BUY (Maintain)

CMP: **INR 5,481** Target Price: **INR 6,400 (INR 6,065)** ▲ 17%

ICICI Securities

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19 September 2025

India | Equity Research | Company Update

Alkem Laboratories

Pharma

CXO 1x1: Dr. Vikas Gupta, CEO

Alkem Laboratories' CEO, Dr. Vikas Gupta, is targeting double-digit revenue growth in the medium term, driven by strong hold in India (68% of sales), other international markets and new ventures. In India, it aims to grow 100-150bps faster than IPM as focused chronic therapies are growing at a faster pace with adequate growth supported by the acute portfolio. It acquired Bombay Ortho for INR 1.5bn in Apr'25 and entered into an in-licensing deal with Exactech for a foray in the fast-growing medtech space. Commercial operations at the new CDMO facility in the US will start in Q3FY26 and Alkem has a decent orderbook which could ensure swift pick-up and EBITDA breakeven in 12-18 months. We believe optimisation of RM cost and operating leverage may drive 100bps expansion in margins every year (25% margin targeted in medium term) while losses of new ventures may be curbed from H2FY27, helping it post ~200bps improvement in margins over FY25-28E.

Transitory impact of opex of new ventures (annual opex of INR 2.4-3bn) and higher tax rate (35% from FY27) are already priced in, making the valuations attractive. Retain **BUY** with a revised TP of INR 6,400 (23x FY27E EV/EBITDA).

Growth levers in place to boost India growth

Alkem's management is working towards reducing its dependence on acute therapies like anti-infectives (revenue share down from 45% to 34% in FY25) and is sharpening focus on chronic therapies (share expected to reach from 17% to 20% in three years organically) like diabetes, CNS, dermatology, respiratory and urology. Alkems' better reach in trade generics segment has made it one of the largest players in this segment and the company is able to scale up profitability of this segment to overall company level margins. Going ahead, its branded formulation biz is likely to grow 100–150bps faster than IPM while trade generics could grow in line with IPM. We factor in a 9.2% CAGR in its overall India biz (68% of sales) over FY25-28E.

Near-term green shoots in US, de-risking remains a priority

Price erosion and lack of new launches have hurt growth in Alkem's US biz in the last couple of years. However, with new launches like gEntresto and some other products, its growth in US biz is expected to jump to low single digit ahead. Alkems' pipeline includes an array of complex oral solid, injectables and peptide products which pose high entry barrier and ensure better profitability. We expect a CAGR of 7.1% in the US biz over FY25–28E.

Financial Summary

Y/E March (INR mn)	FY25A	FY26E	FY27E	FY28E
Net Revenue	129,645	145,128	159,675	175,174
EBITDA	25,122	28,926	32,788	37,389
EBITDA Margin (%)	19.4	19.9	20.5	21.3
Net Profit	21,654	24,238	20,714	23,968
EPS (INR)	181.1	202.7	173.3	200.5
EPS % Chg YoY	20.6	11.9	(14.5)	15.7
P/E (x)	30.2	27.0	31.6	27.3
EV/EBITDA (x)	25.2	21.6	18.7	16.0
RoCE (%)	21.0	20.7	15.6	15.8
RoE (%)	19.4	19.0	14.5	15.3

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Market Data

Market Cap (INR)	655bn
Market Cap (USD)	7,435mn
Bloomberg Code	ALKEM IN
Reuters Code	ALKE BO
52-week Range (INR)	6,376 /4,492
Free Float (%)	47.0
ADTV-3M (mn) (USD)	9.5

Price Performance (%)	3m	6m	12m
Absolute	14.1	13.9	(10.0)
Relative to Sensex	12.1	3.7	(10.1)

ESG Score	2023	2024	Change
ESG score	**66.1**	**63.3**	**(2.8)**
Environment	60.3	57.8	(2.5)
Social	54.3	52.1	(2.2)
Governance	76.1	77.0	0.9

Note - Score ranges from 0 - 100 with a higher score indicating higher ESG disclosures.

