Alkem Laboratories

Pharma

Temporary pause in India; new venture scale-up on cards

Alkem Laboratories (Alkem) reported decent numbers in Q3FY26 led by its international operations. Domestic biz growth slowed to 5.6% YoY, hit by inventory stocking last year and deceleration in trade generics. Management is confident of posting double-digit growth in FY26 (9MFY26 growth at ~10%). Alkem plans to acquire Occlutech's medtech business (EUR 90–95mn investment), which is in early stages; and would require efforts to scale up its geographical reach and new launches. Management has set a target of achieving sales of INR 10bn in 3–5 years from medtech biz, while CDMO plant may achieve revenue of INR 4.5–5bn in FY28. Implementation of MIP on Pen-G and derivatives (INR 800–1,000mn impact) and overheads of new ventures may keep a check on margins. Maintain **BUY**; TP lowered to INR 6,500, based on 20x FY28E EV/EBITDA.

Traction in international biz covers for slowdown in India

Alkem's Q3 sales grew 10.7% YoY (-6.6% YoY) to INR 37.4bn (I-Sec: INR 36.8bn), driven by US and international markets. Gross margins expanded 163bps YoY (+96bps QoQ) to 65.9% due to softening of raw material cost. R&D spending rose 5.9% YoY (+6.8% QoQ) to INR 1.4bn (3.7% of sales vs. 3.9% in Q3FY25 and 3.3% in Q2FY26). EBITDA grew 9% YoY (-10.1% QoQ) to INR 8.3bn (I-Sec: INR 7.3bn), while EBITDA margins contracted 35bps YoY (-86bps QoQ) to 22.2% (I-Sec: 19.8%) due to higher R&D. Other income grew 53.9% YoY to INR 1.4bn, while depreciation rose 11.4% YoY to INR 950mn. Adjusting for one-off expense of INR 528mn, PAT grew 8.7% YoY (-11.1% QoQ) to INR 6.8bn (I-Sec: INR 4.6bn), aided by higher other income.

India slowdown transient; likely rebound Q4FY26 onwards

Domestic biz grew at a slower pace of 5.5% YoY (-9.8% QoQ) to INR 24.9bn. Excluding one-time sales, India business registered double-digit growth. Management anticipates growth momentum to continue ahead and aims for it to outpace IPM growth rate (pegged at 8–8.5%) by 100–150bps in FY26. We factor in India business CAGR at 9.5% over FY25–28E. US revenue grew 18.8% YoY (-1.5% YoY) to INR 7.5bn, mainly led by new launches and higher volumes. It received 7 ANDA approvals and filed 2 ANDAs with the USFDA. We factor in a 7.1% CAGR for its US business over FY25–28E led by new launches. Other international market sales grew 41.6% YoY (9.0% QoQ) to INR 4.6bn driven by robust growth across all markets.

Financial Summary

Y/E March (INR mn)	FY25A	FY26E	FY27E	FY28E
Net Revenue	1,29,645	1,46,827	1,67,574	1,85,628
EBITDA	25,122	30,189	33,194	37,832
EBITDA Margin (%)	19.4	20.6	19.8	20.4
Net Profit	21,654	25,603	21,175	24,523
EPS (INR)	181.1	214.2	177.1	205.1
EPS % Chg YoY	13.7	18.2	(17.3)	15.8
P/E (x)	29.8	25.6	30.5	26.3
EV/EBITDA (x)	24.8	20.3	18.3	15.8
RoCE (%)	21.0	21.7	15.9	16.7
RoE (%)	19.4	19.9	14.7	15.6

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Market Data

Market Cap (INR)	646bn
Market Cap (USD)	7,122mn
Bloomberg Code	ALKEM IN
Reuters Code	ALKE BO
52-week Range (INR)	5,934 /4,492
Free Float (%)	49.0
ADTV-3M (mn) (USD)	8.1

Price Performance (%)	3m	6m	12m
Absolute	(5.6)	0.3	14.5
Relative to Sensex	(3.4)	(2.3)	5.9

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 (%)	FY27E	FY28E
Revenue	2.4	3.3
EBITDA	(1.0)	(0.6)
EPS	(0.2)	0.3

Previous Reports

14-11-2025: Q2FY26 results review

19-09-2025: Company Update

Valuation and risks

Alkem's India business posted double-digit growth on an adjusted basis despite a high base, led by chronic therapies and continued market share gains across key segments such as anti-infectives, VMN, pain, and dermatology while trade generics remained subdued but are expected to recover next year. International sales surged 26.6% YoY driven by new launches and improved execution. In the near term, impact of minimum import price on Pen-G derivatives (~INR 800mn–1bn) and continued investments may keep gross margins range bound, though pricing actions could partly offset the pressure. The company is preparing for day-one entry into generic semaglutide and plans to strengthen its field force to capture the opportunity. Alkem Wellness, now carved out as a separate entity, is currently facing headwinds, though the core prescription business remains robust.

