

HOLD

TP: Rs 6,247 | ▲ 9%

ALKEM LABS

| Pharmaceuticals

| 14 November 2025

Earnings Beat; increased EBITDA margin guidance

- Sales/EBITDA/PAT reported 9%/9% and 2.8% above our estimates. EBITDA margin reported in line with our estimates at 23%
- EBITDA margin guidance increased from the earlier 19% to 19.5-20% for FY26 amidst anticipation of higher Operating expense
- EBITDA margin lower vs industry. On Sep'27 roll forward basis, we ascribe EV/EBITDA of 20X in line with 1YF mean EV/EBITDA

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Above estimates earnings – ALKM reported sales growth of 17% YoY to Rs 40bn, primarily driven by 12% YoY growth in domestic sales, 28% YoY growth in the US region, 32% YoY growth in the ROW region. Amidst raw material cost growth of 16% YoY to Rs 14bn, Gross Margin increased by 26 bps to 65% and EBITDA Margin increase of 97 bps YoY to 23% and EBITDA growth of 22% to Rs9.2bn. Healthy Operations led to healthy PAT growth 11% YoY.

Domestic growth driven by outperformance across therapies - Domestic sales reported 3.4% above our estimates. Growth was driven by strong seasonality across acute segment and IPM outperformance in six therapies, where Anti-Infectives grew by 1.2x, Gastro grew by 3.1x, Vitamins grew by 2.5x, Pain 2.3x, Respiratory by 1.5x, Derma by 3.1x of the market and Diabetes ex of GLP launches grew by 2x. Going forward, growth in the domestic region is expected to outperform the IPM growth of 8% by 100-150 bps.

US growth on new launches – US sales reported 20% above our estimates. The surge in US sales was due to the launch of 4 products including Sacubitril/Valsartan. Ex new launches, base business continues to be flat. Going forward, the company expects to roll out 3-4 products in H2FY26, whose full-year impact would be visible from FY27. Hence, we expect the US region to report growth of 8% CAGR from FY26-28E.

ROW region growth driven by regulated markets – ROW sales reported 18% above our estimates. Growth was driven by higher traction in select geographies like Germany and Australia. Considering new launches, we expect ROW region to grow at a CAGR of 15% from FY26-28E.

Valuation - Due to sustainable healthy growth momentum across geographies, we revise our EPS estimates by 5.6% and 4.5% for FY27E and FY28E to Rs 178 and Rs 203 per share. However, due to industry lower margins, we maintain HOLD on the stock. We ascribe an EV/EBITDA multiple of 21x in line with 1 year forward mean EV/EBITDA to arrive at a PT of Rs 6247 (earlier PT Rs 5419).

Key changes

Target	Rating
▲	◀ ▶

Ticker/Price	ALKEM IN/Rs 5,726
Market cap	US\$ 7.7bn
Free float	41%
3M ADV	US\$ 9.6mn
52wk high/low	Rs 5,868/Rs 4,492
Promoter/FPI/DII	57%/6%/16%

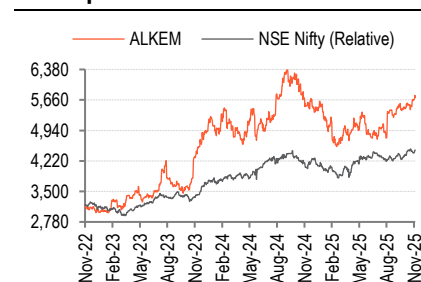
Source: NSE | Price as of 13 Nov 2025

Key financials

Y/E 31 Mar	FY25A	FY26E	FY27E
Total revenue (Rs mn)	132,015	144,604	158,918
EBITDA (Rs mn)	25,122	28,816	33,267
Adj. net profit (Rs mn)	21,972	24,498	21,309
Adj. EPS (Rs)	183.8	204.9	178.2
Consensus EPS (Rs)	181.0	200.5	191.7
Adj. ROAE (%)	23.1	22.0	16.7
Adj. P/E (x)	31.2	27.9	32.1
EV/EBITDA (x)	27.5	24.2	21.0
Adj. EPS growth (%)	14.6	11.5	(13.0)

