

Alkem Lab

BSE SENSEX
83,734

S&P CNX
25,819



Bloomberg	ALKEM IN
Equity Shares (m)	120
M.Cap.(INRb)/(USDb)	653.3 / 7.2
52-Week Range (INR)	5934 / 4492
1, 6, 12 Rel. Per (%)	-7/-2/3
12M Avg Val (INR M)	849

Financials & Valuations (INR b)

Y/E MARCH	FY26E	FY27E	FY28E
Sales	145.2	160.8	177.2
EBITDA	29.8	32.1	36.1
Adjusted PAT	24.8	21.6	23.8
EBIT Margin (%)	18.0	17.6	18.1
Adj EPS (INR)	207.7	180.8	199.2
EPS Gr. (%)	14.7	-12.9	10.2
BV/Sh. (INR)	1,148.2	1,263.8	1,397.8

Ratios

Net D-E	-0.1	0.0	-0.1
RoE (%)	19.3	15.0	15.0
RoCE (%)	18.7	14.7	14.7
Payout (%)	28.9	36.0	32.7

Valuations

P/E (x)	26.3	30.2	27.4
EV/EBITDA (x)	21.3	20.3	17.8
Div. Yield (%)	0.9	1.0	1.0
FCF Yield (%)	2.9	-1.5	2.3
EV/Sales (x)	4.4	4.0	3.6

Shareholding Pattern (%)

As On	Dec-25	Sep-25	Dec-24
Promoter	51.2	51.2	55.7
DII	21.5	21.9	18.0
FII	10.0	9.5	10.2
Others	17.3	17.4	16.2

FII includes depository receipts

CMP:INR5,464 TP: INR5,525 (+1%) Neutral

Expanding scope of business in the Medtech segment

Widening reach; product approval to drive profitable growth

- Alkem Lab (ALKEM) is advancing its MedTech strategy through the acquisition of up to a 55% stake in Occlutech for ~EUR99m (~INR10.6b), gaining control of a specialist in minimally invasive devices for congenital heart disease, stroke prevention, and heart failure.
- Occlutech is a leading structural heart and closure device company with over 10 product lines, presence in more than 70 countries, manufacturing in Germany and Turkey, and over 200,000 devices sold; it ranks as the third-largest player in the global occluder segment.
- The company has delivered ~17% revenue CAGR over CY22–24 (EUR43m in CY24; ~EUR49m est. CY25), with CY25 revenue/EBITDA/loss at ~EUR49m/EUR2m/EUR6.8m; margins remain in single digits (~5%), with the company targeting expansion to ~23–24% over the next 3–4 years.
- The transaction aligns with ALKEM's broader MedTech focus on musculoskeletal and cardiovascular segments within a large global opportunity (USD680b MedTech; USD87b Cardiovascular), where it has already established a base in orthopedics through a hybrid entry model and the Bombay Ortho acquisition.
- For ALKEM, acquiring an R&D-focused company with a presence in developed markets is strategic move to scale its MedTech business. Occlutech's profitability has yet to improve despite over 15 years of presence in this space, primarily due to an enhanced focus on R&D. ALKEM intends to drive profitability by expanding its reach and accelerating product approvals/launches. The valuation appears decent, provided performance progresses in line with guidance.
- ALKEM is diversifying its growth levers into the MedTech and CDMO space, in addition to its domestic formulations segment. On an overall basis, we expect 10.5%/12% CAGR in revenue/EBITDA over FY26-28. Earnings are expected to remain stable over FY26-28 due to a step-up in tax rate. The valuation adequately factors in the upside. Reiterate Neutral on the stock.

Occlutech acquisition strategically compelling; profitability execution key monitorable

- Occlutech is a **leading specialist provider of minimally invasive structural heart occlusion devices**, with presence across the congenital heart disease, stroke prevention, and heart failure segments. The company has commercialized its products in over **70 countries**, with manufacturing facilities in **Germany and Turkey**.
- Its portfolio comprises over **10 product lines** across three therapeutic areas, with over **200,000 devices sold** since inception.
- It has delivered ~17% sales CAGR over CY22–24 to EUR43m and is estimated to reach EUR49m (~INR4.9b) in CY25, implying ~16.5% CAGR over CY22–25. Over the next five years, ALKEM intends to scale revenue to INR10b+ and expand EBITDA margin from ~5% currently to ~20–25%.