Alkem announced the acquisition of 51–55% stake in Switzerland-based medtech company Occlutech Holdings for a total equity valuation of EUR 180.7mn. Occlutech had sales of EUR 49mn, EBITDA of EUR 2.1mn and loss of EUR 6.85mn in CY25. The deal is valued at 3.7x EV/sales on FY25 basis. While the deal has a payback period of ~10 years, duration may get accelerated as new launches gain traction. Its other medtech business of Adroit Biomed and Bombay Ortho continues to do well and is expected to breakeven in FY28. Most of the large ticket investments in the medtech segment is behind and focus is on scaling up the acquired assets. Medtech segment is likely to have sales of INR 10bn (INR 6bn in CY26) with ~22% margins in next 5 years.

USFDA inspection is underway at Enzene's manufacturing plant. The company targets denosumab launch by end-CY26 in the US and entry in Europe in near term. Its CDMO facility in the US is expected to generate revenue of INR 3bn p.a. in next 12-18 months and will likely break even. Management expects Enzene and medtech revenues to scale meaningfully over the next few years, with margins potentially reaching ~25%, driven by operating leverage, high-ASP products, and cost optimisation.

We expect Alkem to witness a revenue CAGR of 12.7% and margin expansion of ~100bps to 20.4% over FY25–28E. The stock trades at valuations of 30.5x FY27E and 26.3x FY28E earnings and EV/EBITDA multiple of 18.3x FY27E and 15.8x FY28E. Maintain **BUY** with a lower target price of INR 6,500 (earlier INR 6,600), based on 20x FY28E EV/EBITDA (prior: 23x FY27E EV/EBITDA).

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

Q3FY26 conference call highlights

India

- In Q3FY25, it had certain one-time sales. Adjusting for it in the base, India biz grew in double-digit in Q3FY26.
- Alkem Wellness segment is carved out as a separate biz. The business is currently facing headwinds.
- As per IQVIA, Alkem outperformed market growth in anti-infectives, VMN, pain management, anti-diabetes, respiratory and dermatology therapies.
- Branded biz has grown at 11-12% in 9MFY26 while trade generics have grown at a slower pace.
- YTD sales from acquired portfolio of Adroit was INR 400mn.
- The company plans to launch generic semaglutide in first wave and may add MRs for this therapeutic group.
- Management aims to report double-digit growth in branded portfolio in FY26.
- Beyond FY26, it aims to grow 150-200bps faster than IPM growth.
- Revenue contribution from anti-infective segment would be identical across branded and trade generics segment.

Enzene biosciences

- USFDA inspection of manufacturing plant is ongoing. It may launch denosumab in US by end of CY26 due to patent protection and in Europe in next couple of months.

Medtech

- Occlutech is the third largest medtech company (second in Europe) in its given set of products. US and Europe account for 85% of sales.
- A few of the products developed by Occlutech have limited competition; hence, revenues of these new launches can be scaled up swiftly.
- Occlutech had recently launched a product, which saw good success and gained 5% market share quickly.
- Occlutech has manufacturing facilities in Germany and Turkey.
- Average selling price of Occlutech products in US will be USD 9,500.
- Existing promoter of Occlutech has 32% stake. Alkem would buy up to 55% stake from existing shareholders and current promoter (will hold some stake post deal). Alkem may evaluate to acquire balance stake in few years.
- Current promoter and other senior executives of Occlutech would stay for next one year.
- Alkem would make an initial investment of INR 11bn for 55% stake and further investment of INR 1-2bn for next 2 years in R&D.
- Most of the large-ticket investments in the medtech segment is behind; ahead, it may invest INR 2-3bn for maintenance purposes.
- Ahead, organic initiatives will likely drive growth in orthopaedic segment.
- Occlutech has debt of INR 4.5-5bn on balance sheet at 10% interest rate. Alkem would look to refinance this debt at a cheaper rate of 5%.

- Occlutech would launch a tech transfer (LAA) product in end of Jun'26.
- Payback of the deal is likely to be 10 years on current set of products and geographies. Post LAA launch timeline for payback will be reduced.
- Management is confident of creating value for shareholders in the medtech segment in India.
- In the medtech segment, the company would focus on cardiology and orthopaedic segment in India and global markets.
- Medtech segment is likely to have sales of INR 10bn (INR 6bn in CY26) with ~22% margins in next 5 years.
- Plans to command 10% volume share (2,50,000 implants) in Indian medical device market.
- Occlutech currently has 76% gross margins.
- Occlutech portfolio will likely have 10% margin by FY27 and 23-24% in three years. EBITDA margin expansion ahead would be boosted by operating leverage and cost curtailment.
- Enzene and medtech would be a value accretive business for the company and both businesses have potential of ~25% margins in the next few years.

Guidance

- Implementation of MIP on Pen-g and other products may impact Alkem's gross profit by INR 800mn-1bn. Management may offset the impact partially by taking price hikes in trade generics segment.
- Alkem is maintaining 5-6 months raw material inventory on its books.