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE



Financial Highlights

Fig 1 – Quarterly Highlights

(Rs mn)	Q2FY26	Q2FY25	YoY(%)	Q1FY26	QoQ (%)	BoB Estimates	Var (%)
Net Sales	40,010	34,147	17.2	33,711	19	36,730	8.9
Other Related Income							
Total Income							
Total Expenses	30,802	26,618	15.7	26,321	17	28,282	8.9
(%) of net sales	77	78		78		77	
Raw material consumed	14,010	12,047	16.3	11,712	20	12,856	9.0
(%) of net sales	35.0	35.3		34.7		35	
Staff cost	7,103	6,105	16.3	6,933	2	6,979	1.8
(%) of net sales	17.8	17.9		20.6		19	
R&D cost	1,400	1,465	(4.4)	1,184	18	1,286	8.9
(%) of net sales	3.5	4.3		3.5		4	
Manufacturing & Other Expenses	8,289	7,002	18.4	6,493	28	7,162	15.7
(%) of net sales	20.7	20.5		19.3		20	
EBITDA	9,208	7,528	22.3	7,391	24.6	8,448	9.0
Depreciation	936	789	18.6	877	6.8	850	10.1
EBIT	8,272	6,739	22.7	6,514	27.0	7,598	8.9
Interest	350	281	24.4	298	17.6	300	16.7
Other Income	1,036	1,345	(23.0)	1,365	(24.1)	1,300	(20.3)
PBT	8,957	7,803	14.8	7,581	18.2	8,598	4.2
Less: Taxation	1,162	783	48.4	1,027	13.2	1,247	(6.8)
Less: Minority Interest	145	133.2	9.2	(89)	(263.9)	(89)	(263.9)
Recurring PAT	7,650	6,886	11.1	6,643	15.2	7,440	2.8
Exceptional items	0			0		0	
Reported PAT	7,650	6,886	11.1	6,643	15.2	7,440	2.8
Key Ratios (%)							
Gross Margin	65.0	64.7	26bps	65.3	(28bps)	65.0	(2bps)
EBITDA Margin	23.0	22.0	97bps	21.9	109bps	23.0	1bps
Tax / PBT	13.0	10.0	294bps	13.5	(57bps)	14.5	(152bps)
NPM	19.1	20.2	(105bps)	19.7	(58bps)	20.3	(114bps)
EPS (Rs)	64.0	57.6	638bps	55.6	842bps	62.2	2.8

Source: Company, BOBCAPS Research

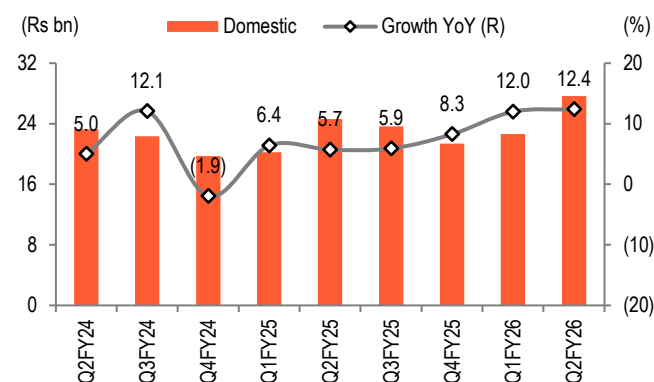
Fig 2 – Segmental revenue

(Rs mn)	Q2FY26	Q2FY25	YoY(%)	Q1FY26	QoQ (%)	BoBcaps Estimates
Formulations						
India	27,660	24,610	12.4	22,650	22.1	26,749
US	7,649	5,976	28.0	6,982	9.6	6,394
RoW	4,241	3,205	32.3	3,556	19.3	3,587
Net Sales	39,550	33,791	17.0	33,188	19.2	36,730
Other Op. Income	460	356	29.3	523	(12.1)	0
Revenue	40,010	34,147	7.2	33,711	11.2	36,730

