

HOLD

TP: Rs 5,962 | ▲ 10%

ALKEM LABS

| Pharmaceuticals

| 15 February 2026

Ex - US international segment performing strongly

- Sales/EBITDA/APAT reported 1.3%/2.4% and -3.4% below our estimates. EBITDA margin reported 25bps lower than estimates at 22.2%
- First ever big-ticket acquisition by subsidiary Alkem Medtec - 55% stake in Occlutech Holding for EUR 49mn
- Currently not factoring Medtech estimates; due to lower domestic sales, ascribe lower EV/EBITDA of 19x to arrive at TP of Rs 5962

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In-line result – ALKM reported sales growth of 10.7% YoY to Rs 37.4bn, primarily driven by 5.5% YoY growth in domestic sales, 26.6% YoY growth in the International business (19% YoY growth in the US sales & 42% YoY growth in the RoW sales). A Healthy product mix resulted in 163 bps YoY increase in Gross Margin to 65.9%. However, due to 15% YoY increase in Employee cost, EBITDA Margin decreased 30 bps YoY to 22.2% with EBITDA growing 9% to Rs8.3bn. During the quarter, there was an exceptional cost of Rs 528mn attributed to the new labour code. Thus, PAT reported a growth of 1.6% YoY to Rs 6.4bn. Adjusting for the one-time expense, PAT grew by 10% YoY to Rs 6.9bn.

Domestic growth driven by outperformance across therapies: Domestic sales were reported 4% below our estimates, primarily due to high base. The company had undertaken adjustments in 3QFY25 to the distribution setup in certain areas, which enhanced effectiveness and growth; thus adjusting for the base, 3QFY26 growth is reported in double digits. However, the 5% growth was driven by outperformance in the acute segment by 80bps, growing at 8.6% vs IPM growth of 7.8%, driven by outperformance in six therapies vs IPM, where Anti-Infectives outgrew by 1.4x, Vitamins by 2.0x, Pain by 1.4x, Respiratory by 1.2x, Derma by 1.8x. Going forward, we expect domestic region to grow at a CAGR of 10% from FY26-28E to Rs 118bn in FY28E.

US business – steady growth led by new launches: US sales were reported 4.95% below our estimates. Growth was driven by continued growth traction in new launches and volume expansion. During the quarter, the company filed two ANDAs and received seven approvals. As of 31 Dec 2025, ALKM had filed 188 ANDAs, two NDAs and one BLA with the USFDA, with 167 ANDA approvals (including 20 tentative) and two NDA approvals, providing strong launch visibility.

Valuation: Due to lower growth in domestic sales (70% of the total sales) and Q4 being seasonally weak quarter, we lower our ascribe EV/EBITDA multiple to 19x vs the earlier 21x (1Y F EV/EBITDA of 20x) to arrive at TP of Rs 5,962 (earlier TP Rs 6247).

Key changes

Target	Rating
▼	◀ ▶

Ticker/Price	ALKEM IN/Rs 5,403
Market cap	US\$ 7.1bn
Free float	41%
3M ADV	US\$ 7.4mn
52wk high/low	Rs 5,934/Rs 4,492
Promoter/FPI/DII	57%/6%/16%