Exhibit 1: Quarterly review (INR mn)

YE 31 March	Q3FY26	Q3FY25	YoY (%)	Q2FY26	QoQ (%)	9MFY26	9MFY25	YoY (%)
Sales	37,368	33,743	10.7	40,010	(6.6)	1,11,090	98,208	13.1
Gross Profit	24,641	21,700	13.6	26,000	(5.2)	72,641	63,358	14.7
Gross Margin	65.9	64.3	163bps	65.0	96bps	65.4	64.5	87bps
R&D exp	1,390	1,312	5.9	1,302	6.8	3,876	4,034	(3.9)
R&D exp (%)	3.7	3.9	-17bps	3.3	47bps	3.5	4.1	-62bps
EBITDA	8,280	7,594	9.0	9,208	(10.1)	24,878	21,209	17.3
EBITDA margin (%)	22.2	22.5	-35bps	23.0	-86bps	22.4	21.6	80bps
Other income	1,431	930	53.9	1,037	38.0	3,833	3,478	10.2
Finance expenses	421	360	16.8	350	20.2	1,069	933	14.6
Depreciation	950	853	11.4	936	1.5	2,763	2,447	12.9
Extraordinary items	(528)	-	-	-	-	(399)	-	-
PBT	7,812	7,311	6.9	8,958	(12.8)	24,480	21,307	14.9
Tax	1,277	903	41.4	1,162	9.8	3,466	2,377	45.8
Effective tax rate (%)	16.3	12.3	399bps	13.0	337bps	14.2	11.2	300bps
Reported PAT	6,360	6,258	1.6	7,651	(16.9)	20,667	18,596	11.1
Adjusted PAT	6,802	6,258	8.7	7,651	(11.1)	21,010	18,596	13.0
NPM (%)	18.2	18.5	-34bps	19.1	-92bps	18.9	18.9	-2bps

Source: Company data, I-Sec research

Exhibit 2: Business mix

INR mn	Q3FY26	Q3FY25	YoY (%)	Q2FY26	QoQ (%)	9MFY26	9MFY25	YoY (%)
Domestic	**24,959**	**23,649**	**5.5**	**27,660**	**(9.8)**	**75,269**	**68,482**	**9.9**
% of sales	67.2	71.1		69.9		68.5	70.6	
Exports	**12,157**	**9,605**	**26.6**	**11,890**	**2.2**	**34,585**	**28,459**	**21.5**
% of sales	32.8	28.9		30.1		31.5	29.4	
US	7,533	6,340	18.8	7,649	(1.5)	22,164	18,732	18.3
% of exports	62.0	66.0		64.3		64.1	65.8	
Other International markets	4,624	3,265	41.6	4,241	9.0	12,421	9,727	27.7
% of exports	38.0	34.0		35.7		35.9	34.2	
Total	**37,116**	**33,254**	**11.6**	**39,550**	**(6.2)**	**1,09,854**	**96,941**	**13.3**

Source: I-Sec research, Company data

Exhibit 3: Key growth drivers of domestic business in Q3FY26

Brands (INR mn)	Q3FY26	Q3FY25	YoY (%)	Q2FY25	QoQ (%)	MAT Dec'25	MAT Dec'24	YoY (%)
Pan	1,930	1,736	11.1	1,939	-0.5	7,501	6,650	12.8
Clavam	1,888	1,652	14.3	1,810	4.3	6,671	6,138	8.7
Pan-D	1,535	1,558	-1.5	1,558	-1.5	6,216	5,942	4.6
Taxim-O	871	865	0.7	947	-8.0	3,399	3,348	1.5
A To Z Ns	858	769	11.6	991	-13.4	3,365	3,100	8.5
Uprise-D3	793	641	23.8	778	2.0	2,882	2,212	30.3
Pipzo	702	624	12.4	721	-2.7	2,538	2,275	11.5
Xone	659	703	-6.2	747	-11.8	2,509	2,629	-4.6
Sumo-L	535	463	15.5	626	-14.6	1,968	1,653	19.0
Gemcal	489	457	7.1	481	1.7	1,842	1,795	2.6

