs.1802 Cr, showcasing operational efficiency. Quarterly PAT growth of 5.3% reflects resilience despite revenue decline. EPS growth of 33.56% highlights shareholder value creation.
Profitability Matrix	Operating profit margin of 24.5% and EBITDA margin of 23.92% indicate robust profitability. Net profit margin of 18.5% underscores efficient cost management. High RoIC of 25% reflects strong returns on invested capital, supporting long-term growth.
Valuation Matrix	Trailing P/E of 26.8 and PEG ratio of 1.52 suggest reasonable valuation given growth prospects. EV/EBITDA of 21.1 reflects premium valuation due to strong fundamentals. Dividend yield of 0.80% offers moderate income potential for investors.
Growth (YoY)	Sales grew 4.08% YoY, driven by domestic formulations and international expansion. PAT growth of 57.38% reflects operational efficiency and cost optimization. EPS growth of 33.56% highlights profitability improvement and shareholder value creation.
Growth (QoQ)	Sales declined 2.89% QoQ, reflecting temporary challenges. PAT grew 5.3% QoQ, showcasing resilience despite revenue decline. Strong PAT growth QYoQ of 35.47% highlights operational efficiency and ability to navigate short-term headwinds effectively.
Capital Allocation	RoE of 18.1% and RoCE of 18.4% indicate efficient capital utilization. RoIC of 25% reflects strong returns on invested capital. Cash equivalents of Rs.1284 Cr and low debt/equity ratio of 0.05 highlight a healthy balance sheet and financial stability.
Holdings	Promoter holding of 55.7% reflects strong ownership confidence. FII and DII holdings of 9.4% and 19.4% indicate institutional interest. Public holding of 16% ensures liquidity. Market cap of Rs.59817 Cr underscores the company's significant market presence.
Leverage	Debt/equity ratio of 0.05 and total debt of Rs.619 Cr highlight minimal leverage, ensuring financial stability. Enterprise value of Rs.59152 Cr reflects strong market positioning. Healthy balance sheet supports growth initiatives and mitigates financial risks.

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.

Explanation of Investment Rating*	
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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