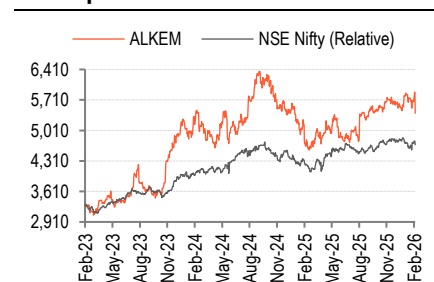
Source: NSE | Price as of 13 Feb 2026

Key financials

Y/E 31 Mar	FY25A	FY26E	FY27E
Total revenue (Rs mn)	132,015	144,604	158,918
EBITDA (Rs mn)	25,122	28,817	33,279
Adj. net profit (Rs mn)	21,972	24,497	21,304
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)	29.4	26.4	30.3
EV/EBITDA (x)	26.0	22.8	19.9
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)	Q3FY26	Q3FY25	YoY(%)	Q2FY26	QoQ (%)	BoBcaps Estimates	Var (%)
Net Sales	37,368	33743	10.7	40,010	(7)	37,857	(1.3)
Other Related Income							
Total Income							
Total Expenses	29,088	26,149	11.2	30,802	(6)	29,375	(1.0)
(%) of net sales	78	77		77		78	
Raw material consumed	12,727	12043	5.7	14,010	(9)	13,250	(3.9)
(%) of net sales	34.1	35.7		35.0		35.0	
Staff cost	7,215	6248	15.5	7,103	2	6,436	12.1
(%) of net sales	19.3	18.5		17.8		17.0	
R&D cost	1,390	1312	5.9	1,400	(1)	1,325	4.9
(%) of net sales	3.7	3.9		3.5		3.5	
Manufacturing & Other Expenses	7,756	6546	18.5	8,289	(6)	8,364	(7.3)
(%) of net sales	20.8	19.4		20.7		22.1	
EBITDA	8,280	7,594	9.0	9,208	(10.1)	8,482	(2.4)
Depreciation	950	853	11.4	936	1.5	950	0.0
EBIT	7,330	6,741	8.7	8,272	(11.4)	7,532	(2.7)
Interest	421	360	16.8	350	20.2	370	13.8
Other Income	1,431	930	53.9	1,036	38.1	1,200	19.3
PBT	8,340	7,311	14.1	8,957	(6.9)	8,362	(0.3)
Less: Taxation	1,277	903	41.4	1,162	9.8	1,087	17.4
Less: Minority Interest	175	149.7	17.0	145	20.4	145	20.4
Recurring PAT	6,888	6,258	10.1	7,650	(10.0)	7,129	(3.4)
Exceptional items	(528)	0		0		0	
Reported PAT	6,360	6,258	1.6	7,650	(16.9)	7,129	(10.8)
Key Ratios (%)							
Gross Margin	65.9	64.3	163bps	65.0	96bps	65.0	94bps
EBITDA Margin	22.2	22.5	(35bps)	23.0	(86bps)	22.4	(25bps)
Tax / PBT	15.3	12.3	296bps	13.0	233bps	13.0	231bps
NPM	18.4	18.5	(11bps)	19.1	(69bps)	18.8	(40bps)
EPS (Rs)	57.6	52.3	527bps	64.0	(637bps)	59.6	(3.4)

Source: Company, BOBCAPS Research

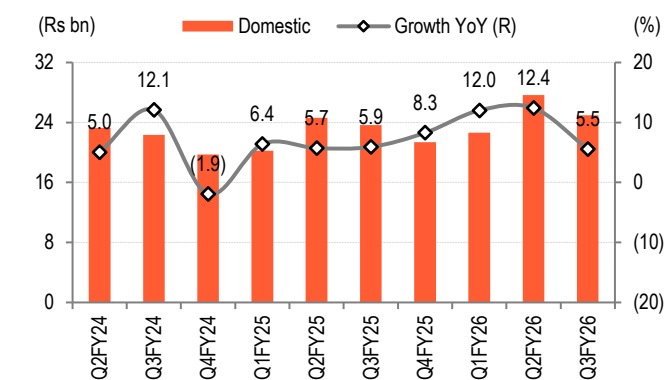
Fig 2 – Revenue Mix

(Rs mn)	Q3FY26	Q3FY25	YoY(%)	Q2FY26	QoQ (%)	BoBcaps Estimates
Formulations						
India	24,959	23649	5.5	27,660	(9.8)	26,014
US	7,533	6340	18.8	7,649	(1.5)	7,925
RoW	4,624	3265	41.6	4,241	9.0	3,918
Net Sales	37,116	33,254	11.6	39,550	(6.2)	37,857
Other Op. Income	252	489	(48.4)	460	(45.2)	-
Revenue	37,368	33,743	27.3	40,010	32.0	37,857