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

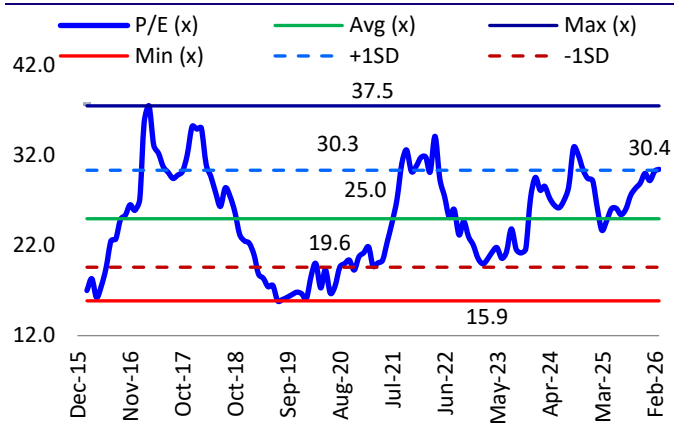
Motilal Oswal research is available on www.motilaloswal.com/Institutional-Equities, Bloomberg, Thomson Reuters, Factset and S&P Capital.

- This implies EV/EBITDA of ~15x/~7x on CY28E/CY30E EBITDA. The acquisition is 3.6x CY25 sales.
- ALKEM plans to leverage Occlutech as a global MedTech entry platform across Japan, the US, and Europe.

Highlights from the management commentary

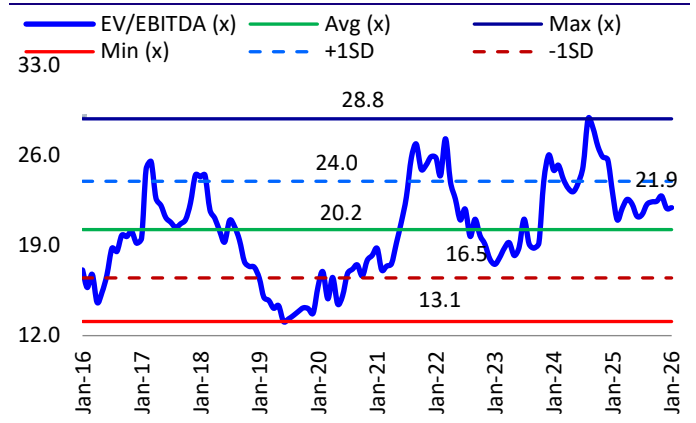
- ALKEM has guided for overall MedTech revenue to reach INR15b, with an EBITDA margin of 22-25% over the next five years.
- Occlutech has been focusing on R&D, with INR1.2b spent in CY24. The R&D spend may rise to INR1.5b, including the development of the LAA product.
- Investment related to Patent Foramen Ovale (PFO) is largely complete, and the company expects US approval by Jun'27.
- Launching existing products in different markets (LATAM, APAC), securing PFO approval for the US market (Jun'27; the US has better pricing than EU), and cost optimization are expected to drive overall profitability for Occlutech.
- Occlutech has a field strength of 65 to cater to the western EU market.
- ALKEM expects 45-46% of sales from EU and 20% from US in the occlutech business over the next five years, from the current 71%/14% from EU/US.
- As part of MedTech, ALKEM will focus on load-bearing large joints in the orthopaedic and cardiovascular segments.
- For products like occluders, management highlighted that the interoperative procedure is as critical as the product itself in influencing a surgeon's choice for treating patients
- Within the musculoskeletal space, ALKEM has set a target of 250k implants over the next five years and a 10% market share in India.
- As part of its global expansion, CE approval for the knee/hip products is expected in 4QFY28.
- ALKEM indicated that the knee/hip products will be launched in 2Q/4QFY27, respectively, in the Indian market.

Exhibit 1: P/E chart



Source: MOFSL, Company, Bloomberg

Exhibit 2: EV/EBITDA chart



Source: MOFSL, Company, Bloomberg

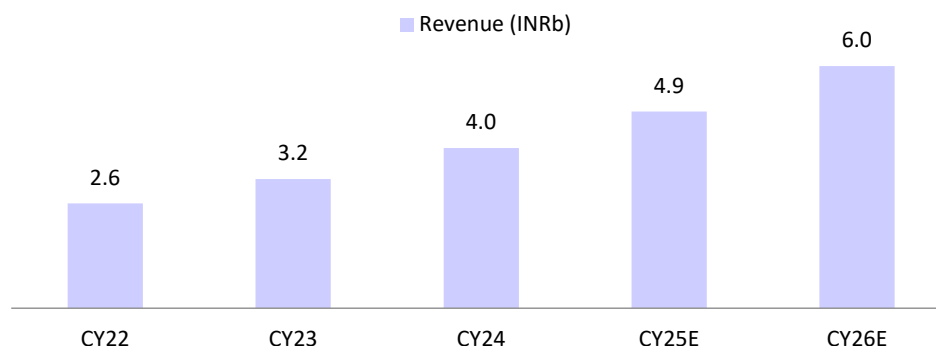
ALKEM to acquire majority stake in Occlutech

- Occlutech is a leading specialist provider of minimally invasive cardiac devices.
- The company has developed, produced, and commercialized first-class, minimally invasive, cardiac implants for congenital heart disease, stroke prevention, and heart failure.
- Its devices are sold to hospitals and clinics in over 70 countries. It has manufacturing facilities in Germany and Turkey.
- Occlutech has more than 10 product lines across three therapeutic areas and has sold over 200,000 devices since its inception.

