

**Price:** 4996

**Recommendation:** Buy

**Industry:** Pharmaceuticals

**Sector:** Healthcare

**Report Date:** 21-Apr-2025

Alkem Laboratories is a leading pharmaceutical company with a strong presence in India and over 40 international markets. Known for its robust growth, innovation, and strategic execution, Alkem excels in key therapies like gastrointestinal, neuro/CNS, and anti-diabetic. With a diverse portfolio, advanced R&D, and global operations, it is poised for sustainable growth and 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	26.7	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	0.8	PAT Growth QYoY	35.47 % %
Capital Allocation		Holdings		Leverage	
RoE	18.1 %	Promoter	55.7 %	Debt/Equity	0.05
RoA	13.5 %	FII	9.4 %	Debt	619 Cr
RoCE	18.4 %	DII	19.4 %	Market Cap	59765 Cr
RoIC	25.0 %	Public	16.0 %	Enterprise value	59100 Cr
		No of Shares	12.0 Cr	Cash Equivalents	1284 Cr

source : Company filings

## Company's Overview Based on Recent Concall and Performance:

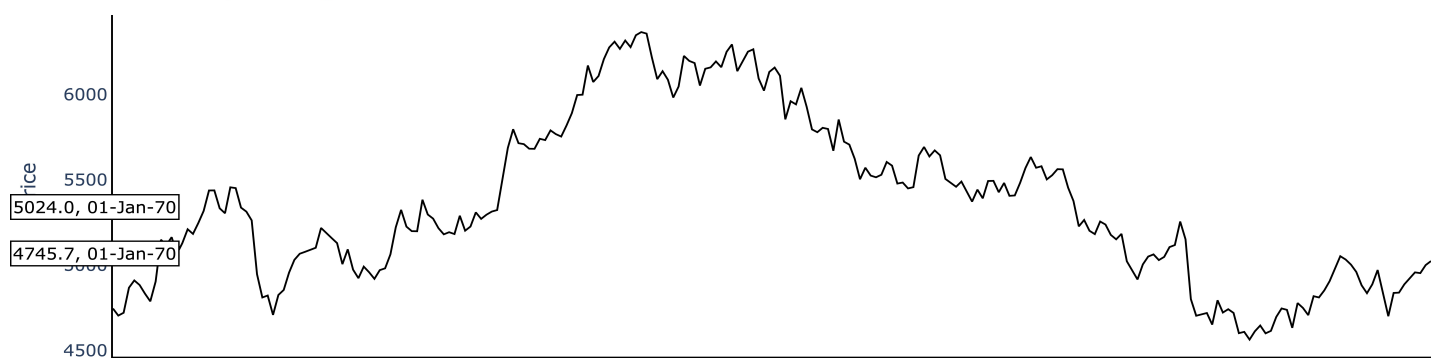
Alkem Laboratories has demonstrated robust growth and strategic foresight, positioning itself as a leading player in the pharmaceutical industry. The company has consistently outperformed the Indian Pharmaceutical Market (IPM) across key therapies, including gastrointestinal, neuro/CNS, anti-diabetic, respiratory, and gynaecology, showcasing its strong domestic presence. With a 12% CAGR in domestic business growth between FY18-24, Alkem has leveraged its extensive sales and distribution network, covering 85%+ of prescriber bases and employing a field force of over 12,500 professionals. The company's focus on scaling chronic therapies, such as anti-diabetic and respiratory segments, has resulted in market-beating growth, with aspirations to increase chronic contributions to 20% of revenue from the current 17%. Additionally, Alkem's Trade Generics (TGx) segment has emerged as a critical growth driver, contributing over 20% to domestic sales and expected to deliver double-digit growth in the next five years, supported by a dedicated team and expansion plans.

Internationally, Alkem has established a strong footprint, with 30%+ revenue contribution from global operations, driven by its presence in over 40 countries and a portfolio of 170+ dossiers. The company's US business, contributing 22% to international sales, is poised for further growth with the operationalization of its new manufacturing facility by late FY25. Alkem's BioCDMO business has also gained traction, leveraging Enzene's differentiated technology to deliver 40+ projects globally, including end-to-end continuous manufacturing systems. The company's biosimilars portfolio, with 10+ products and out-licensing agreements in key markets like the UK and Brazil, underscores its commitment to innovation and diversification. These initiatives align with Alkem's strategy to capture emerging opportunities in the \$650 billion international market, which is growing at 8% annually.

Alkem's financial performance reflects its strategic execution, with total revenue from operations reaching 98,208 million in 9MFY25, a 0.9% YoY growth. EBITDA margins improved to 21.6%, driven by increased domestic sales and optimized operational expenses. R&D investments rose to 4,035 million, representing 4.1% of total revenue, highlighting the company's focus on innovation. Despite challenges in international markets, including price erosion in the US, Alkem maintained profitability, with net profit growing by 23.8% YoY to 18,596 million. The company's healthy balance sheet, with 47 billion in net cash, provides a strong foundation for future investments and scaling initiatives. Key brands like Clavam, PAN-D, and Dapanorm continue to deliver higher-than-market growth, supported by new product launches and strategic marketing efforts.