Source: Company, BOBCAPS Research

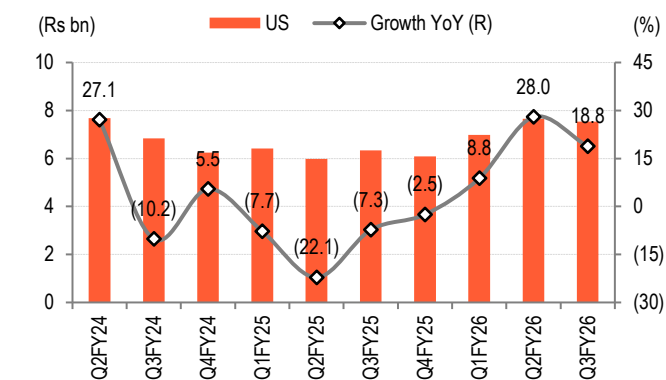
Financial Charts

Fig 3 – Domestic sales declined on higher base



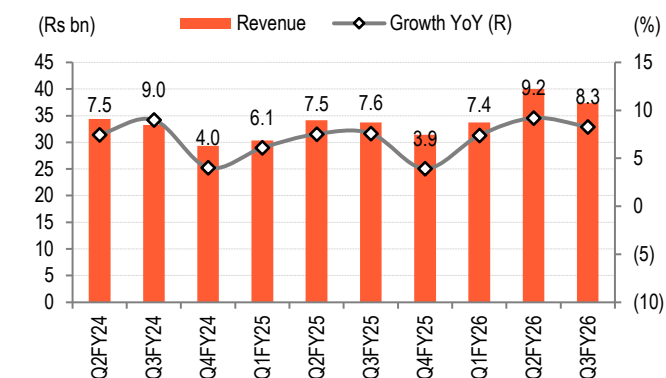
Source: Company, BOBCAPS Research

Fig 4 – US sales continues to grow in double digits due to ne launches



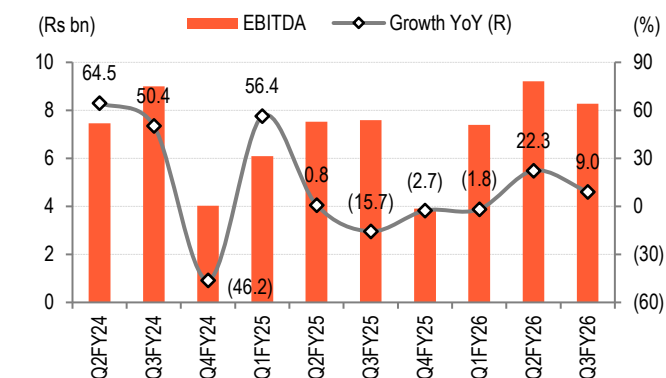
Source: Company, BOBCAPS Research

Fig 5 – Sales growth driven by better intrnational sales



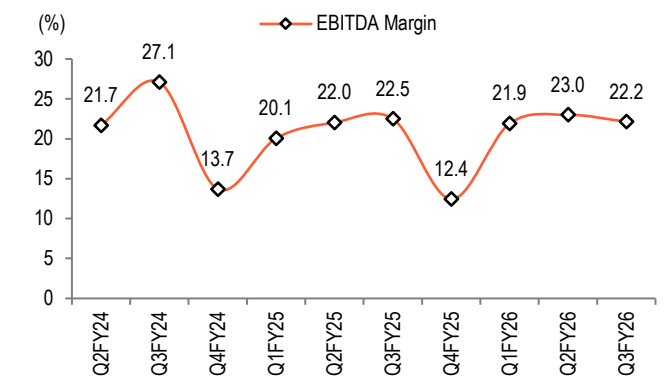
Source: Company, BOBCAPS Research

Fig 6 – EBITDA growth driven by better gross profit



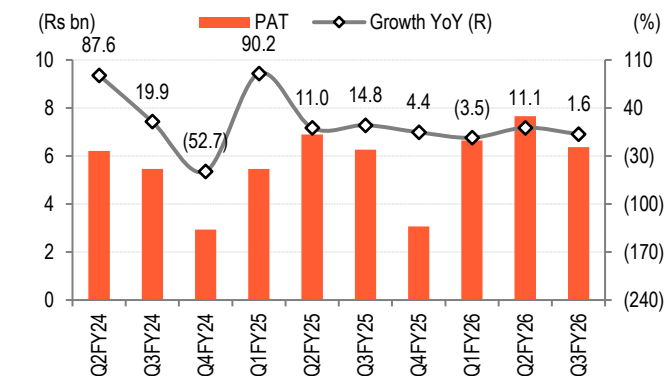
Source: Company, BOBCAPS Research

Fig 7 – EBITDA Margin continues to remain stable driven by better ROW sales (branded market)



Source: Company, BOBCAPS Research

Fig 8 – Healthy operations led to healthy PAT



Source: Company, BOBCAPS Research

Earnings call highlights

Outlook

- Confident of delivering FY26 guidance for existing domestic & International Business.
- The domestic business is expected to grow 100—150bps more than IPM Growth, with this growth trajectory anticipated to continue into the coming year.
- Gross margin guidance remains broadly stable, with a potential variation of 0.5 to 1%, as the company assesses the impact of new MIP regulations and procurement optimizations.
- Generic business expected to return to high single-digit to early double-digit growth from next year.
- Future pharma acquisitions to target ~20% ROIC, with flexibility for high-growth assets.
- MedTech and Enzene both can be value accretive, not just in valuation, but even on pure EBITDA terms, expected to reach 25% EBITDA margin in 4–5 years.
- MedTech revenue projected to reach Rs 1000 Cr in 3-5years (from the business of Ortho & Cardio), with EBITDA margins reaching 20-22%, potentially 25% in a longer timeframe.