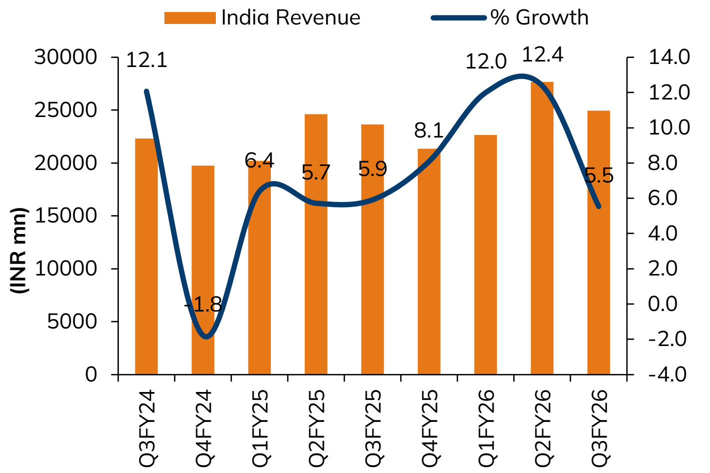
Source: IQVIA

Exhibit 4: Growth profile of key therapies in India

Therapies (INR mn)	Q3FY26	Q3FY25	YoY (%)	Q2FY25	QoQ (%)	MAT Dec'25	MAT Dec'24	YoY (%)
Anti-Infectives	8,531	7,228	18.0	9,040	-5.6	31,905	30,783	3.6
Gastro Intestinal	4,830	5,133	-5.9	4,998	-3.4	19,284	17,852	8.0
Vitamins/Minerals/Nutrients	3,252	3,060	6.3	3,425	-5.1	12,169	10,414	16.8
Pain / Analgesics	2,761	2,482	11.2	2,865	-3.6	10,300	9,625	7.0
Anti Diabetic	1,305	1,171	11.5	1,226	6.4	4,759	4,305	10.6
Neuro / CNS	996	972	2.5	961	3.7	3,812	3,574	6.7
Gynaec.	928	997	-6.9	1,054	-12.0	3,728	3,516	6.0
Respiratory	999	614	62.7	836	19.5	3,225	2,820	14.4
Derma	855	742	15.3	798	7.2	3,086	2,898	6.5
Cardiac	622	555	12.0	582	6.8	2,285	2,134	7.1