Source: Company, BOBCAPS Research

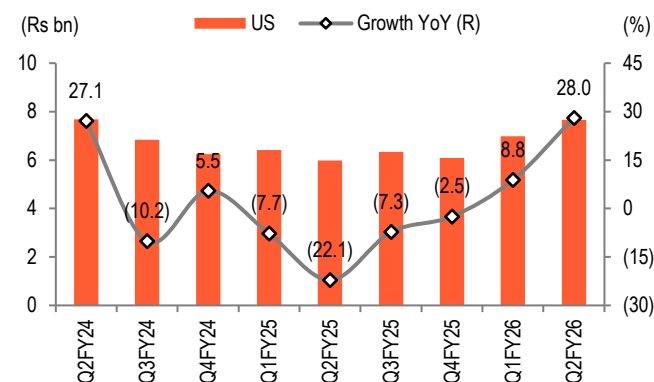
Financial Charts

Fig 3 – Domestic revenue growth driven by IPM outperformance in six therapies



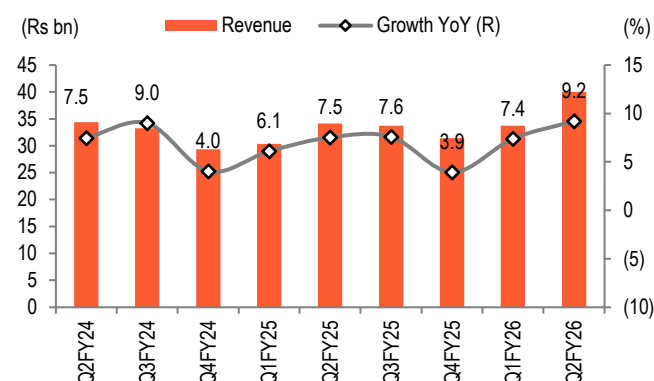
Source: Company, BOBCAPS Research

Fig 4 – US growth primarily driven by launch of Sacubitril Valsartan



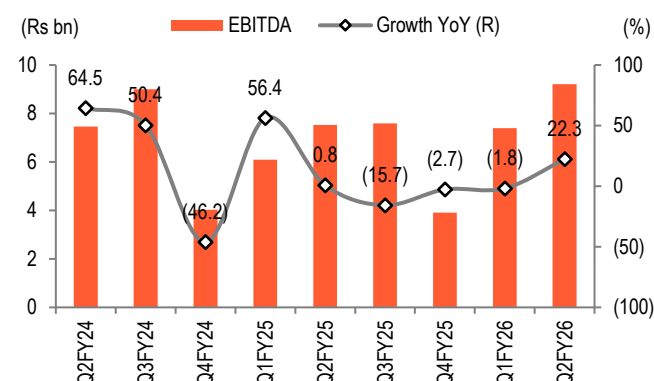
Source: Company, BOBCAPS Research

Fig 5 – Sales led by growth across geographies



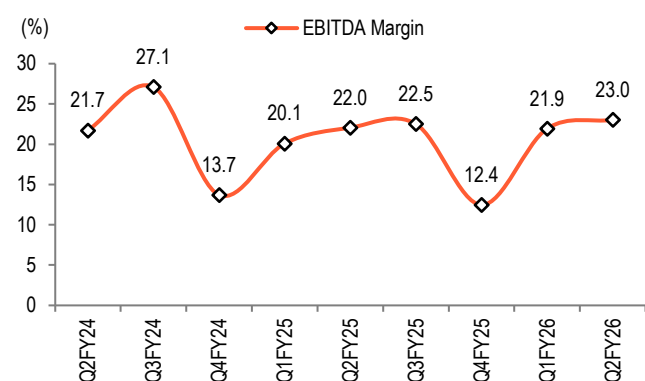
Source: Company, BOBCAPS Research

Fig 6 – EBITDA growth on healthy product mix



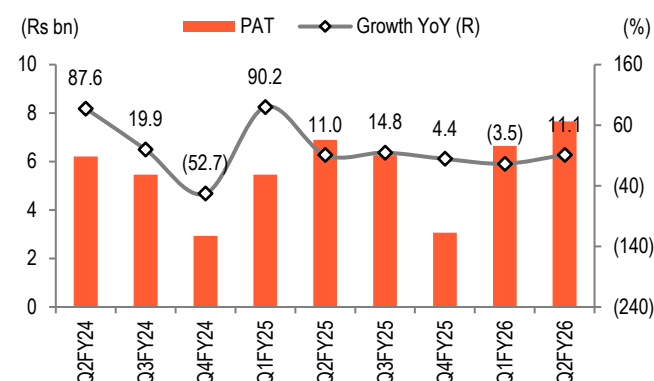
Source: Company, BOBCAPS Research

Fig 7 – EBITDA margin increase on healthy gross margin and operational de leverage



Source: Company, BOBCAPS Research

Fig 8 – Healthy operations led to healthy PAT



Source: Company, BOBCAPS Research

Earnings Call

Outlook

Domestic sales continue to outperform the IPM by 100-150 bps; expecting double-digit growth if IPM grows at 8-8.5%.

US region expects double-digit growth rate

Non-US international sales to grow at ~20%

Other expenses to increase by Rs 1000mn in H2FY26.