Source: SES ESG, I-sec research

Earnings Revisions (%)	FY26E	FY27E
Revenue	(0.4)	0.6
EBITDA	1.0	3.2
EPS	1.4	3.9

Previous Reports

13-08-2025: Q1FY25 results review
30-05-2025: Q4FY25 results review

Venturing in profitable innovative CDMO biz

Enzene (Alkem's subsidiary) is rapidly scaling in the fast-evolving biosimilars and biologics space. The company incurred a capex of INR 5.5bn for setting up a new facility at New Jersey in US and is working on a differentiated India-based R&D and US-based delivery model. Manufacturing for first clinical batch commenced in Mar'25 while full-scale commercial operations are likely to start from Q3FY26. The company has a decent product pipeline with a strong orderbook from innovators based in the US. The company expects its CDMO venture to generate INR 1bn revenue in FY26E and could touch INR 4.5–5bn (1x asset turnover) in 2–3 years. EBITDA loss of INR 400–500mn per quarter may drag profit in the near term; however, the venture is expected to breakeven in 12–18 months post commercialisation and has the potential of being a margin-accretive biz for the company.

Foray into Medtech synergises well with legacy business in India

Alkem ventured into the fast-growing medtech segment in FY25 via in-licensing deal with Exactech to manufacture and market large joint implants in India, including the trademark rights of its flagship knee and hip brands. Further, the acquisition of Bombay Ortho (deal value of INR 1.5bn) roped in a comprehensive knee and hip portfolio, helping Alkem become a fully integrated orthopaedic implant company. Medtech business is on course to generate revenue of INR 200mn in FY26E with an annualised exit run-rate of INR 400–500mn in Q4FY26 while EBITDA loss is expected to be INR 200–250mn per quarter. Alkem is targeting to achieve sales of INR 2.5bn in next five years from this business. This vertical provides high growth potential and portfolio diversification beyond its core business. Besides, the company plans to invest INR 20-30bn in the next few years to further strengthen its position in this segment.

Transitory impact on margins and tax rate already priced in

The annual operating cost of the new ventures is likely to be ~INR 2.4-3bn which will dent its margins in H2FY26 and FY27. Management expects the base business to deliver a 100bps margin improvement p.a. through sourcing efficiencies and operating leverage and reach 25% margin in medium term. We believe the impact of new ventures on margins may fade FY28 onwards as it achieves breakeven in CDMO biz and scales up its medtech business in India. Tax benefits associated to manufacturing facility in India are likely to fade away in FY27, and hence, its effective tax rate could jump to 35-38%, though cash tax rate may remain between 18-20%.

Valuation and risks

Alkem has well-balanced growth levers in place led by its strong foothold in India, RoW and new ventures. Previously, Alkem's India business growth was marred by sluggish industry growth for acute therapies, but this impact is now behind. Going ahead, management believes India biz can grow at 9-10% while trade generics biz could grow in tandem with market growth rate of ~8-9% in FY26. Investments towards US generic biz are tapering for quite some time now. In FY25, the company filed only nine products and will file further 8-9 products with the USFDA in FY26. In the near term, launch of gEntresto may boost growth, beyond which we expect low single-digit growth in US business.

Alkem's investment in new ventures is likely to pick up in FY26. The company has incurred capex of INR 5.5bn towards setting up a manufacturing plant in US (operational by Q3FY26) to venture in contract development and manufacturing (CDMO) of biosimilars. Client onboarding has begun and it has an orderbook which could generate revenue of INR 1bn in FY26 with peak potential of INR 4.5-5bn (1x asset turnover) in next 2-3 years from this plant. It has also ventured into the untapped medical devices segment by acquiring Bombay Ortho and in-licensed products from Exactech. It plans to scale its investment in this segment to INR 20-30bn in next couple of years.