Occlutech: Mid-teen revenue growth with single-digit EBITDA margins

- Occlutech delivered a 17% sales CAGR over CY22-24, reaching EUR43m. With estimated sales of EUR49m (INR4.9b) in CY25, the sales CAGR over CY22-25 is expected at 16.5%. The company reported a net loss of EUR20m in CY24.

Exhibit 3: ALKEM guides for INR6b in revenue in CY26; up 23% YoY



- The loss is expected to reduce to EUR6.8m in CY25. ALKEM has guided for 23% YoY growth in CY26, targeting revenue of INR6b from this entity.
- With a growth potential of 14-15% CAGR over the next five years, ALKEM intends to scale this business to INR10b+.
- From the current 5% EBITDA margin, ALKEM intends to scale EBITDA margin to 20-25% over the next five years.
- **Assuming the above performance, revenue/EBITDA are projected at INR8b/INR1.2b in CY28, and INR10.5b/INR2.6b in CY30. EV/EBITDA is estimated at 18x/8x for CY28/CY30.**

ALKEM has identified musculoskeletal and cardiovascular as key focus areas

- In line with its diversification strategy into high-growth adjacencies, ALKEM has forayed into the MedTech space in FY25, with musculoskeletal (Orthopedic) and cardiovascular designated as primary focus segments, alongside a selective presence in IVD and wound care.
- The addressable opportunity spans the USD680b global MedTech market, including USD49b in orthopedics and USD87b in cardiovascular, in addition to the USD16b Indian market, which remains structurally under-penetrated.
- The strategy is supported by structural tailwinds in emerging markets, including rising disease awareness and screening, expanding reimbursement frameworks,

increasing insurance penetration, and improving clinician capabilities, driving the adoption of advanced interventional therapies.

- Healthcare infrastructure expansion and decentralization of tertiary care into Tier-2 and Tier-3 cities are expected to improve access and sustain procedural volume growth.
- ALKEM approved an aggregate investment of INR2.5b in ALKEM MedTech in FY25, including INR1.5b for the acquisition of Bombay Ortho and ~INR1b toward working capital requirements.

Foundation established in musculoskeletal through a hybrid entry model

- ALKEM MedTech has implemented a hybrid entry model in musculoskeletal, combining a technology transfer and licensing agreement with a US-based orthopaedic company (for knee and hip implant portfolio rights in India) and the acquisition of Bombay Ortho's manufacturing assets, accelerating the time-to-market.
- The manufacturing facility, equipped with cleanrooms, precision CNC machines, and robotic grinding and polishing systems, provides immediate production capability with modular scalability to meet projected demand over the next 2–3 years, with plans to triple capacity over the near term.
- Through Bombay Ortho, ALKEM has reported >50% sequential implant growth QoQ (Dec'25YTD) and built a base of 150+ repeat customers, reflecting stable demand and surgeon engagement.
- The portfolio comprises NEXSTEP Total Hip Replacement System (uncemented stem and acetabular cup) and ACTIKNEE Total Knee Replacement System, addressing primary hip and knee arthroplasty, with further launches planned in 2QFY27 (Knee) and 4QFY27 (Hip) under the technology transfer arrangement.
- Over the medium term, the company targets 250k+ implants and ~10% share of the Indian large joints market within five years, supported by expansion to 4,000+ implanters and phased international rollout through CE (4QFY28) and CIS (1QFY28) approvals.

Entering the global cardiovascular device market via Occlutech acquisition

- ALKEM MedTech is entering the cardiovascular segment through the acquisition of Occlutech, providing immediate exposure to structural heart and closure devices, along with an established global product portfolio and commercial footprint to support faster scale-up.
- The company has outlined a three-pillar cardiovascular strategy comprising: 1) the acquisition of an established global cardio asset to secure immediate scale and market access, 2) portfolio expansion via the established structural heart platform to strengthen product breadth and revenue diversification, and 3) cost optimization initiatives to enhance gross margins and operating leverage.
- The global cardiovascular market is estimated at USD87.6b, representing a structurally growing opportunity; Cardiac Devices account for ~68% of the market, while Vascular/Peripheral contributes ~28%.
- The Cardiac Devices segment (USD59.1b) is diversified across Cardiac Rhythm Management/Monitoring (55%), Coronary/Interventional Cardiology (25%), Structural Heart Devices (15%), and Heart Failure Devices (5%).