EBITDA margin guidance increased to 19.5 – 20% vs earlier 19%, thereafter 100 bps increment every year

R&D to be ~4-4.5% of sales; Other expense for 3Q & 4Q to be Rs 9bn each. ETR for FY27-28 to be 35% - 38%.

Domestic region

Acute segment - According to IQVI data for Q2 FY26, Alkem became the No. 1 company in the acute segment in domestic market.

Therapy-wise growth - outperformed IPM in six therapies out of the total 11. Anti-infectives grew by 1.2x, GI 3.1x, VMN 2.5x, Pain 2.3x, and Respiratory 1.5x. And Derma, again, substantially 3.1x of the market. In the Anti-Diabetes therapy, ex GLP-1 launches, have grown 2x faster than the market.

Medical Device

Medtech sales were ~Rs 25 mn while expenses incurred were Rs 80-90 mn, thereby bringing EBITDA of Rs 50-60 mn

Adroit business reported sales of Rs 150 mn in 2QFY26 and is at EBITDA break even

Enzene business – current average revenue for US CDMO is around Rs150 to Rs 200 mn per quarter and likely to continue between Rs 700 and Rs800 mn from US CDMO business. Opex to be around Rs 500 mn per quarter.

Revenue from Pune plant includes Rs 250- 300 mn and is EBITDA break even. H1 sales was Rs 1800 – 1850 mn.

GLP opportunity - Clinical trial opportunity for Diabetes indication, is already complete and presented to the Subject Expert Committee and has got approval. Alkem's results were presented to the Subject Expert Committee and they are hopeful of receiving approval for GLP-1 shortly.

Expect to be on track and amongst the first players in the Indian market, when the patent expires. With regard to other markets, the company is working on launch in other markets as well.

Valuation Methodology

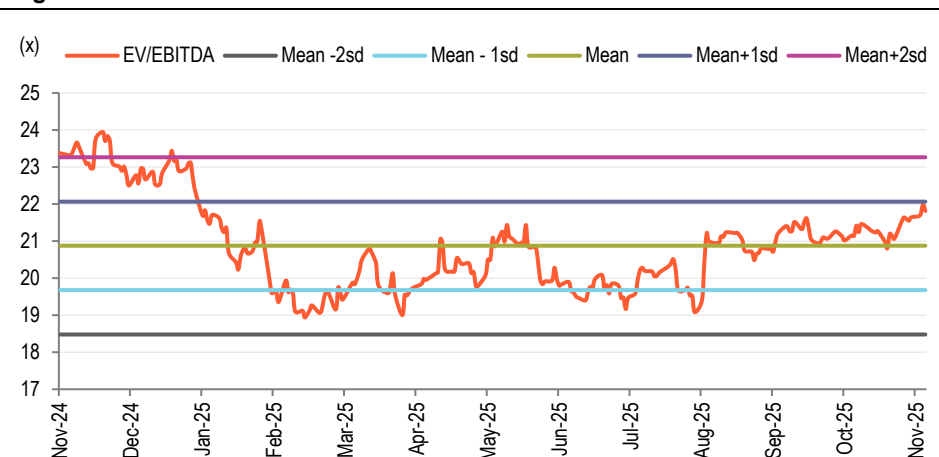
We maintain HOLD as healthy product mix across geographies would be offset by 1) higher operational expense driven by a) US CDMO OPEX of Rs 500-600 mn b) GST impact of Rs 500mn c) Medtech Opex of Rs 80-90 mn 2) higher R&D expense to reflect in slower increase in EBITDA margin of 20% for FY26. Due to sustainable healthy growth momentum across geographies, we revise our EPS estimates by 5.6% and 4.5% for FY27E and FY28E to Rs 178 and Rs 203 per share. However, due to industry lower margins, we maintain HOLD on the stock. We ascribe an EV/EBITDA multiple of 21x in line with 1YF mean EV/EBITDA to arrive at TP of Rs 6,247 (earlier TP Rs 5,419).

