

ALKEM Laboratories

Estimate change	↑
TP change	↑
Rating change	↔

CMP: INR5,452 TP: INR5,840 (+7%) Neutral

Strong finish; softer road ahead

Domestic revival and US momentum intact; opex limits the earnings upgrade cycle

Bloomberg	ALKEM IN
Equity Shares (m)	120
M.Cap.(INRb)/(USDb)	651.8 / 6.8
52-Week Range (INR)	5934 / 4716
1, 6, 12 Rel. Per (%)	3/5/7
12M Avg Val (INR M)	880

Financials & Valuations (INR b)

Y/E MARCH	FY26	FY27E	FY28E
Sales	147.1	165.4	183.8
EBITDA	30.1	33.6	38.1
Adjusted PAT	25.5	22.3	25.1
EBIT Margin (%)	17.8	17.5	17.9
Adj EPS (INR)	213.4	186.1	210.1
EPS Gr. (%)	17.8	-12.8	12.9
BV/Sh. (INR)	1,156	1,277	1,422

Ratios

Net D-E	0.0	0.0	0.0
RoE (%)	19.8	15.3	15.6
RoCE (%)	18.0	14.8	15.1
Payout (%)	30.8	35.0	31.0

Valuations

P/E (x)	25.5	29.3	26.0
EV/EBITDA (x)	21.8	19.5	16.9
Div. Yield (%)	0.9	1.0	1.0
FCF Yield (%)	2.3	0.8	2.5
EV/Sales (x)	4.4	4.0	3.5

Shareholding Pattern (%)

As On	Mar-26	Dec-25	Mar-25
Promoter	51.2	51.2	55.1
DII	21.4	21.5	19.4
FII	10.2	10.0	9.4
Others	17.3	17.3	16.1

FII includes depository receipts

- Alkem Laboratories (ALKEM) delivered a better-than-expected financial performance with a 4%, 6%, and 16% beat on revenue, EBITDA, and PAT for 4QFY26. Strong traction in the exports segment and higher other income led to superior performance for the quarter.
- ALKEM exhibited 100bp YoY outperformance to the industry growth in the domestic formulation (DF) segment. Revival in Acute therapies and sustained growth momentum in chronic therapies led to better-than-industry growth for ALKEM. The trade generics segment is in a gradual recovery mode.
- The US business segment sustained the sales momentum on the back of new launches and increased volume off-take. The niche product launches are expected to sustain the growth prospects in FY27 as well.
- Broad-based growth across markets led to 24%/27% YoY growth in the Non-US export segment in 4QFY26/FY26.
- We raise our earnings estimate by 3%/5% for FY27/FY28, factoring in 1) limited competition product pipeline for the US market, 2) enhanced efforts to benefit from Semaglutide opportunities, and 3) a reduction in effective tax rate estimate. We value ALKEM at 28x 12M forward earnings to arrive at our TP of INR5,840.
- The company ended FY26 on a strong note with 13.5%, 20%, and 18% YoY growth in revenue, EBITDA, and PAT, respectively. Having said this, we expect moderation in the earnings growth trajectory over the next two years due to operational costs related to biosimilars for the US market, efforts towards improving growth prospects of the Occlutech business, and a step-up in tax rate from 18% in FY26 to 27-28% in FY27.
- Considering stable earnings over FY26-28 and valuation (29x FY27E/26x FY28E earnings), we reiterate our Neutral rating on the stock.

Segmental mix benefit offset by higher operational costs YoY

- ALKEM's 4QFY26 revenues grew 14.6% YoY to INR36b (our est.: INR34.8b).
- Gross margin expanded 605bp on a YoY basis to 65.4%.
- EBITDA margin expanded 190bp on a YoY basis at 14.4% (our est.: 14.1%) as higher gross margin was offset by higher other expenses/R&D cost (up 265bp/130bp YoY as % of sales).
- EBITDA grew 32.2% YoY at INR5.2b (vs. our est. of INR4.9b).
- The exceptional item of INR1,350m in 4QFY26 pertains to 1) impairment of investments (INR747m); 2) incremental impact of change in the labor code (INR445m); and 3) gain on reversal of impairment loss (INR142.9m).
- Adj. PAT grew 48.2% YoY to INR4.5b (our est.: INR3.9b).
- For FY26, its revenue/EBITDA/PAT grew 13.5%/19.6%/17.8% YoY.

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Investors are advised to refer through important disclosures made at the last page of the Research Report.

Motilal Oswal research is available on www.motilalosal.com/Institutional-Equities, Bloomberg, Thomson Reuters, Factset and S&P Capital.