- Incremental investment for the MedTech business is estimated at Rs 200-300 crores over the next 3-4 years, with significant initial investment is almost done.
- Alkem MedTech's ortho business expects to launch a tech-transferred product by the end of June next year, with an Indian-manufactured brand already launched in Q2 FY26 and growing 50% QoQ.
- Alkem MedTech expects to achieve approximately 10% of the ortho market within the next 5 years, equating to around 250,000 cumulative implants.
- Occlutech's PFO product (filing + clinical trials conducted) is expected to receive US approval by mid-June 2027, with most of its R&D investment already completed.
- Additional Rs 100–200 crore will be invested over next 2 years mainly for accelerating Occlutech R&D and clinical programs, particularly for LA launch in Europe.

Domestic Formulation Business

- India sales at Rs 24,959 million, up 5.5% YoY (reported), but billing-to-billing growth at 10%+; YTD domestic growth close to 10%; core branded business growing early double digit.
- Alkem undertook adjustments to its distribution setup in certain areas during Q3 FY'25 to strengthen channel effectiveness & improve service levels, which created a high base for Q3.

- Chronic portfolio delivering high-teen growth; strong traction across therapies.
- Outperformance vs IPM in 6 therapies: anti-infective (1.4x), vitamins & minerals (2x), pain (1.4x), anti-diabetic (1.2x; 2x ex-GLP1), respiratory (1.2x), derma (1.8x).
- Trade generics business flattish in Q3; EBITDA margin 2–3% lower than corporate margin.
- Generics carved out as separate entity; near-term headwinds but long-term growth intent intact; became a highly competitive market.
- Semaglutide day-1 launch preparedness; manpower addition planned.
- Banking Market /Institutional type business & B2B trade generic business are broadly similar in size; Trade generic volumes are higher.