Fig 9 – Change in Estimates

(Rs mn)	New			Old			Change (%)		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Sales	144,604	158,918	174,113	140,451	154,407	169,211	3.0	2.9	2.9
EBITDA	28,816	33,267	37,594	27,848	31,339	35,884	3.5	6.2	4.8
EBITDA margin (%)	19.9	20.9	21.6	19.8	20.3	21.2	(80bps)	(37bps)	(27bps)
EPS (Rs)	205	178	203	198	169	194	3.5	5.6	4.5

Source: Company, BOBCAPS Research

Fig 10 – 1YF EV/EBITDA



Source: Bloomberg, BOBCAPS Research

Key Risk

Key upside risks:

- faster recovery in the acute segment in domestic market
- faster growth in the US and ROW markets
- positive surprise on margins due to lower expenses
- faster growth in the Chronic segment

Key downside risk:

- Slower recovery in the acute segment in domestic market
- Slower growth in the US and ROW markets
- Negative surprise on margins due to higher expenses
- Slower growth in the Chronic segment

Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Total revenue	128,992	132,015	144,604	158,918	174,113
EBITDA	22,455	25,122	28,816	33,267	37,594
Depreciation	2,993	3,572	3,780	4,253	4,673
EBIT	19,462	21,550	25,035	29,015	32,921
Net interest inc./(exp.)	(1,124)	(1,217)	(1,203)	(1,085)	(1,092)
Other inc./(exp.)	3,108	4,937	5,211	5,143	5,811
Exceptional items	0	0	0	0	0
EBT	21,446	25,270	29,043	33,073	37,640
Income taxes	2,117	3,110	4,356	11,576	13,174
Extraordinary items	(1,215)	0	0	0	0
Min. int./Inc. from assoc.	157	188	188	188	188
Reported net profit	17,958	21,972	24,498	21,309	24,278
Adjustments	(1,215)	0	0	0	0
Adjusted net profit	19,173	21,972	24,498	21,309	24,278

Balance Sheet

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Accounts payables	17,481	18,394	21,009	23,944	26,234
Other current liabilities	12,672	15,335	15,621	14,046	15,389
Provisions	4,267	4,973	5,448	5,987	6,559
Debt funds	14,184	13,809	14,499	15,224	15,985
Other liabilities	0	0	0	0	0
Equity capital	239	239	239	239	239
Reserves & surplus	91,757	106,715	124,072	139,169	156,370
Shareholders' fund	91,996	106,954	124,311	139,408	156,609
Total liab. and equities	140,601	159,465	180,888	198,609	220,776
Cash and cash eq.	15,794	16,607	18,606	23,378	33,292
Accounts receivables	22,528	24,663	24,900	26,937	29,513
Inventories	26,612	29,224	31,125	34,206	37,477
Other current assets	40,516	37,552	51,833	58,524	64,120
Investments	4,838	18,131	18,131	18,131	18,131
Net fixed assets	28,728	28,523	32,243	33,990	35,318
CWIP	1,586	4,765	4,050	3,443	2,926
Intangible assets	0	0	0	0	0
Deferred tax assets, net	0	0	0	0	0
Other assets	0	0	0	0	0
Total assets	140,601	159,465	180,888	198,609	220,776

Cash Flows

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Cash flow from operations	(316)	29,259	16,438	16,736	22,806
Capital expenditures	(3,250)	(6,500)	(7,500)	(6,000)	(6,000)
Change in investments	1,380	(13,293)	0	0	0
Other investing cash flows	0	0	0	0	0
Cash flow from investing	(1,870)	(19,793)	(7,500)	(6,000)	(6,000)
Equities issued/Others	0	0	0	0	0
Debt raised/repaid	217	(375)	690	725	761
Interest expenses	(1,124)	(1,217)	(1,203)	(1,085)	(1,092)
Dividends paid	(5,589)	(6,405)	(7,141)	(6,212)	(7,077)
Other financing cash flows	(1,694)	(655)	715	608	516
Cash flow from financing	(8,189)	(8,652)	(6,939)	(5,964)	(6,892)
Chg in cash & cash eq.	(10,375)	814	1,998	4,772	9,914
Closing cash & cash eq.	15,794	16,607	18,606	23,378	33,292

Per Share

Y/E 31 Mar (Rs)	FY24A	FY25A	FY26E	FY27E	FY28E
Reported EPS	150.2	183.8	204.9	178.2	203.1
Adjusted EPS	160.4	183.8	204.9	178.2	203.1
Dividend per share	40.1	45.9	51.2	44.6	50.8
Book value per share	735.9	857.1	1,002.3	1,128.6	1,272.5

Valuations Ratios

Y/E 31 Mar (x)	FY24A	FY25A	FY26E	FY27E	FY28E
EV/Sales	5.4	5.2	4.8	4.4	4.1
EV/EBITDA	30.9	27.5	24.2	21.0	18.8
Adjusted P/E	35.7	31.2	27.9	32.1	28.2
P/BV	7.8	6.7	5.7	5.1	4.5