International business drives growth; gradual revival in DF

- Domestic formulation (DF) business grew 8.9% YoY to INR23.2b. (64.5% of sales).
- International business grew 26% YoY to INR12.2b for the quarter.
- Within international business, US sales grew 26% YoY to INR7.7b (21.3% of sales).
- Other international sales grew 24% YoY to INR4.5b (12.6% of sales).

Highlights from the management commentary

- ALKEM guided 100-150bp higher YoY growth compared to IPM in the DF segment. Overall IPM growth is getting better due to new molecules like Semaglutide, and ALKEM remains confident in further improving the growth prospects.
- ALKEM guided a higher single-digit YoY growth in the US in CC terms. This would be largely led by new launches, offsetting the base business price erosion.
- Tolvaptan generic is approved by the USFDA. ALKEM is expected to launch this in Sep'26/Oct'26. It is expected to be a limited competition product.
- ALKEM guided for higher teens YoY growth in the ROW market for FY27.
- EBITDA margin is expected to be 20%-21% for FY27
- For the EU market, Alkem has approval for prolair biosimilar as well as the Xgeva biosimilar. ALKEM has a partner to launch prolair biosimilar.
- The Occlutech deal is expected to be closed in 45-60 days.

Quarterly performance

Y/E March	FY25				FY26				FY25	FY26	FY26E	Var
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q				
Net Revenues	30,318	34,147	33,743	31,438	33,711	40,010	37,368	36,033	129,645	147,123	34,769	3.6
YoY Change (%)	2.2	-0.7	1.5	7.1	11.2	17.2	10.7	14.6	2.3	13.5	10.6	
EBITDA	6,086	7,528	7,594	3,913	7,391	9,208	8,280	5,174	25,121	30,052	4,902	5.5
YoY Change (%)	56.4	0.8	7.3	-2.7	21.4	22.3	9.0	32.2	11.9	19.6	25.3	
Margins (%)	20.1	22.0	22.5	12.4	21.9	23.0	22.2	14.4	19.4	20.4	14.1	
Depreciation	805	789	853	1,125	877	936	950	1,058	3,572	3,821	938	
EBIT	5,282	6,739	6,741	2,788	6,514	8,272	7,330	4,116	21,550	26,232	3,965	
YoY Change (%)	66.7	0.2	5.7	-12.5	23.3	22.7	8.7	47.6	57.4	34.8	42.2	
Margins (%)	17.4	19.7	20.0	8.9	19.3	20.7	19.6	11.4	16.6	17.8	11.4	
Interest	291	281	360	284	298	350	421	539	1,217	1,608	320	
Other Income	1,203	1,345	930	1,460	1,365	1,037	1,431	2,001	4,937	5,834	1,200	
PBT before EO Exp	6,194	7,803	7,311	3,963	7,581	8,958	8,340	5,578	25,270	30,457	4,845	
EO Exp/(Inc)	0	0	0	0	-129	0	528	1,350	0	1,748	0	
PBT after EO Exp	6,194	7,803	7,311	3,963	7,710	8,958	7,812	4,228	25,270	28,709	4,845	
Tax	691	783	903	733	1,027	1,162	1,277	1,712	3,110	5,178	727	
Rate (%)	11.2	10.0	12.3	18.5	13.3	13.0	16.3	40.5	12.3	17.0	15.0	
PAT (pre Minority Interest)	5,502	7,020	6,408	3,230	6,683	7,796	6,535	2,517	22,160	23,531	4,118	
Minority Interest	51	133	150	172	41	145	175	152	505	513	195	
Reported PAT	5,452	6,886	6,258	3,059	6,643	7,651	6,360	2,365	21,655	23,018	3,923	
Adj Net Profit	5,452	6,886	6,258	3,059	6,531	7,651	6,802	4,533	21,655	25,517	3,923	15.6
YoY Change (%)	90.1	2.0	-2.6	0.6	19.8	11.1	8.7	48.2	13.5	17.8	28.3	

Key Performance Indicators (Consolidated)