We expect Alkem to witness a revenue CAGR of 10.6% and margin expansion of ~200bps to 21.3% over FY25–28E. We increase our EPS by ~1%/4% for FY26/27E to factor in better growth across India and other international markets. The stock trades at valuations of 31.6x FY27E and 27.3x FY28E earnings and EV/EBITDA multiple of 18.7x FY27E and 16.0x FY28E. Maintain **BUY** with a higher target price of INR 6,400 (earlier INR 6,065), based on 23x FY27E EV/EBITDA (22x FY27E EV/EBITDA earlier).

Key downside risks: More products under price control, regulatory lapses in US-centric plants and slowdown in trade generics.

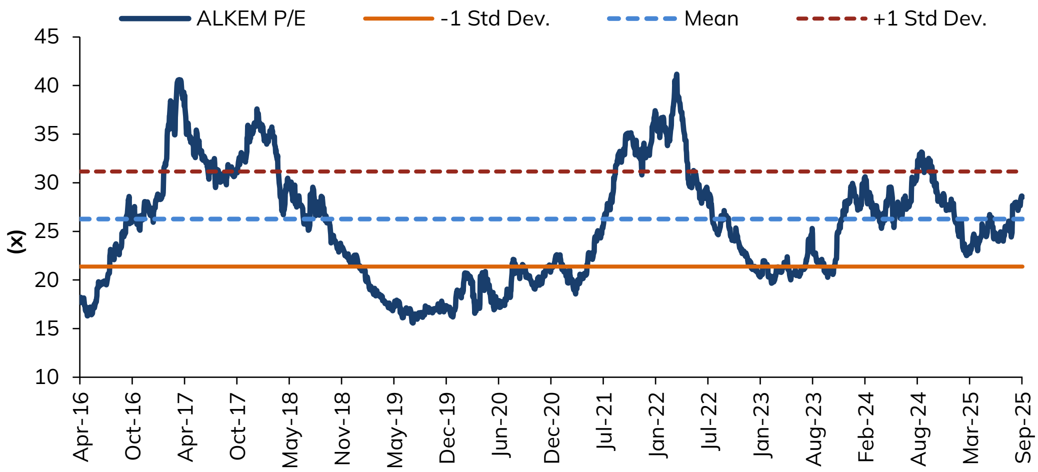
Exhibit 1: Peer valuation

Company	Mkt. Cap (INR bn)	Target Price (INR)	Rating	EPS (INR)				ROCE (%)				P/E (x)				EV/ EBITDA (x)			
				FY25	FY26E	FY27E	FY28E	FY25	FY26E	FY27E	FY28E	FY25	FY26E	FY27E	FY28E	FY25	FY26E	FY27E	FY28E
Torrent	1,320	3,530	HOLD	57.5	64.5	75.7	96.2	19.0	12.7	10.5	12.5	62.1	55.3	47.1	37.1	36.1	31.1	23.3	20.2
Mankind*	1,089	NR	NR	48.3	50.8	65.5	80.7	14.2	23.1	15.5	18.0	50.4	51.9	40.3	32.7	31.2	30.4	25.9	19.3
Alkem	655	6,400	BUY	181.1	203.7	173.3	200.5	21.0	20.7	15.6	15.8	30.3	26.9	31.6	27.3	25.5	21.9	19.0	16.3
IPCA*	340	NR	NR	21.6	35.5	42.7	53.2	13.9	12.7	17.1	19.7	43.6	31.4	25.2	21.0	26.6	18.3	15.3	13.4
Ajanta	322	2,500	REDUCE	74.0	87.0	100.7	-	26.0	26.6	24.9	-	37.2	31.6	27.4	-	27.0	22.8	19.4	-
Emcure*	254	NR	NR	37.3	50.3	60.5	73.2	20.9	21.6	23.1	26.0	28.7	26.6	22.2	18.3	14.4	14.7	12.7	11.0