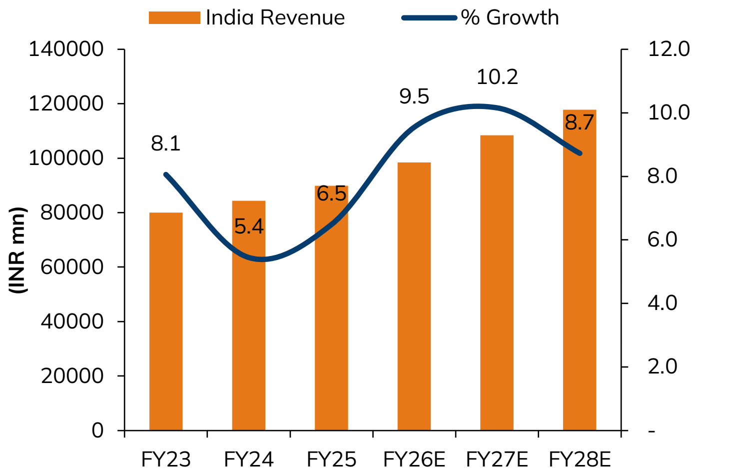
Source: IQVIA

Exhibit 5: India biz growth moderated to 6.5% YoY



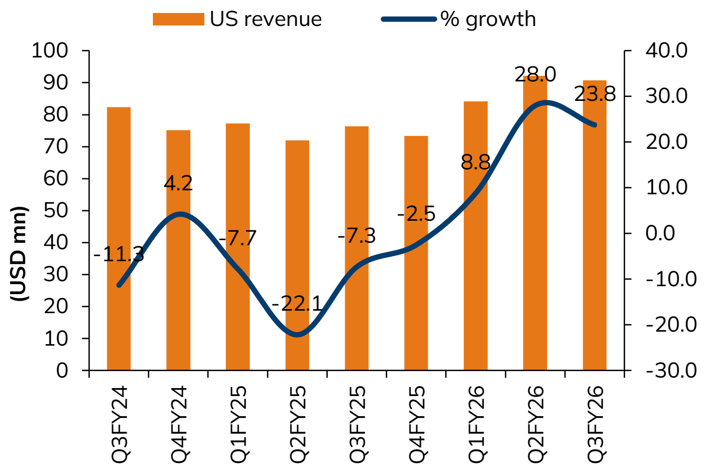
Source: I-Sec research, Company data

Exhibit 6: New launches to boost growth in India



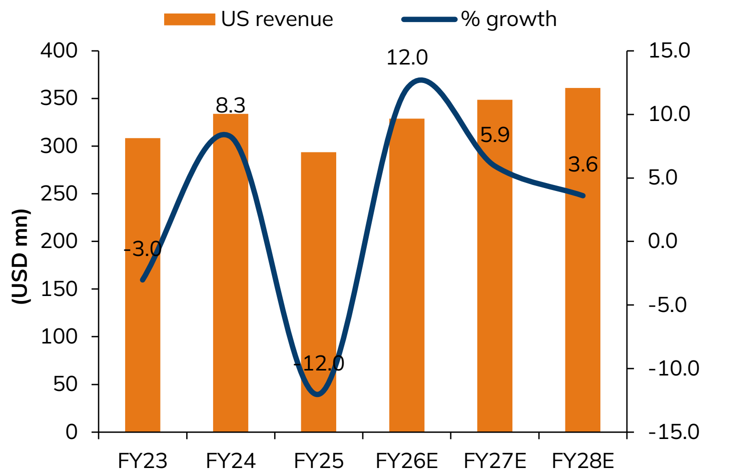
Source: I-Sec research, Company data

Exhibit 7: US revenue growth was mainly led by Entresto



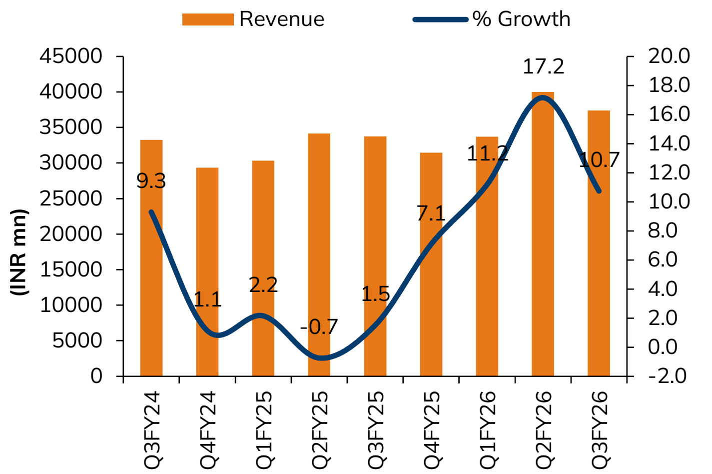
Source: I-Sec research, Company data

Exhibit 8: Better volumes and launches to improve US revenue run rate



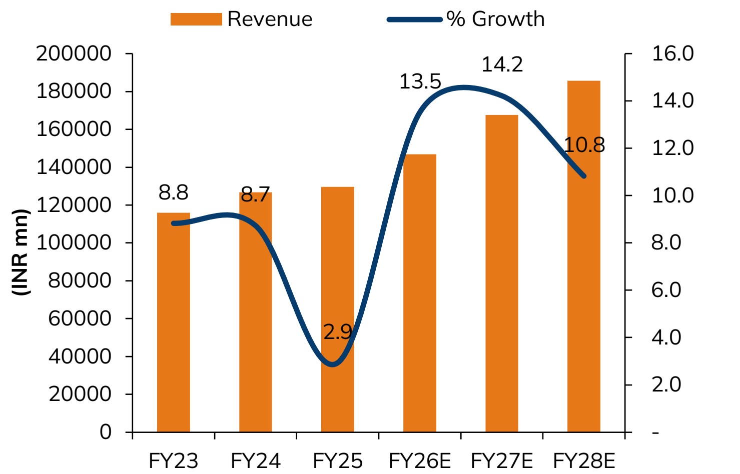
Source: I-Sec research, Company data

Exhibit 9: Revenue grew led by better traction in International markets



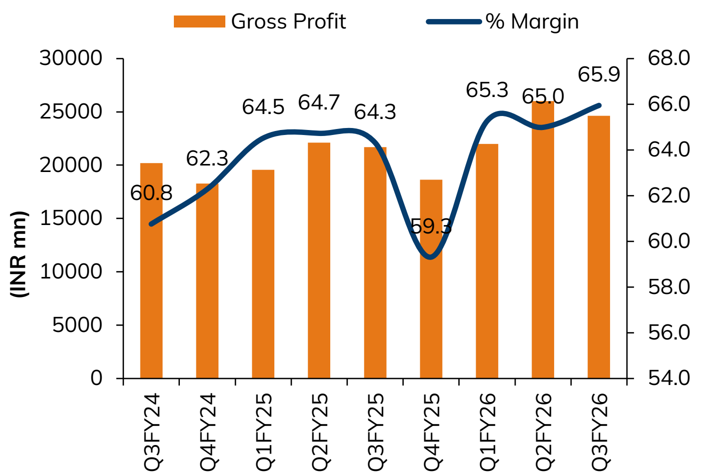
Source: I-Sec research, Company data

Exhibit 10: Revenue to register 12.7% CAGR over FY25-28E



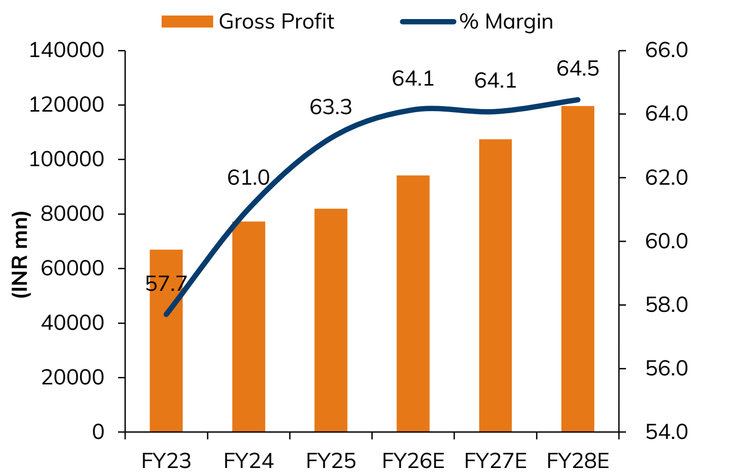
Source: I-Sec research, Company data

Exhibit 11: Margin expanded due to lower input cost



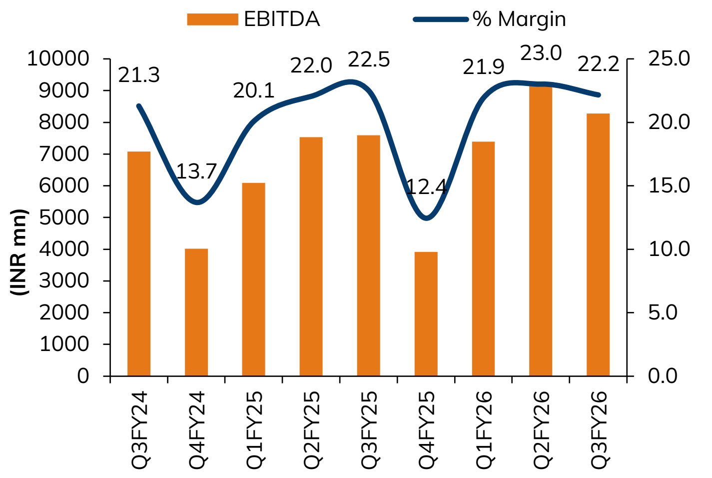
Source: I-Sec research, Company data