Y/E March	FY25				FY26				FY25	FY26	FY26
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			
India formulations	20,223	24,610	23,649	21,355	22,650	27,660	24,959	23,245	89,837	98,514	23,704
YoY Change (%)	6.4	5.7	5.9	8.3	12.0	12.4	5.5	8.9	6.5	9.7	11.0
US generics	6,416	5,744	6,340	6,086	6,982	7,649	7,533	7,681	24,586	29,845	7,111
YoY Change (%)	(7.7)	(25.2)	(7.3)	(2.5)	8.8	33.2	18.8	26.2	(11.3)	21.4	16.8
International (Ex-US)	3,261	3,210	3,265	3,661	3,556	4,241	4,624	4,543	13,397	16,964	3,954
YoY Change (%)	2.2	12.0	(4.0)	28.2	9.0	32.1	41.6	24.1	8.8	26.6	8.0
Cost Break-up											
RM Cost (% of Sales)	35.5	35.3	35.7	40.7	34.7	35.0	34.1	34.6	36.7	34.6	38.0
Staff Cost (% of Sales)	19.9	17.9	18.5	19.6	20.6	17.8	19.3	19.8	18.9	19.3	20.3
R&D Expenses(% of Sales)	4.1	4.3	3.9	5.0	3.5	3.3	3.7	6.4	4.3	4.2	4.1
Other Cost (% of Sales)	20.4	20.5	19.4	22.2	19.3	21.0	20.8	24.9	20.6	21.5	23.5
Gross Margins(%)	64.5	64.7	64.3	59.3	65.3	65.0	65.9	65.4	63.3	65.4	62.0
EBITDA Margins(%)	20.1	22.0	22.5	12.4	21.9	23.0	22.2	14.4	19.4	20.4	14.1
EBIT Margins(%)	17.4	19.7	20.0	8.9	19.3	20.7	19.6	11.4	16.6	17.8	11.4

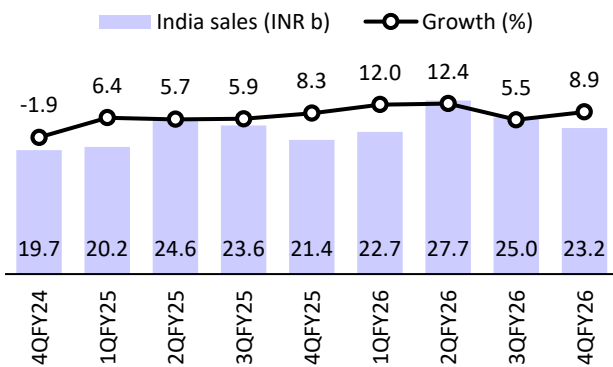


Key highlights from the management commentary

- ALKEM launched the GLP product (Semaglutide) in India and has garnered an 11% market share. Expect demand tailwind and ALKEM’s execution to drive promising business prospects from this product.
- R&D spending is stepped up in 4QFY26 due to increased product filings.
- Other expenses are higher for 4QFY26 due to due-diligence related cost, foreign currency impact, internal renovation related costs.
- Trade generics YoY revenue growth has been muted at 4.3% on an annualized basis. Focus has been on profitability.
- ALKEM indicated Chronic share in the Rx DF business is 22% of the Rx business, and the company is striving to increase the share going forward as well.
- ETR is expected to be 27%-29% for FY27.

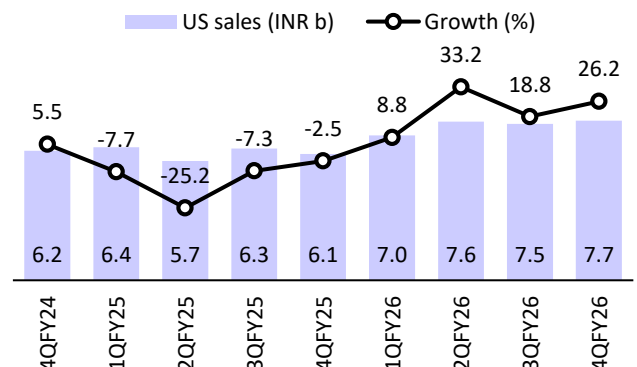
Key exhibits

Exhibit 1: DF revenue grew 8.9% YoY in 4QFY26



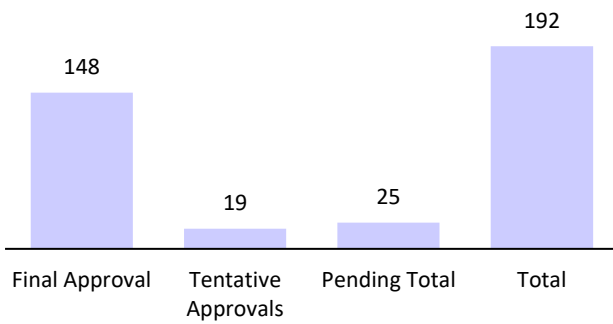
Source: MOFSL, Company

Exhibit 2: US sales grew 26.2% YoY in 4QFY26



Source: MOFSL, Company

Exhibit 3: Cumulative US ANDA filings



Source: MOFSL, Company

Exhibit 4: Robust ANDA pipeline

US Filings	# Nos.
Total ANDAs filed	192
NDA's	2

Source: MOFSL, Company

Traction in core pharma remains intact; Medtech to add growth lever in the medium term

