

Price: 4996

Recommendation: Buy

Industry: Pharmaceuticals

Sector: Healthcare

Report Date: 21-Apr-2025

Alkem Laboratories is a leading pharmaceutical company known for its robust growth and innovation. With a strong presence in India and international markets, it excels in therapies like gastrointestinal, neuro/CNS, and anti-diabetic. Its focus on chronic segments, biosimilars, and advanced manufacturing drives sustainable growth, supported by strategic R&D; and operational excellence.

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:

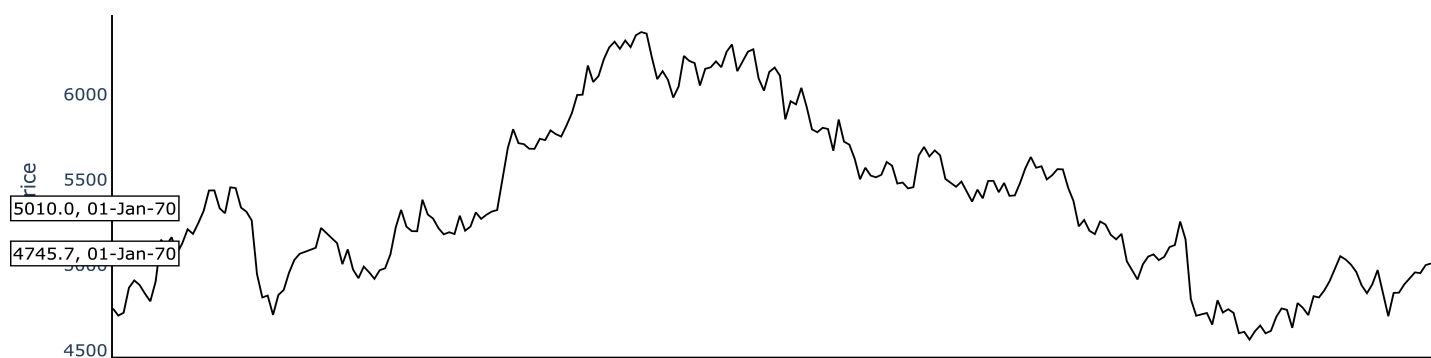
Alkem Laboratories has demonstrated robust growth and strategic foresight, positioning itself as a leading player in the pharmaceutical industry. The company has consistently outperformed the Indian Pharmaceutical Market (IPM) across key therapies, including gastrointestinal, neuro/CNS, anti-diabetic, respiratory, and gynaecology, with a focus on chronic segments. Alkem's domestic business, contributing ~70% of total revenue, has grown at a CAGR of ~12% between FY18-24, driven by its extensive sales and distribution network, which covers 85%+ of prescribers. The company has invested in scaling its chronic portfolio, aiming to increase its contribution to 20% of revenue from 17% in FY24. Notable brands like Dapanorm and Dapanorm Trio have scaled rapidly, achieving a topline of 450+ Mn within four years of launch. Additionally, Alkem's leadership in the Trade Generics (TGx) segment, supported by a dedicated team of 650+ field force and 3000+ authorized stockists, is expected to deliver double-digit growth in the next five years.

Internationally, Alkem has established a strong footprint, with 30%+ revenue contribution from global operations. The US market remains a key focus, contributing ~69% of international sales, despite challenges like price erosion. The company is leveraging its differentiated technology platforms, including biosimilars and BioCDMO, to drive growth in emerging markets and developed geographies. Enzene Biosciences, a subsidiary, is pioneering end-to-end continuous manufacturing systems, enhancing productivity and quality while reducing carbon footprint. Alkem's US manufacturing facility, expected to operationalize by late FY25, will further strengthen its presence in developed markets. The company has filed 179 ANDAs and 2 NDAs, with 154 approvals, showcasing its strong R&D; capabilities. Biosimilars out-licensing agreements in markets like the UK, Switzerland, and Brazil further highlight its global expansion strategy.

Alkem's financial performance reflects its strategic initiatives and operational efficiency. In Q3FY25, the company achieved revenue of 33,743 Mn, with a YoY growth of 1.5%, and EBITDA margins improved to 22.5%. For 9MFY25, revenue grew by 0.9% YoY to 98,208 Mn, while EBITDA increased by 15% YoY, driven by higher gross profit margins of 64.5%. R&D; expenses rose to 4,035 Mn, underscoring its commitment to innovation. The company's net profit for 9MFY25 grew by 23.8% YoY to 18,596 Mn, supported by a healthy balance sheet with 47.0 Bn in net cash. Alkem's ability to outperform the IPM in multiple therapies and its focus on scaling high-growth segments like chronic and TGx highlight its resilience and growth potential.

Looking ahead, Alkem is well-positioned to capitalize on emerging opportunities in the Indian healthcare landscape, which is expected to triple to \$450+ Bn by 2030. The company's targeted investments in biosimilars, injectables, and medical devices align with broader industry trends. Its aspiration to become a global partner of choice for BioCDMO innovators and its focus on integrated ecosystems across key disease areas will drive sustainable growth. Alkem's strategic diversification, strong R&D; capabilities, and operational excellence provide a solid foundation for scaling its domestic and international businesses, ensuring long-term value creation for stakeholders.

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	Revenue grew 4.08% YoY to Rs.9507 Cr, driven by domestic and international sales. However, QoQ revenue declined by 2.89%, reflecting challenges in quarterly performance. The company's focus on chronic therapies and trade generics supports sustainable growth.
Profit & Loss	Operating profit margin stands at 24.5%, showcasing strong cost management. PAT grew 57.38% YoY, indicating improved profitability. Quarterly PAT growth of 5.3% reflects steady operational efficiency despite revenue decline.
Profitability Matrix	Net profit margin of 18.5% and EBITDA margin of 23.92% highlight robust profitability. EPS growth of 33.56% YoY underscores shareholder value creation. Operational metrics reflect efficient cost control and strategic execution.
Valuation Matrix	Trailing P/E of 26.7 and PEG ratio of 1.52 suggest moderate valuation relative to growth potential. EV/EBITDA of 21.1 indicates premium valuation, supported by strong profitability. Dividend yield of 0.8% adds to investor appeal.
Growth (YoY)	Sales growth of 4.08% YoY reflects steady expansion, while PAT growth of 57.38% highlights improved margins and operational efficiency. EPS growth of 33.56% demonstrates strong earnings performance, driven by strategic initiatives.
Growth (QoQ)	QoQ sales declined by 2.89%, reflecting short-term challenges. However, PAT grew 5.3%, supported by cost efficiencies. QYoQ PAT growth of 35.47% indicates resilience in profitability despite revenue pressures.
Capital Allocation	RoE of 18.1% and RoCE of 18.4% highlight efficient capital utilization. RoIC of 25% underscores strong returns on invested capital. Cash equivalents of Rs.1284 Cr provide liquidity for strategic investments and operations.
Holdings	Promoter holding of 55.7% reflects strong ownership confidence. FII and DII holdings of 9.4% and 19.4%, respectively, indicate institutional interest. Public holding of 16% ensures diversified ownership structure.
Leverage	Debt/equity ratio of 0.05 reflects minimal leverage, ensuring financial stability. Debt of Rs.619 Cr is manageable, supported by healthy cash reserves. Market cap of Rs.59765 Cr and enterprise value of Rs.59100 Cr highlight strong market positioning.

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.

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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