Source: Company data, I-Sec research

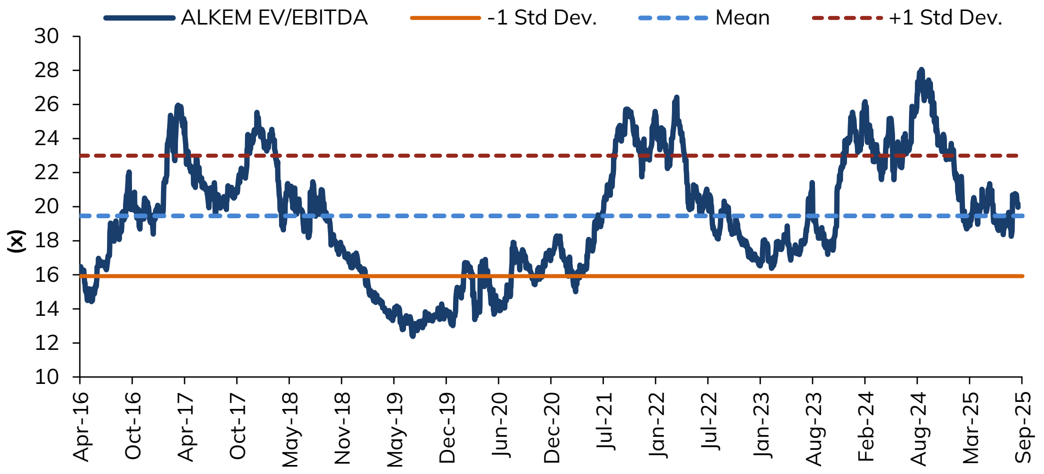
Note: *Bloomberg estimates

Exhibit 2: One-year forward P/E ratio



Source: I-Sec research, Company data

Exhibit 3: One-year forward EV/EBITDA



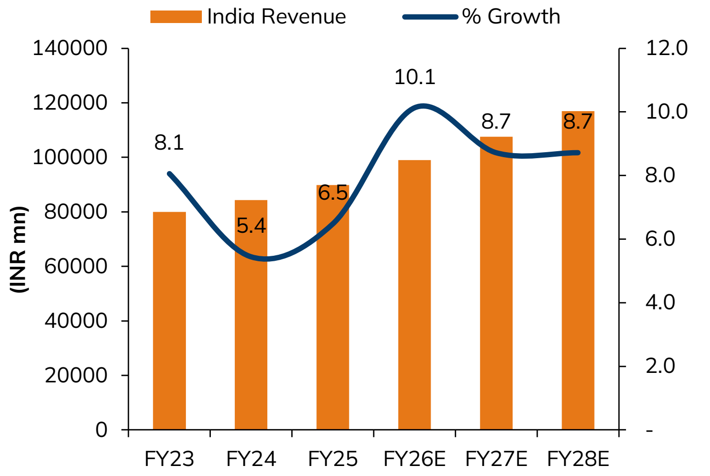
Source: I-Sec research, Company data

Exhibit 4: Top brand across key therapies

Therapy	Brands	MAT Aug'21	MAT Aug'22	MAT Aug'23	MAT Aug'24	MAT Aug'25	CAGR (FY21-25)
Anti-infective	XONE	2,139	2,498	2,571	2,695	2,577	4.8%
	PIPZO	1,386	1,366	1,692	2,182	2,433	15.1%
	CLAVAM	4,393	4,985	6,098	6,081	6,351	9.7%
	TAXIM-O	2,534	2,977	3,082	3,288	3,417	7.8%
	TAXIM	1,685	1,712	1,808	1,812	1,826	2.0%
	XONE-XP	1,014	1,037	1,261	1,246	1,277	5.9%
	MEROSURE	930	989	1,199	1,218	1,268	8.1%
	SWICH	966	1,074	1,120	1,130	1,103	3.4%
	ZOCEF	779	803	995	924	946	4.9%
	TRAXOL-S	850	825	871	883	853	0.1%
	TRAXOL	851	714	750	813	684	-5.3%
Diabetes	GLUCORYL-M	525	563	652	604	645	5.3%
	DAPANORM TRIO	0	0	255	538	696	-
VMN	HEMFER	838	996	1,064	1,103	1,042	5.6%
	CHERI	984	1,088	1,205	1,389	1,383	8.9%
	GEMCAL	1,636	1,784	1,814	1,789	1,814	2.6%
	A TO Z GOLD	652	724	875	777	750	3.6%
	A TO Z NS	2,750	2,838	2,662	3,018	3,257	4.3%
	UPRISE-D3	1,181	1,169	1,515	1,976	2,693	22.9%
PAIN	SUMO-L	818	1,055	1,247	1,539	1,855	22.7%
	SUMO	1,234	1,138	1,235	1,267	1,359	2.4%
	ENZOFLAM	510	556	584	597	649	6.2%
Gastro	PAN	3,974	5,070	5,757	6,428	7,285	16.4%
	PAN-D	3,510	4,265	4,871	5,673	6,277	15.6%
	ONDEM	1,195	1,357	1,405	1,487	1,512	6.0%