DF: Chronic therapies lead growth; ALKEM outperforms in acute therapies

- DF segment revenue grew 9.7% YoY to INR98.5b (~67.8% contribution) in FY26.
- ALKEM outperformed IPM in 6 therapies: Derma ~2x, Gastro ~1.8x, Pain ~1.7x, VMN ~1.6x, Respiratory ~1.6x and Anti-diabetic ~1.4x.
- Strong double-digit performance in Pan/Clavam/Uprise-D3, partially offset by decline in Taxim-O/A To Z Ns/Xone and subdued performance in Pipzo for Mar-26 as per IQVIA.
- Acute/Chronic segment reported growth of 10%/16.1% vs IPM, which grew by 7.7%/13.6% YoY – a 230/250bp outperformance.
- For 4QFY26, the outperformance in Anti-Diabetic/VMN/Pain/Gastro was offset by softness in Neuro/Anti-Infective therapy.
- The company remains focused on sustaining growth above industry levels in the DF segment; we estimate ALKEM to deliver ~10.8% sales CAGR in DF, scaling to ~INR120.8b over FY26-28.

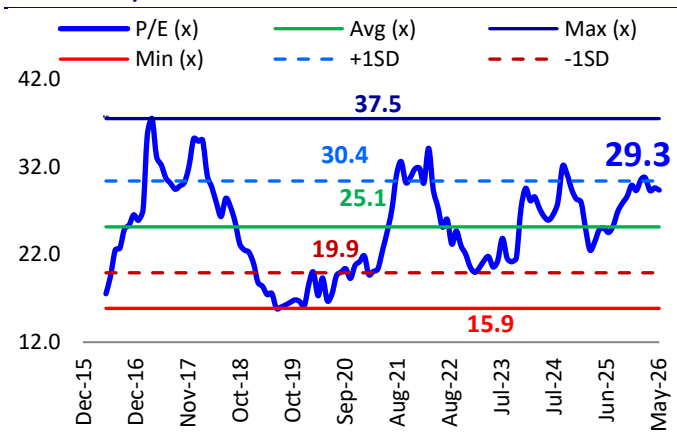
Product launches drive growth in the international business

- International business delivered strong growth in FY26, led by robust traction in both US/Ex-US markets; the US continues to be the key contributor to international revenues.
- Ex-US markets outpaced the US in FY26, registering 26.6% YoY growth versus 21.4% YoY in the US.
- In the US markets, growth was supported by continued traction in new launches and volume. Notably, the launch of Tolvaptan is expected to support growth in 2HFY27.
- In ex-US markets, growth was broad-based across key geographies of Australia and Germany. Management remains optimistic about the ROW opportunity due to lower pricing pressure, scalable expansion, and monetization potential from biosimilar alliances.
- ALKEM filed eight ANDAs and one BLA and received 17 ANDA approvals in FY26. It launched 11 products during FY26.
- Overall, we expect ALKEM to deliver an 11% sales CAGR in the international markets to INR57.6b over FY26-28.

Reiterate Neutral

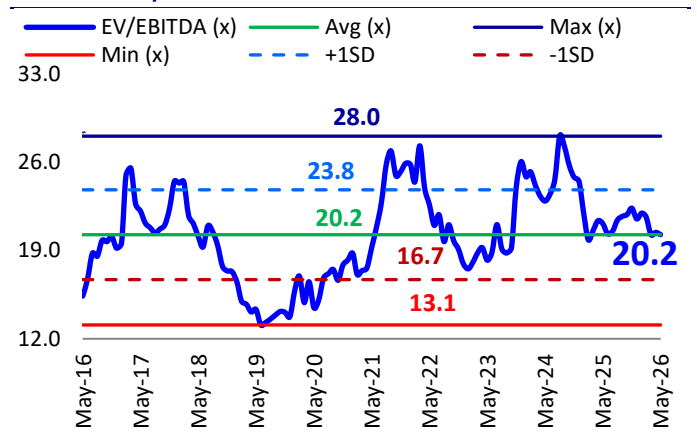
- We raise our earnings estimate by 3%/5% for FY27/FY28, factoring in 1) limited competition product pipeline for the US market, 2) enhanced efforts to benefit from Semaglutide opportunities, and 3) a reduction in effective tax rate estimate. We value ALKEM at 28x 12M forward earnings to arrive at our TP of INR5,840.
- The company ended FY26 on a strong note with 13.5%, 20%, and 18% YoY growth in revenue, EBITDA, and PAT, respectively. Having said this, we expect moderation in the earnings growth trajectory over the next two years due to operational costs related to biosimilars for the US market, efforts towards improving growth prospects of the Occlutech business, and a step-up in tax rate from 18% in FY26 to 27-28% in FY27.
- Considering stable earnings over FY26-28 and valuation (29x FY27E/26x FY28E earnings), we **reiterate our Neutral rating on the stock**.