DuPont Analysis

Y/E 31 Mar (%)	FY24A	FY25A	FY26E	FY27E	FY28E
Tax burden (Net profit/PBT)	89.4	86.9	84.4	64.4	64.5
Interest burden (PBT/EBIT)	110.2	117.3	116.0	114.0	114.3
EBIT margin (EBIT/Revenue)	15.1	16.3	17.3	18.3	18.9
Asset turnover (Rev./Avg TA)	32.0	29.1	27.9	27.1	26.6
Leverage (Avg TA/Avg Equity)	1.2	1.2	1.2	1.2	1.1
Adjusted ROAE	23.2	23.1	22.0	16.7	16.9

Ratio Analysis

Y/E 31 Mar	FY24A	FY25A	FY26E	FY27E	FY28E
YoY growth (%)					
Revenue	11.2	2.3	9.5	9.9	9.6
EBITDA	39.5	11.9	14.7	15.4	13.0
Adjusted EPS	76.3	14.6	11.5	(13.0)	13.9
Profitability & Return ratios (%)					
EBITDA margin	17.4	19.0	19.9	20.9	21.6
EBIT margin	15.1	16.3	17.3	18.3	18.9
Adjusted profit margin	14.9	16.6	16.9	13.4	13.9
Adjusted ROAE	23.2	23.1	22.0	16.7	16.9
ROCE	22.4	23.3	23.3	23.3	23.7

Working capital days (days)

Receivables	65	69	64	63	63
Inventory	77	82	80	80	80
Payables	50	52	54	56	56

Ratios (x)

Gross asset turnover	2.9	2.6	2.5	2.5	2.5
Current ratio	3.1	2.8	3.0	3.3	3.4
Net interest coverage ratio	17.3	17.7	20.8	26.7	30.1
Adjusted debt/equity	0.0	(0.1)	(0.1)	(0.1)	(0.2)

Source: Company, BOBCAPS Research | Note: TA = Total Assets

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SEBI Research Analyst Registration No: **INH000000040 valid till 03 February 2025**

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BUY – Expected return >+15%

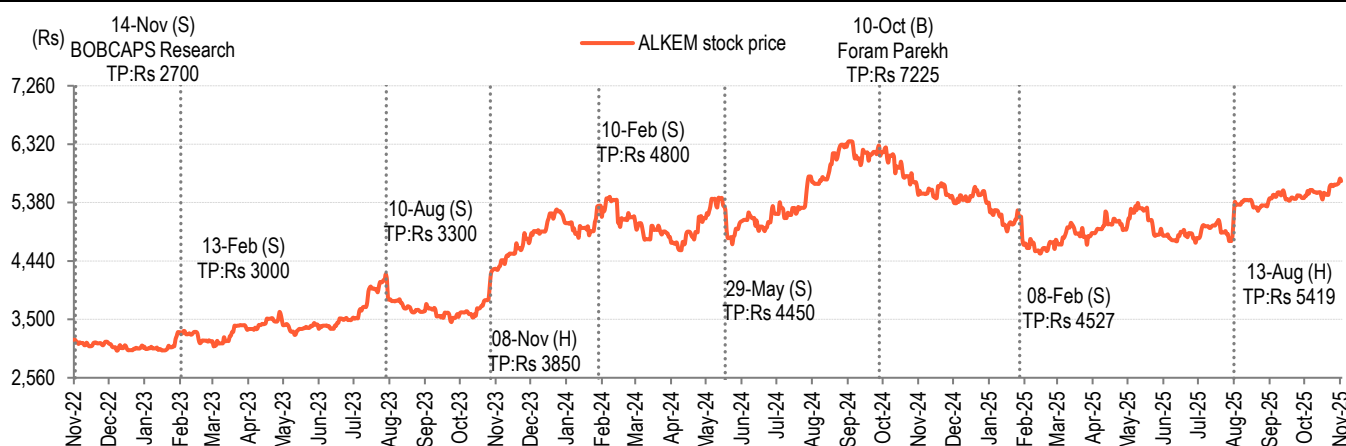
HOLD – Expected return from -6% to +15%

SELL – Expected return <-6%

Note: Recommendation structure changed with effect from 21 June 2021

Our recommendation scale does not factor in short-term stock price volatility related to market fluctuations. Thus, our recommendations may not always be strictly in line with the recommendation scale as shown above.

Ratings and Target Price (3-year history): **ALKEM LABS (ALKEM IN)**



B – Buy, H – Hold, S – Sell, A – Add, R – Reduce

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