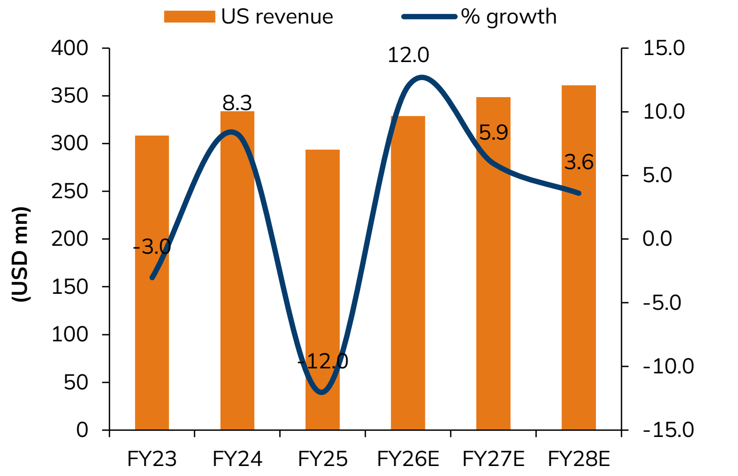
Source: IQVIA, I-Sec research

Exhibit 5: Diversification of portfolio to aid growth in India



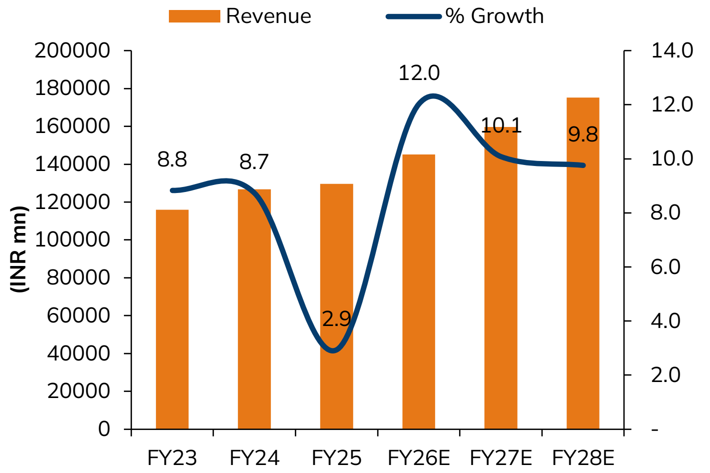
Source: I-Sec research, Company data

Exhibit 6: New launches to improve US revenue run-rate



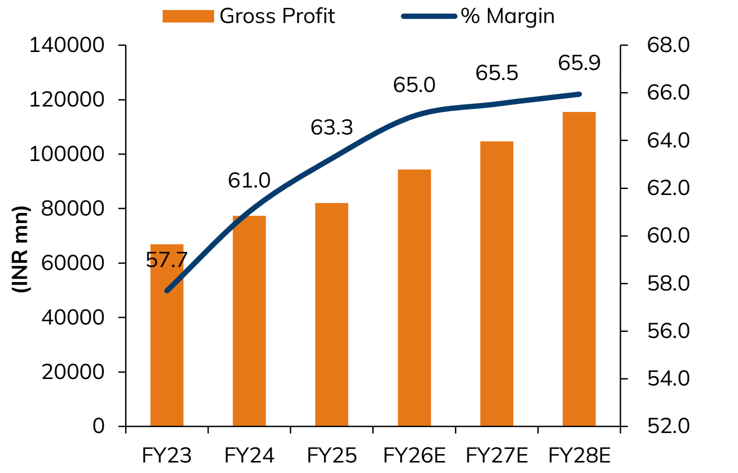
Source: I-Sec research, Company data

Exhibit 7: Revenue to register 10.6% CAGR over FY25-28E



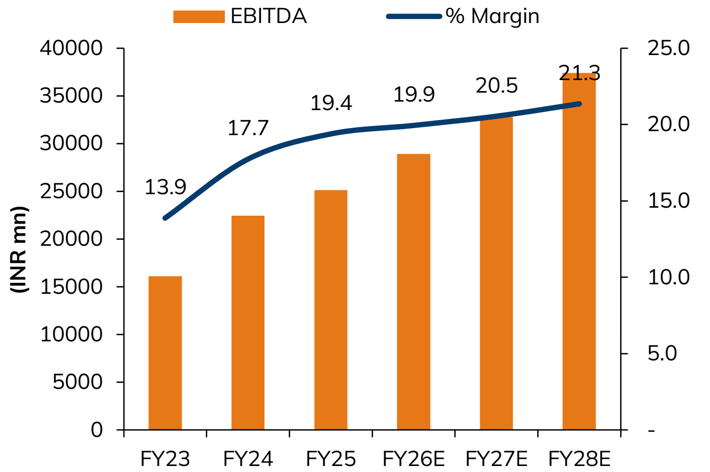
Source: I-Sec research, Company data

Exhibit 8: Gross margin is likely to be ~66% in FY28E



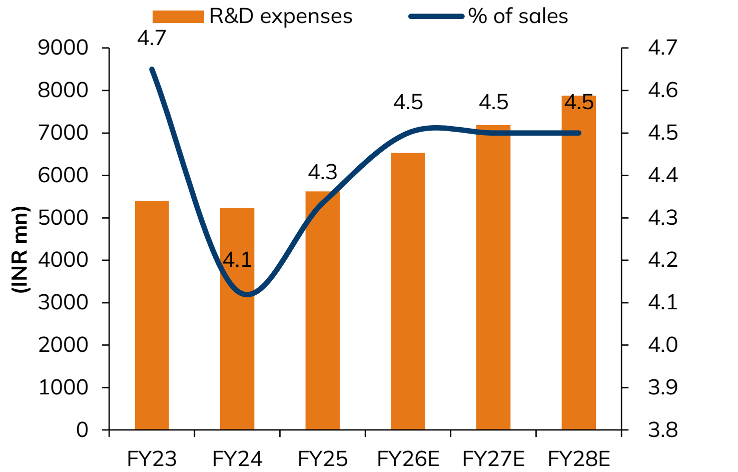
Source: I-Sec research, Company data

Exhibit 9: Expect ~200bps expansion in EBITDA margin over FY25-28E



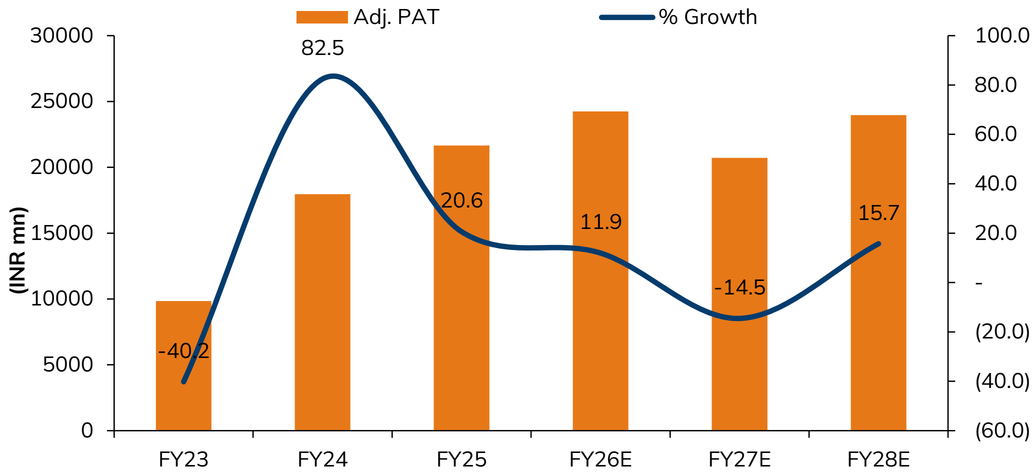
Source: I-Sec research, Company data

Exhibit 10: R&D spending to be ~4.5-5% of sales in FY26E



Source: I-Sec research, Company data

Exhibit 11: Higher tax rate to keep profit growth under check



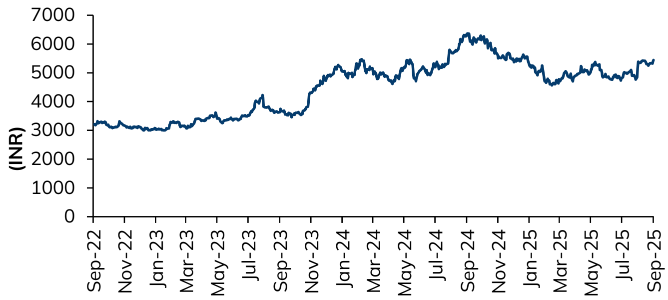
Source: Company data, I-Sec research

Exhibit 12: Shareholding pattern

%	Dec'24	Mar'25	Jun'25
Promoters	55.7	55.1	53.0