Exhibit 5: P/E chart



Source: MOFSL, Company, Bloomberg

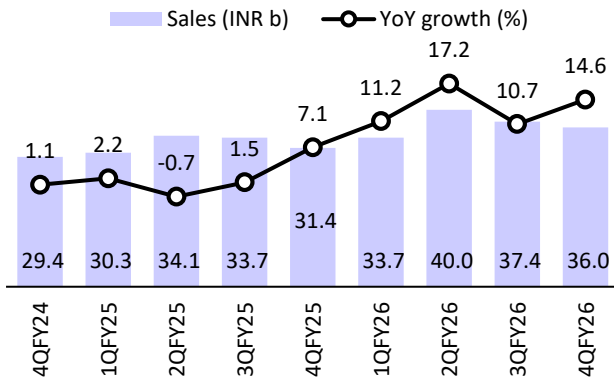
Exhibit 6: EV/EBITDA chart



Source: MOFSL, Company, Bloomberg

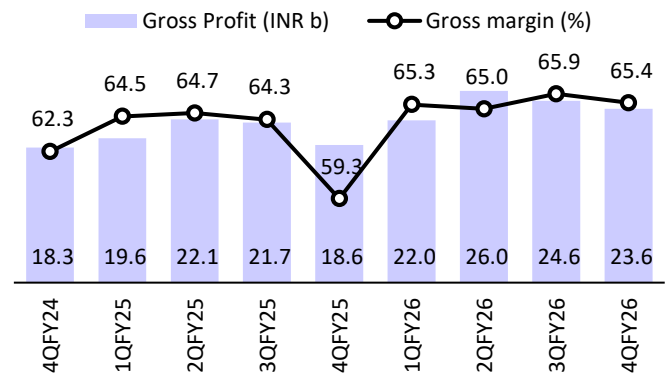
Story in charts

Exhibit 7: Total sales grew 14.6% YoY in 4QFY26



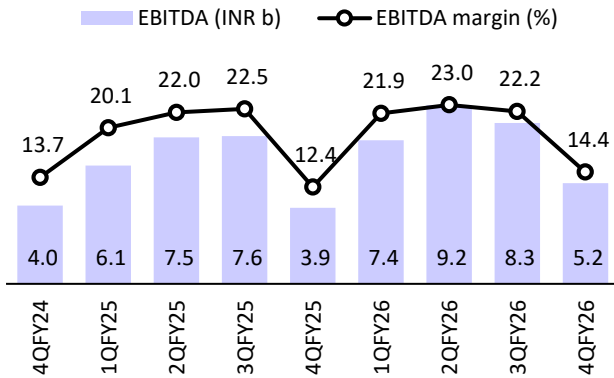
Source: Company, MOFSL

Exhibit 8: Gross margin up 605bp YoY in 4QFY26



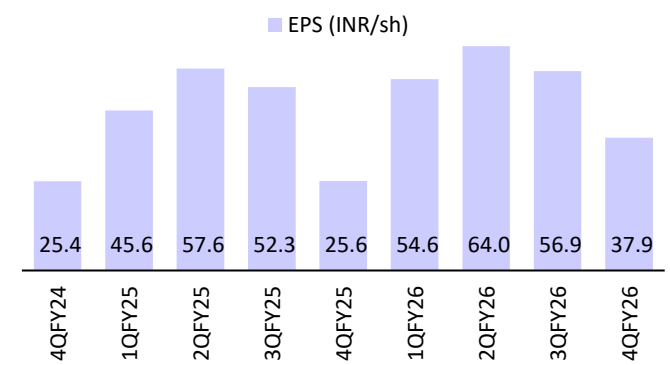
Source: Company, MOFSL

Exhibit 9: EBITDA margin up 190bp YoY in 4QFY26



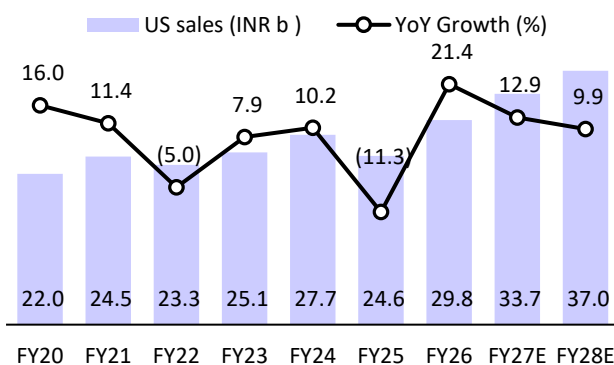
Source: Company, MOFSL

Exhibit 10: EPS grew 48% YoY to INR38 in 4QFY26



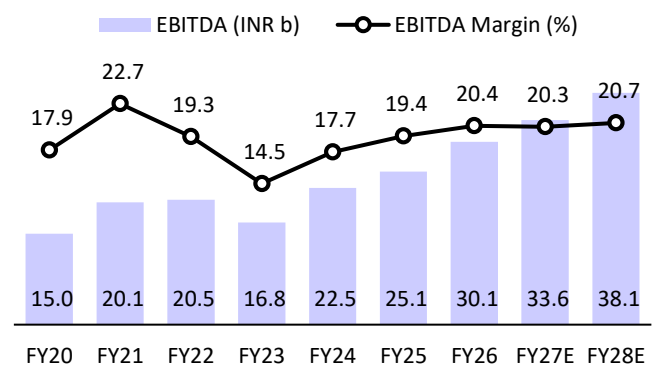
Source: Company, MOFSL

Exhibit 11: Expect 11.4% sales CAGR in the US over FY26-28



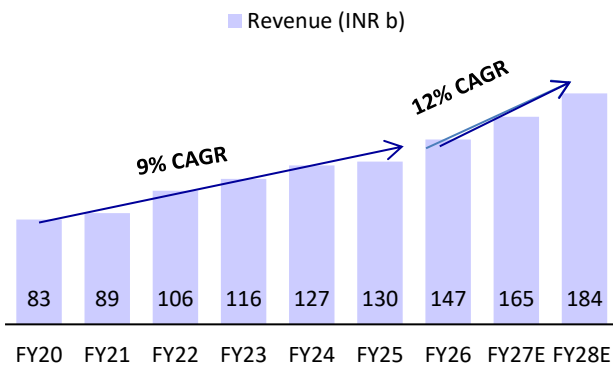
Source: Company, MOFSL

Exhibit 12: EBITDA margin to expand ~30bp over FY26-28



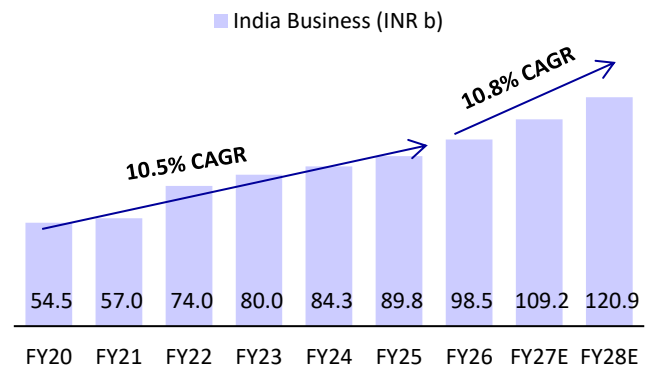
Source: Company, MOFSL

Exhibit 13: Expect revenue CAGR of 12% over FY26-28



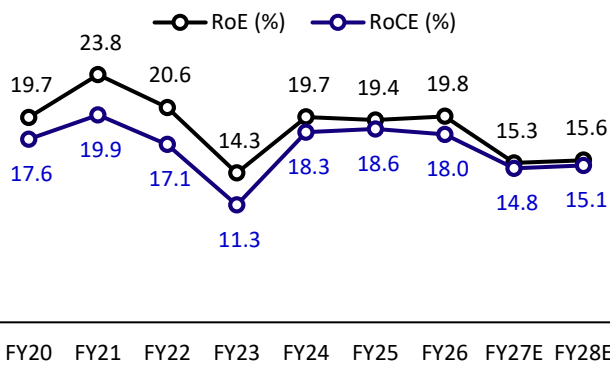
Source: Company, MOFSL

Exhibit 14: Expect India sales CAGR of 10.8% over FY26-28



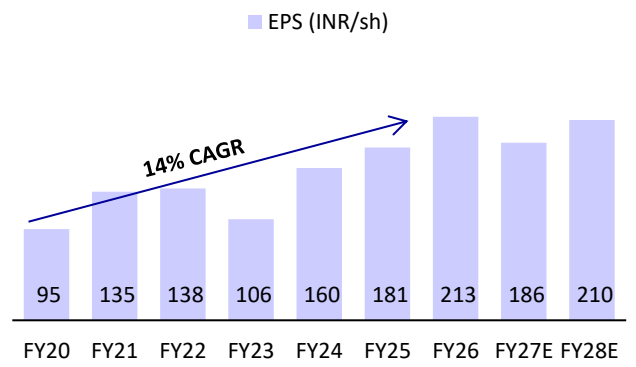
Source: Company, MOFSL

Exhibit 15: Return ratios expected to moderate going ahead



Source: Company, MOFSL

Exhibit 16: Expect earnings to stabilize over FY26-28



Source: Company, MOFSL

Financials and Valuations

Consolidated – Income statement