Exhibit 12: Gross margin is likely to remain stable at ~65% going ahead



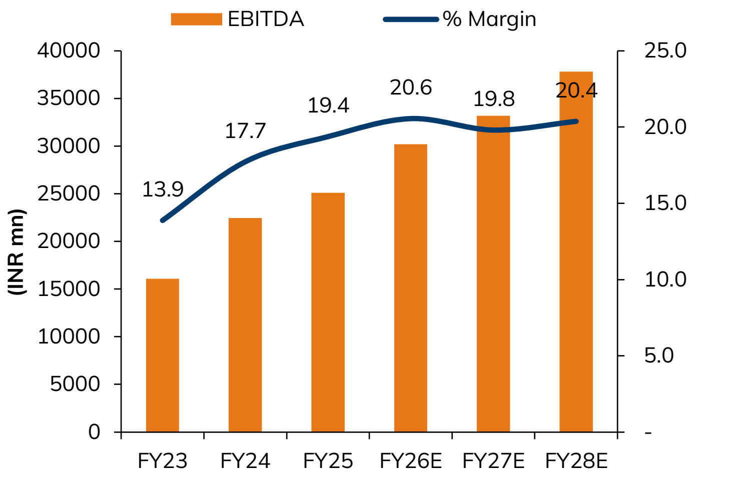
Source: I-Sec research, Company data

Exhibit 13: Higher R&D costs led to EBITDA margin decline



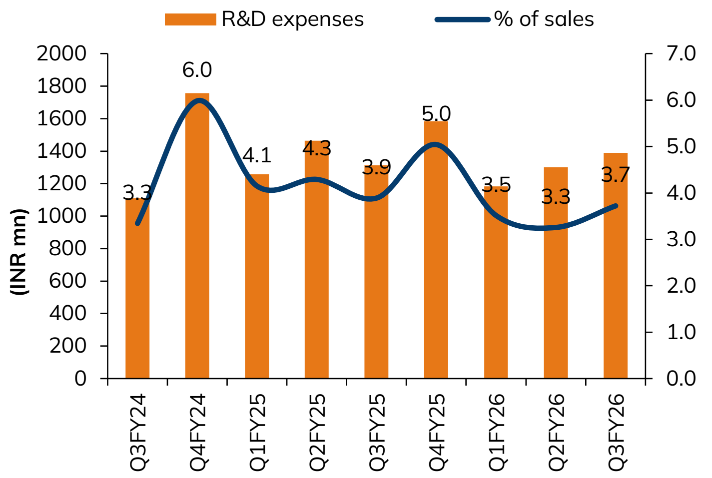
Source: I-Sec research, Company data

Exhibit 14: Expect ~100bps expansion in EBITDA margin over FY25-28E



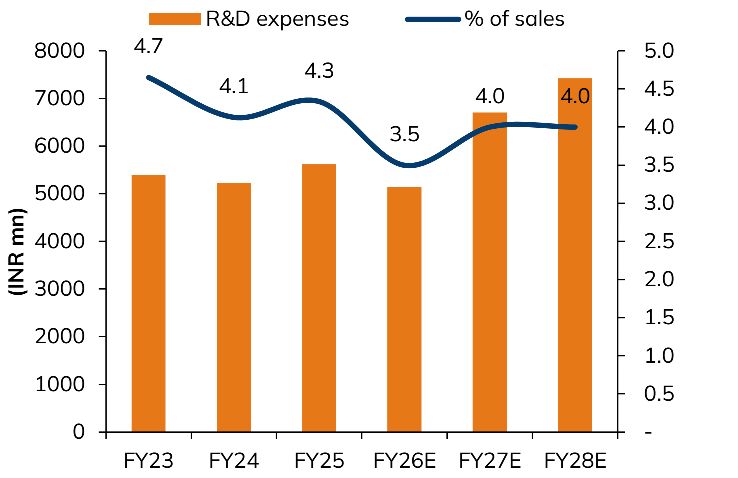
Source: I-Sec research, Company data

Exhibit 15: R&D spending declined 5.9% YoY



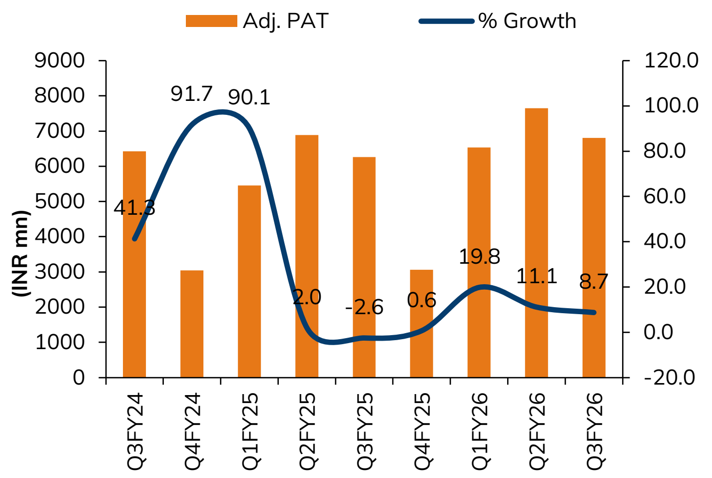
Source: I-Sec research, Company data

Exhibit 16: R&D spending to be ~4% of sales in FY28E



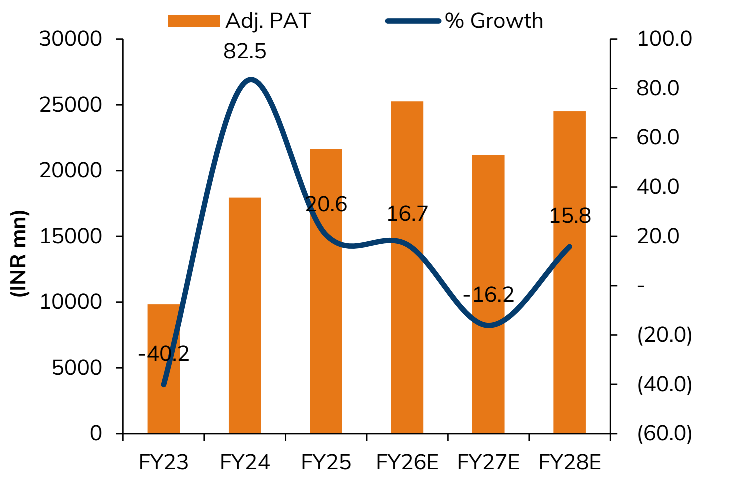
Source: I-Sec research, Company data

Exhibit 17: Adj. PAT grew 8.7% YoY at INR 6.8bn



Source: I-Sec research, Company data

Exhibit 18: Higher tax rate to dent profits in FY27E



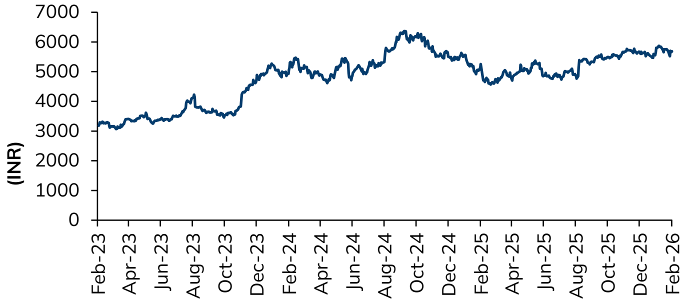
Source: I-Sec research, Company data

Exhibit 19: Shareholding pattern

%	Jun'25	Sep'25	Dec'25
Promoters	53.0	51.2	51.2
Institutional investors	29.8	30.4	31.5
MFs and others	16.7	16.9	16.1