Institutional investors	27.4	27.9	29.8
MFs and others	14.0	15.0	16.7
FIs/Banks	0.4	0.4	0.4
Insurance	2.8	3.2	3.6
FIIs	10.2	9.4	9.1
Others	16.9	17.0	17.2

Source: Bloomberg

Exhibit 13: Price chart



Source: Bloomberg

Financial Summary

Exhibit 14: Profit & Loss

(INR mn, year ending March)

	FY25A	FY26E	FY27E	FY28E
Net Sales	**129,645**	**145,128**	**159,675**	**175,174**
Operating Expenses	56,881	65,459	71,855	78,129
EBITDA	**25,122**	**28,926**	**32,788**	**37,389**
EBITDA Margin (%)	19.4	19.9	20.5	21.3
Depreciation & Amortization	3,572	3,776	4,318	4,860
EBIT	21,550	25,150	28,470	32,529
Interest expenditure	1,217	1,217	1,217	1,217
Other Non-operating Income	4,937	5,166	5,623	6,729
Recurring PBT	**25,270**	**28,970**	**32,876**	**38,041**
Profit / (Loss) from Associates	**-**	**-**	**-**	**-**
Less: Taxes	3,110	4,223	11,556	13,371
PAT	22,160	24,747	21,320	24,670
Less: Minority Interest	(499)	(509)	(606)	(701)
Extraordinaries (Net)	-	-	-	-
Net Income (Reported)	**21,661**	**24,238**	**20,714**	**23,968**
Net Income (Adjusted)	**21,654**	**24,238**	**20,714**	**23,968**

Source Company data, I-Sec research