International Business/ US Business

- International sales at Rs 12,157 million, up 26.6% YoY.
- Strong growth driven by new launches and consistent execution.
- Denosumab biosimilars (Xgeva and Prolia) are undergoing FDA inspection for the US market, with entry delayed to late 2026 due to ongoing litigation with Amgen, while European entry is expected within the next couple of months.
- Continued focus on complex generics and injectables.

Other Key Highlights (MedTech + Occlutech)

MedTech

- India MedTech market size is around \$ 10 billion with significant headroom for growth. Per capita spend is only \$7 in India versus \$50 in China and \$40 in Brazil, indicating strong underpenetration.
- Industry tailwinds include technological advancements, expanding use cases across disease areas, low competitive intensity, limited domestic scale players and improving localization of manufacturing. Management believes MedTech can become “generics version 2” for India with strong global export potential.

Occlutech Acquisition (55% stake @ Rs 1100 Cr)

- Alkem will acquire 55% stake in Occlutech, with the founder and existing shareholders retaining a meaningful stake and management continuity ensured; future stake increase remains a possibility.
- Research-oriented structural heart company focused on septal defect treatment (ASD), heart failure and stroke prevention.
- Operates in high-entry-barrier markets including US, Western Europe, Japan and Australia.
- Third largest globally in its segment; No. 2 position in Europe.
- ~85% revenue from US and Western Europe.

- Strong in-house R&D with own labs, clean rooms and testing facilities.
- Key upcoming product: Left Atrial Appendage (LA) occluder; global market size ~USD 1.4 billion, currently a duopoly between Abbott and Boston Scientific.
- CY26 revenue estimated at ~Rs 600 crore; expected to grow to ~Rs 780 crore over 5 years (14% CAGR from existing portfolio); 14% CAGR estimate excludes contribution from LA & other future portfolio additions; considered conservative.
- Gross margin currently ~73%. Drivers going forward: Operating Leverage, High ASP products, Backend optimization using Alkem's infrastructure & GCC, SG&A rationalization especially support functions & labour-intensive processes.
- Current manufacturing in Germany & Turkey; facilities to continue given regulatory requirements.
- EBITDA positive in CY26; target 10% EBITDA by 2027 and 23–24% in 3 years.
- Payback period ~10 years on current portfolio; expected to shorten with LA and new launches.
- Existing debt of Rs 450–500 crore at ~10% interest, Alkem plan to refinance via Corporate guarantee, reducing interest cost to 5-6%.
- Core Growth levers: New product approvals (e.g., PFO in US); Expansion in EM & Deeper penetration in existing developed markets.

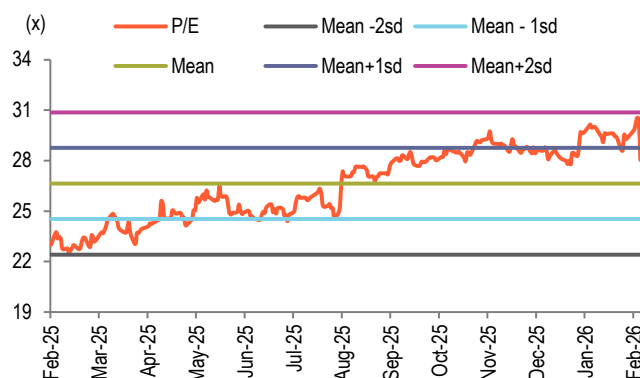
Valuation methodology

We maintain a HOLD, as a healthy product mix across geographies would be offset by higher operational expenses, such as increased R&D costs in 4Q due to higher filings, which is reflected in the retention of an EBITDA margin of 19.5%–20% for FY26 (vs. 9MFY26 EBITDA margin of 22%). We maintain our estimates and believe Sales/EBITDA will grow at a CAGR of 10%/14%; however, due to an increase in the tax rate from FY27E, PAT is expected to remain flattish. Thus, we maintain a HOLD on the stock and value it using the EV/EBITDA method.