Y/E March	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E
Total Income from Operations	106,342	115,993	126,676	129,645	147,123	165,437	183,823
Change (%)	20.2	9.1	9.2	2.3	13.5	12.4	11.1
Total Expenditure	85,813	99,198	104,221	104,524	117,071	131,805	145,745
EBITDA	20,529	16,795	22,455	25,121	30,052	33,632	38,078
Margin (%)	19.3	14.5	17.7	19.4	20.4	20.3	20.7
Depreciation	3,040	3,104	2,993	3,572	3,821	4,702	5,190
EBIT	17,490	13,690	19,462	21,550	26,232	28,930	32,888
Int. and Finance Charges	524	1,074	1,124	1,217	1,608	1,900	1,800
Other Income	1,627	2,161	3,108	4,937	5,834	5,042	5,299
PBT bef. EO Exp.	18,592	14,778	21,446	25,270	30,457	32,072	36,387
EO Items	-150	-1,730	-1,215	0	-1,748	0	0
PBT after EO Exp.	18,443	13,048	20,231	25,270	28,709	32,072	36,387
Current Tax	1,640	2,980	2,117	3,110	5,178	8,980	10,370
Deferred Tax	0	0	0	0	0	0	0
Tax Rate (%)	8.9	22.8	10.5	12.3	18.0	28.0	28.5
Less: Minority Interest	300	226	157	505	513	840	900
Reported PAT	16,503	9,842	17,958	21,655	23,018	22,252	25,117
Adjusted PAT	16,516	12,678	19,091	21,655	25,517	22,252	25,117
Change (%)	2.6	-23.2	50.6	13.4	17.8	-12.8	12.9
Margin (%)	15.5	10.9	15.1	16.7	17.3	13.5	13.7

Consolidated - Balance Sheet

Y/E March	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E
Equity Share Capital	239	239	239	239	239	239	239
Total Reserves	86,140	90,214	102,882	119,610	137,962	152,421	169,745
Net Worth	86,379	90,453	103,121	119,849	138,201	152,660	169,984