Exhibit 15: Balance sheet

(INR mn, year ending March)

	FY25A	FY26E	FY27E	FY28E
Total Current Assets	100,436	113,330	132,270	153,919
of which cash & cash eqv.	15,631	22,560	34,657	49,015
Total Current Liabilities & Provisions	32,131	33,356	36,910	39,798
Net Current Assets	**68,305**	**79,974**	**95,359**	**114,121**
Investments	18,131	18,131	18,131	18,131
Net Fixed Assets	20,639	23,672	26,302	28,529
ROU Assets	-	-	-	-
Capital Work-in-Progress	5,481	5,481	5,481	5,481
Total Intangible Assets	7,884	8,075	8,128	8,040
Other assets	6,958	7,673	8,345	9,060
Deferred Tax Assets	17,383	19,508	13,919	7,452
Total Assets	**144,780**	**162,515**	**175,665**	**190,815**
Liabilities				
Borrowings	**10,628**	**10,628**	**10,628**	**10,628**
Deferred Tax Liability	**-**	**-**	**-**	**-**
provisions	3,382	3,382	3,382	3,382
other Liabilities	6,434	7,202	7,924	8,693
Equity Share Capital	239	239	239	239
Reserves & Surplus	119,849	136,815	149,243	163,624
Total Net Worth	**120,088**	**137,054**	**149,483**	**163,864**
Minority Interest	4,488	4,488	4,488	4,488
Total Liabilities	**144,780**	**162,515**	**175,665**	**190,815**