Due to lower growth in domestic sales (70% of the total sales) and Q4 being seasonally weak quarter, we lower our ascribe EV/EBITDA multiple to 19x vs the earlier 21x (1Y F EV/EBITDA of 20x) to arrive at TP of Rs 5,962 (earlier TP Rs 6247).

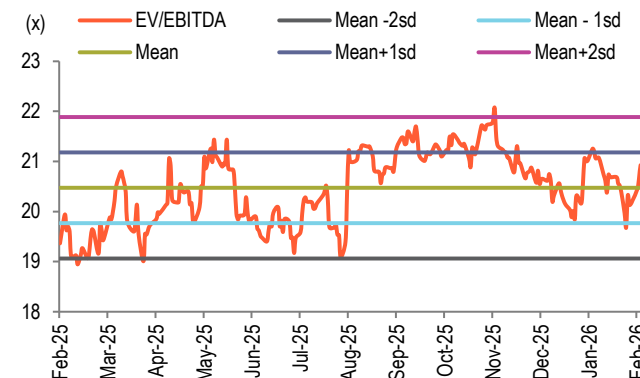
Valuation Bands

Fig 1 – 1YF PE Band



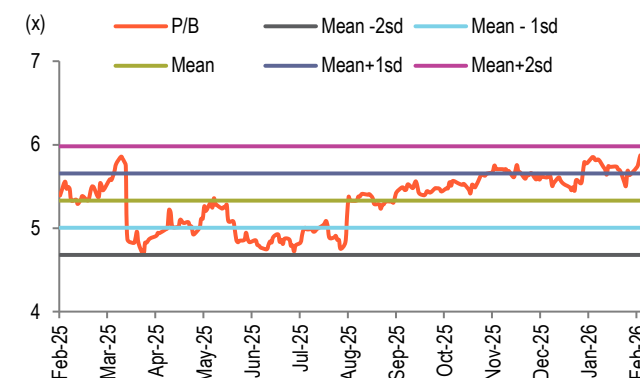
Source: Bloomberg

Fig 2 – 1Y F EV/EBITDA Band



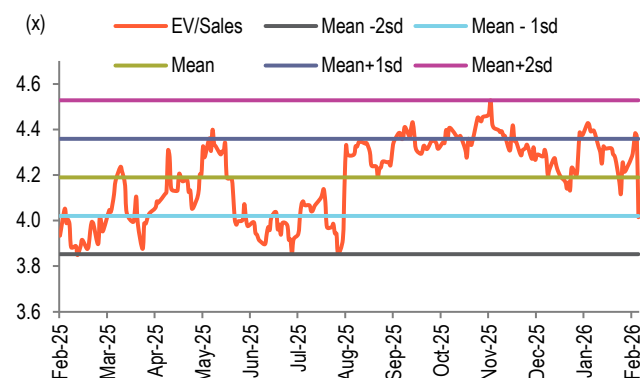
Source: Bloomberg

Fig 3 – 1Y F P/BV Band



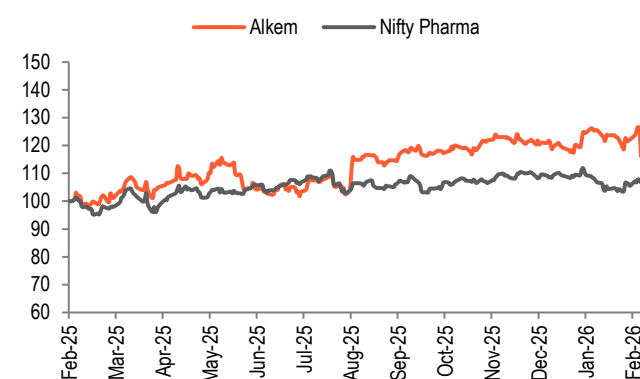
Source: Bloomberg

Fig 4 – 1Y F EV/Sales Band



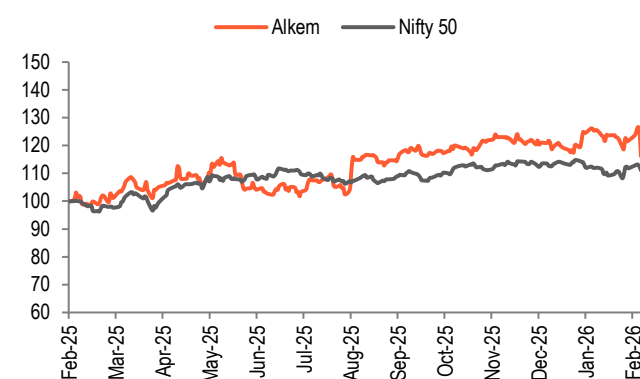
Source: Bloomberg

Fig 5 – Lupin vs Nifty 50



Source: Bloomberg

Fig 6 – Lupin vs Nifty 50



Source: Bloomberg

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	28,817	33,279	37,613
Depreciation	2,993	3,572	3,780	4,253	4,673
EBIT	19,462	21,550	25,037	29,027	32,940
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	29,045	33,085	37,659