Minority Interest	2,094	3,897	4,023	4,488	5,288	5,288	5,288
Deferred Tax Liabilities	0	0	0	0	151	151	151
Total Loans	26,466	13,775	14,032	13,302	20,003	20,003	20,003
Capital Employed	114,939	108,125	121,176	137,638	163,643	178,102	195,426
Gross Block	35,948	36,835	43,260	46,607	60,040	74,045	85,648
Less: Accum. Deprn.	13,077	16,181	19,174	22,745	26,566	31,268	36,458
Net Fixed Assets	22,871	20,654	24,086	23,862	33,474	42,777	49,190
Goodwill on Consolidation	6,146	4,796	4,642	4,662	5,236	5,236	5,236
Capital WIP	3,395	3,103	1,586	5,481	2,818	12,315	4,214
Total Investments	3,710	6,218	4,838	18,455	18,688	18,688	18,688
Curr. Assets, Loans&Adv.	91,477	89,770	105,449	107,070	130,320	136,017	160,116
Inventory	30,055	26,075	26,612	29,224	33,332	37,917	41,927
Account Receivables	18,846	21,322	22,528	24,663	29,791	33,541	37,268
Cash and Bank Balance	25,786	25,786	15,694	15,631	17,329	16,640	27,675
Loans and Advances	16,790	16,587	40,616	37,552	49,868	47,920	53,245
Curr. Liability & Prov.	25,753	29,442	34,572	39,273	45,086	55,124	60,211
Account Payables	11,734	11,650	17,481	18,394	22,442	23,833	26,354
Other Current Liabilities	7,955	10,370	12,824	15,906	16,326	20,297	22,553
Provisions	6,064	7,421	4,267	4,973	6,319	10,994	11,305
Net Current Assets	65,725	60,329	70,877	67,797	85,234	80,892	99,904
Deferred Tax assets	13,093	13,025	15,148	17,383	18,194	18,194	18,194
Appl. of Funds	114,939	108,125	121,177	137,638	163,644	178,102	195,426