Source Company data, I-Sec research

Exhibit 16: Cashflow statement

(INR mn, year ending March)

	FY25A	FY26E	FY27E	FY28E
Operating Cashflow	**23,584**	**17,761**	**23,582**	**26,135**
Working Capital Changes	(3,698)	4,686	3,239	4,350
Capital Commitments	7,262	7,000	7,000	7,000
Free Cashflow	**16,322**	**10,761**	**16,582**	**19,135**
Other investing cashflow	**(20,879)**	**(7,000)**	**(7,000)**	**(7,000)**
Cashflow from Investing Activities	(13,617)	-	-	-
Issue of Share Capital	-	-	-	-
Interest Cost	-	-	-	-
Inc (Dec) in Borrowings	(1,512)	-	-	-
Dividend paid	6,496	7,271	8,286	9,587
Others	(7,846)	(11,103)	(12,771)	(14,364)
Cash flow from Financing Activities	(2,861)	(3,832)	(4,485)	(4,776)
Chg. in Cash & Bank balance	**(157)**	**6,930**	**12,097**	**14,358**
Closing cash & balance	15,637	22,560	34,657	49,015

Source Company data, I-Sec research

Exhibit 17: Key ratios

(Year ending March)

	FY25A	FY26E	FY27E	FY28E
Per Share Data (INR)				
Reported EPS	181.2	202.7	173.3	200.5
Adjusted EPS (Diluted)	181.1	202.7	173.3	200.5
Cash EPS	211.0	234.3	209.4	241.1
Dividend per share (DPS)	54.3	60.8	69.3	80.2
Book Value per share (BV)	1,004.5	1,146.4	1,250.4	1,370.7
Dividend Payout (%)	30.0	30.0	40.0	40.0
Growth (%)				
Net Sales	2.3	11.9	10.0	9.7
EBITDA	11.9	15.1	13.4	14.0
EPS (INR)	20.6	11.9	(14.5)	15.7
Valuation Ratios (x)				
P/E	30.2	27.0	31.6	27.3
P/CEPS	26.0	23.4	26.2	22.7
P/BV	5.5	4.8	4.4	4.0
EV / EBITDA	25.2	21.6	18.7	16.0
P / Sales	5.1	4.5	4.1	3.7
Dividend Yield (%)	0.0	0.0	0.0	0.0
Operating Ratios				
Gross Profit Margins (%)	63.3	65.0	65.5	65.9
EBITDA Margins (%)	19.4	19.9	20.5	21.3
Effective Tax Rate (%)	12.3	14.6	35.2	35.2
Net Profit Margins (%)	16.7	16.7	13.0	13.7
NWC / Total Assets (%)	-	-	-	-
Net Debt / Equity (x)	(0.2)	(0.2)	(0.3)	(0.3)
Net Debt / EBITDA (x)	(0.9)	(1.0)	(1.3)	(1.5)
Profitability Ratios				
RoCE (%)	21.0	20.7	15.6	15.8
RoE (%)	19.4	19.0	14.5	15.3
RoIC (%)	20.5	20.0	16.2	18.5
Fixed Asset Turnover (x)	6.1	6.6	6.4	6.4
Inventory Turnover Days	83	85	84	84
Receivables Days	70	72	71	71
Payables Days	52	48	49	48

Source Company data, I-Sec research

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