Income taxes	2,117	3,110	4,360	11,593	13,196
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	24,497	21,304	24,275
Adjustments	(1,215)	0	0	0	0
Adjusted net profit	19,173	21,972	24,497	21,304	24,275

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	5.1	4.9	4.6	4.2	3.8
EV/EBITDA	29.2	26.0	22.8	19.9	17.7
Adjusted P/E	33.7	29.4	26.4	30.3	26.6
P/BV	7.3	6.3	5.4	4.8	4.2

DuPont Analysis

Y/E 31 Mar (%)	FY24A	FY25A	FY26E	FY27E	FY28E
Tax burden (Net profit/PBT)	89.4	86.9	84.3	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	15.5	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	26.8	30.2
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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Recommendation scale: Recommendations and Absolute returns (%) over 12 months

BUY – Expected return >+15%

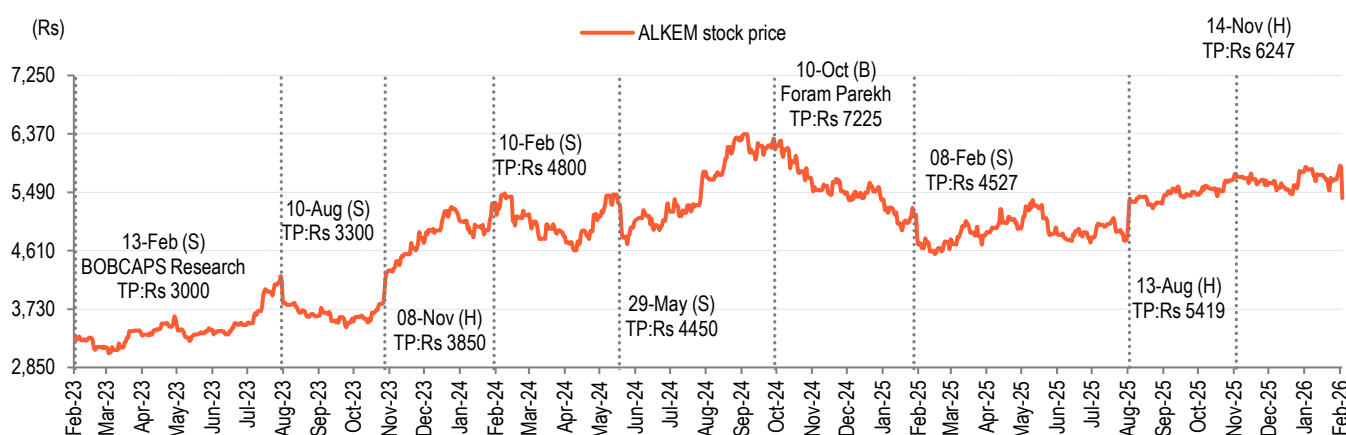
HOLD – Expected return from -6% to +15%

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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