Financials and Valuations

Ratios

Y/E March	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E
Basic (INR)							
EPS	138.1	106.0	159.7	181.1	213.4	186.1	210.1
Cash EPS	163.6	132.0	184.7	211.0	245.4	225.5	253.5
BV/Share	723	757	863	1,002	1,156	1,277	1,422
DPS	59.0	50.0	40.0	45.0	50.0	55.0	55.0
Payout (%)	50.7	72.0	31.6	29.4	30.8	35.0	31.0
Valuation (x)							
P/E	39.5	51.4	34.1	30.1	25.5	29.3	26.0
Cash P/E	33.3	41.3	29.5	25.8	22.2	24.2	21.5
P/BV	7.5	7.2	6.3	5.4	4.7	4.3	3.8
EV/Sales	6.1	5.5	5.1	5.0	4.4	4.0	3.5
EV/EBITDA	31.8	38.1	29.0	25.9	21.8	19.5	16.9
Dividend Yield (%)	1.1	0.9	0.7	0.8	0.9	1.0	1.0
FCF per share	65.5	121.5	147.3	106.9	123.5	40.2	135.8
Return Ratios (%)							
RoE	20.6	14.3	19.7	19.4	19.8	15.3	15.6
RoCE	17.1	11.3	18.3	18.6	18.0	14.8	15.1
RoIC	21.6	13.6	20.3	19.2	19.3	16.3	17.1
Working Capital Ratios							
Fixed Asset Turnover (x)	3.0	3.1	2.9	2.8	2.5	2.2	2.1
Inventory (Days)	103	82	77	82	83	84	83
Debtor (Days)	65	67	65	69	74	74	74
Creditor (Days)	40	37	50	52	56	53	52
Working Cap. Turnover (Days)	137	109	159	147	168	142	143
Leverage Ratio (x)							
Current Ratio	3.6	3.0	3.1	2.7	2.9	2.5	2.7
Interest Cover Ratio	33.4	12.8	17.3	17.7	16.3	15.2	18.3
Debt/Equity	0.0	-0.1	0.0	0.0	0.0	0.0	0.0

Consolidated - Cash Flow Statement

Y/E March	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E
OP/(Loss) before Tax	18,443	13,048	20,231	25,270	28,709	32,072	36,387
Depreciation	3,040	3,104	2,993	3,572	3,821	4,702	5,190
Interest & Finance Charges	-703	1,074	1,124	1,217	1,608	-3,142	-3,499
Direct Taxes Paid	-3,969	-2,734	-4,069	-5,040	-6,290	-8,980	-10,370
(Inc)/Dec in WC	-5,450	3,268	-516	-2,140	-4,152	3,652	-7,976
CF from Operations	11,361	17,759	19,763	22,879	23,695	28,304	19,731
CF from Operating incl EO	11,110	16,825	19,482	19,128	19,630	28,304	19,731
(Inc)/Dec in FA	-3,280	-2,297	-1,868	-6,348	-4,870	-23,502	-3,502
Free Cash Flow	7,830	14,528	17,614	12,781	14,761	4,802	16,229
(Pur)/Sale of Investments	-12,051	1,955	-10,612	-10,119	-13,025	0	0
Others	980	1,471	2,395	3,479	1,223	5,042	5,299
CF from Investments	-14,351	1,128	-10,085	-12,988	-16,672	-18,460	1,797
Inc/(Dec) in Debt	8,628	-11,408	-5,132	-1,941	1,141	0	0
Interest Paid	-401	-905	-913	-806	-1,235	-1,900	-1,800
Dividend Paid	-4,219	-5,295	-5,405	-5,046	-6,137	-7,793	-7,793
CF from Fin. Activity	3,796	-16,388	-19,489	-8,110	-5,034	-10,533	-10,493
Inc/Dec of Cash	555	1,565	-10,093	-1,969	-2,076	-689	11,036
Opening Balance	1,705	2,297	3,862	-6,231	-8,200	-10,275	-10,964
Closing Cash and Cash Eq.	2,297	3,862	-6,231	-8,200	-10,275	-10,964	71
Bank Balances	23,489	21,924	21,924	23,830	27,604	27,604	27,604
Total Cash and Cash Eq.	25,786	25,786	15,694	15,630	17,329	16,640	27,675

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