FIs/Banks	0.4	0.3	0.3
Insurance	3.6	3.6	5.1
FIIs	9.1	9.5	10.0
Others	17.2	18.4	17.3

Source: Bloomberg

Exhibit 20: Price chart



Source: Bloomberg

ICICI Securities

Financial Summary

Exhibit 21: Profit & Loss

(INR mn, year ending March)

	FY25A	FY26E	FY27E	FY28E
Net Sales	**1,29,645**	**1,46,827**	**1,67,574**	**1,85,628**
Operating Expenses	1,04,524	1,16,638	1,34,380	1,47,795
EBITDA	**25,122**	**30,189**	**33,194**	**37,832**
EBITDA Margin (%)	19.4	20.6	19.8	20.4
Depreciation & Amortization	3,572	3,735	4,272	4,808
EBIT	21,550	26,454	28,923	33,024
Interest expenditure	1,217	1,493	1,493	1,493
Other Non-operating Income	4,937	5,427	5,910	7,080
Recurring PBT	**25,270**	**30,388**	**33,340**	**38,611**
Profit / (Loss) from Associates	**(6)**	**(19)**	**-**	**-**
Less: Taxes	3,110	4,199	11,736	13,591
PAT	22,160	26,190	21,604	25,020
Less: Minority Interest	499	512	429	497
Extraordinaries (Net)	-	(399)	-	-
Net Income (Reported)	**21,654**	**25,260**	**21,175**	**24,523**
Net Income (Adjusted)	**21,654**	**25,603**	**21,175**	**24,523**