Looking ahead, Alkem is well-positioned to capitalize on evolving healthcare trends in India, including increased healthcare expenditure and the rise of integrated ecosystems. The company's targeted investments in biosimilars, medical devices, and chronic therapies align with these opportunities, ensuring sustainable growth. Alkem's focus on innovation, such as "India for India R&D" and differentiated manufacturing capabilities, will further strengthen its competitive edge. With aspirations to

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
un Pharmaceutical Industries Ltd.	418768	133	12.9%	20.8%	22.0%	36.8%	49.8%
Divi's Laboratories Ltd.	156447	75.5	12.0%	-0.22%	27.0%	14.7%	65.9%
Cipla Ltd.	122019	26.2	15.3%	4.1%	13.5%	22.1%	41.3%
Torrent Pharmaceuticals Ltd.	110144	60.4	20.2%	-2.34%	12.0%	5.43%	63.3%
Mankind Pharma Limited	106748	55.2	19.7%	-5.26%	8.48%	-34.4%	-10.0%

Aspect	Commentary
Revenue	Alkem Laboratories' revenue grew 4.08% YoY to Rs.9507 Cr, driven by strong domestic sales and international operations. However, QoQ revenue declined by 2.89%, reflecting challenges in quarterly performance. Trade Generics and chronic therapies remain key growth drivers for sustained revenue expansion.
Profit & Loss	Operating profit for the year reached Rs.2326 Cr, with a margin of 24.5%. PAT grew 57.38% YoY to Rs.1802 Cr, showcasing robust profitability. Quarterly PAT growth of 5.3% reflects steady performance despite revenue challenges. EPS growth of 33.56% highlights shareholder value creation.
Profitability Matrix	Operating profit margin of 24.5% and net profit margin of 18.5% indicate strong operational efficiency. EBITDA margin of 23.92% reflects optimized cost management. ROIC at 25% underscores effective capital utilization, supporting profitability across domestic and international markets.
Valuation Matrix	Trailing P/E of 26.7 and PEG ratio of 1.52 suggest reasonable valuation given growth prospects. EV/EBITDA at 21.1 indicates premium valuation, supported by strong fundamentals. Dividend yield of 0.8% provides moderate income potential for investors alongside capital appreciation.
Growth (YoY)	Sales grew 4.08% YoY, driven by domestic market strength and chronic therapy expansion. PAT growth of 57.38% reflects improved profitability. EPS growth of 33.56% highlights earnings momentum. R&D; investments and operational efficiency contributed to sustained growth.
Growth (QoQ)	QoQ sales declined by 2.89%, reflecting quarterly challenges. PAT grew 5.3% QoQ, supported by cost optimization. Revenue QYoQ growth of 13.84% and PAT QYoQ growth of 35.47% highlight recovery trends. Focus on chronic therapies and Trade Generics supports future growth.
Capital Allocation	RoE of 18.1% and RoCE of 18.4% indicate efficient capital deployment. Cash equivalents of Rs.1284 Cr and low debt/equity ratio of 0.05 reflect a strong balance sheet. R&D; investments at 4.1% of revenue highlight innovation focus, supporting long-term growth initiatives.
Holdings	Promoter holding at 55.7% reflects strong ownership confidence. FII and DII holdings at 9.4% and 19.4%, respectively, indicate institutional interest. Public holding at 16% ensures liquidity. Strategic shareholding structure supports stability and growth potential.
Leverage	Debt/equity ratio of 0.05 and total debt of Rs.619 Cr reflect minimal leverage, ensuring financial stability. Market cap of Rs.59765 Cr and enterprise value of Rs.59100 Cr highlight strong valuation. Healthy balance sheet supports future investments and scaling opportunities.

**Analyst viewpoint:** Alkem Laboratories has demonstrated strong growth potential, supported by its robust domestic presence and expanding international footprint. The company's revenue grew 4.08% YoY to Rs. 9507 Cr, driven by its focus on chronic therapies and Trade Generics, which continue to be key growth drivers. PAT growth of 57.38% YoY and EPS growth of 33.56% underscore its profitability and shareholder value creation. Operational efficiency is evident in its EBITDA margin of 23.92% and ROIC of 25%, reflecting effective capital utilization. Alkem's strategic investments in R&D, accounting for 4.1% of revenue, highlight its commitment to innovation, while its low debt/equity ratio of 0.05 and cash equivalents of Rs. 1284 Cr ensure financial stability. The company's targeted expansion in chronic therapies and biosimilars, coupled with its operational excellence, positions it well for sustained growth in the short to mid-term.

While Alkem's valuation metrics, including a trailing P/E of 26.7 and PEG ratio of 1.52, suggest reasonable pricing given its growth prospects, the QoQ revenue decline of 2.89% reflects some quarterly challenges. However, the company's ability to achieve PAT growth of 5.3% QoQ and revenue QYoQ growth of 13.84% highlights recovery trends and resilience. Alkem's strategic focus on scaling chronic therapies and leveraging its global operations, alongside its strong balance sheet and institutional interest, supports a bullish outlook. Investors should remain mindful of potential pricing pressures in international markets, but overall, Alkem's diversified portfolio and innovation-driven approach make it a compelling buy recommendation.

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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