Source Company data, I-Sec research

Exhibit 22: Balance sheet

(INR mn, year ending March)

	FY25A	FY26E	FY27E	FY28E
Total Current Assets	1,00,436	1,17,389	1,33,676	1,48,808
of which cash & cash eqv.	15,631	25,820	32,348	38,987
Total Current Liabilities & Provisions	32,131	34,608	40,848	43,395
Net Current Assets	**68,305**	**82,781**	**92,829**	**1,05,412**
Investments	18,131	18,131	18,131	18,131
Net Fixed Assets	20,639	23,713	26,389	28,669
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	7,751	8,709	9,543
Deferred Tax Assets	17,383	17,383	17,383	17,383
Total Assets	**1,44,780**	**1,63,315**	**1,77,049**	**1,92,659**
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	7,286	8,316	9,212
Equity Share Capital	239	239	239	239
Reserves & Surplus	1,19,610	1,37,292	1,49,997	1,64,710
Total Net Worth	**1,19,849**	**1,37,531**	**1,50,236**	**1,64,949**
Minority Interest	4,488	4,488	4,488	4,488
Total Liabilities	**1,44,780**	**1,63,315**	**1,77,049**	**1,92,659**

Source Company data, I-Sec research

Exhibit 23: Cashflow statement

(INR mn, year ending March)

	FY25A	FY26E	FY27E	FY28E
Operating Cashflow	**23,584**	**21,345**	**18,010**	**18,359**
Working Capital Changes	(3,698)	4,228	3,448	5,883
Capital Commitments	(7,262)	(7,000)	(7,000)	(7,000)
Free Cashflow	**16,322**	**14,345**	**11,010**	**11,359**
Other investing cashflow	**(13,617)**	**-**	**-**	**-**
Cashflow from Investing Activities	(20,879)	(7,000)	(7,000)	(7,000)
Issue of Share Capital	-	-	-	-
Interest Cost	-	-	-	-
Inc (Dec) in Borrowings	(1,512)	-	-	-
Dividend paid	6,496	7,578	8,470	9,809
Others	(7,846)	(11,734)	(12,952)	(14,529)
Cash flow from Financing Activities	(2,861)	(4,156)	(4,482)	(4,720)
Chg. in Cash & Bank balance	**(157)**	**10,189**	**6,528**	**6,639**
Closing cash & balance	15,637	25,820	32,348	38,987

Source Company data, I-Sec research

Exhibit 24: Key ratios

(Year ending March)

	FY25A	FY26E	FY27E	FY28E
Per Share Data (INR)				
Reported EPS	181.1	211.3	177.1	205.1
Adjusted EPS (Diluted)	181.1	214.2	177.1	205.1
Cash EPS	211.0	245.4	212.9	245.3
Dividend per share (DPS)	54.3	63.4	70.8	82.0
Book Value per share (BV)	1,002.5	1,150.4	1,256.7	1,379.8
Dividend Payout (%)	30.0	30.0	40.0	40.0
Growth (%)				
Net Sales	2.3	13.3	14.1	10.8
EBITDA	11.9	20.2	10.0	14.0
EPS (INR)	13.7	18.2	(17.3)	15.8
Valuation Ratios (x)				
P/E	29.8	25.6	30.5	26.3
P/CEPS	25.6	22.0	25.4	22.0
P/BV	5.4	4.7	4.3	3.9
EV / EBITDA	24.8	20.3	18.3	15.8
P / Sales	5.0	4.4	3.9	3.5
Dividend Yield (%)	1.0	1.2	1.3	1.5
Operating Ratios				
Gross Profit Margins (%)	63.3	64.1	64.1	64.5
EBITDA Margins (%)	19.4	20.6	19.8	20.4
Effective Tax Rate (%)	12.3	13.6	35.2	35.2
Net Profit Margins (%)	16.7	17.4	12.6	13.2
NWC / Total Assets (%)	-	-	-	-
Net Debt / Equity (x)	(0.2)	(0.2)	(0.3)	(0.3)
Net Debt / EBITDA (x)	(0.9)	(1.1)	(1.2)	(1.2)
Profitability Ratios				
RoCE (%)	21.0	21.7	15.9	16.7
RoE (%)	19.4	19.9	14.7	15.6
RoIC (%)	20.5	21.4	16.6	18.0
Fixed Asset Turnover (x)	6.1	6.6	6.7	6.7
Inventory Turnover Days	83	85	85	84
Receivables Days	70	72	72	71
Payables Days	52	51	55	51

Source Company data, I-Sec research

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