- The Structural Heart Device (SHD) market is estimated at USD8.8b, of which USD2.2b relates to closure devices, including Occluders (USD0.7b) and Left Atrial Appendage devices (USD1.4b).

Exhibit 4: Overview of the cardiac device market

Heart Condition	Description	Treatment Options	Device Types	Market Share (USDb)
Structural Heart Defects	❖ Holes or unusual connections in the heart that people are born with; affect blood flow inside the heart	❖ Medications (rare), open-heart surgery, transcatheter device closure	ASD, PFO, PDA, VSD	8.8
Valve Disease	❖ Valves don't open or close properly, making it harder for blood to move in the right direction; causes fatigue, shortness of breath, or heart failure	❖ Valve repair/replacement surgery, TAVR, TMVR	TAVI valves, TMVR clips	-
Heart Failure	❖ Heart becomes too weak or too stiff to pump blood well; leads to tiredness, swelling, and fluid buildup	❖ Medication, ICD/CRT implants, ventricular assist devices (VADs), AF	ICDs, CRTs, AF shunts, VADs	3.0
Coronary Artery Disease	❖ Arteries that feed the heart get narrowed or blocked (usually by cholesterol), leading to chest pain or heart attacks	❖ Medication, angioplasty + stents, bypass surgery	Bypass stents, drug-eluting stents (DES)	14.8
Arrhythmias	❖ Heart beats too fast, too slow, or irregularly; may feel like fluttering or skipping and increase stroke risk	❖ Pacemakers, ICDs, ablation	Pacemakers, ICDs	32.5
Stroke Risk from Atrial Fibrillation	❖ Blood can pool in the heart during AF, forming clots that may travel to the brain and cause a stroke	❖ Blood thinners, LAA closure	LAA devices	-

Source: Company, MOFSL

Occlutech positioned to benefit from the oligopolistic SHD market

- The SHD treatment is witnessing a structural shift from open-heart surgery toward minimally invasive transcatheter interventions, driven by: a) an aging population, b) rising atrial fibrillation incidence, c) increasing diagnosis of congenital heart defects, and d) growing adoption of cath-lab-based procedures.
- The occluder segment remains an oligopolistic market, with key global players such as Abbott and Lifetech Scientific, alongside select Indian participants, including SMT and Merill Lifescience, reflecting high entry barriers and limited competition.
- In this concentrated competitive landscape, Occlutech stands to benefit from rational pricing dynamics, strong regulatory moats, and sustained demand growth within closure therapies.

Occlutech ranks as the third-largest player in the space

- Notably, Occlutech is the third-largest company in the occluder segment. About 85% of revenue comes from Western Europe and US markets.
- The PFO is yet to receive USFDA approval. That said, Occlutech's PFO demonstrates a 99% procedural success rate and a 95% effective closure rate after six months, with most of R&D spend for this product largely completed.
- The USFDA approved Occlutech's Atrial Septal Defect (ASD) Occluder and the associated Pistol Pusher delivery system in Dec'23 for treating patients with

ostium secundum-type ASD. This minimally invasive, nitinol-based device enables permanent, non-surgical closure of holes in the heart.

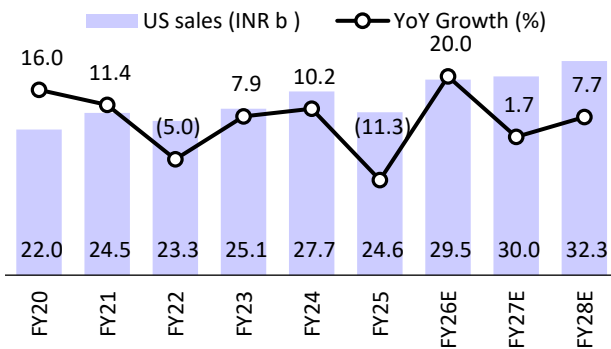
- Occlutech has partnered with B. Braun Interventional Systems to commercialize its device in the US following approval. The FDA granted breakthrough designation to the Atrial Flow Regulator (AFR) for pulmonary arterial hypertension (PAH). At the time of Occlutech's approval, the US ASD closure market was USD40m. The company has gained a 5% market share within 1.5 years.

Plan of action by ALKEM

- In addition to the amount paid for acquisition, ALKEM would be investing INR1b-INR2b to fund the R&D program.
- Occlutech would be utilized as a platform for MedTech offerings in markets like Japan, the US, and Europe in the cardiovascular segment.
- Considering this business has a strong gross margin of 73%, ALKEM plans to build operating leverage by enhancing offerings and expanding reach.

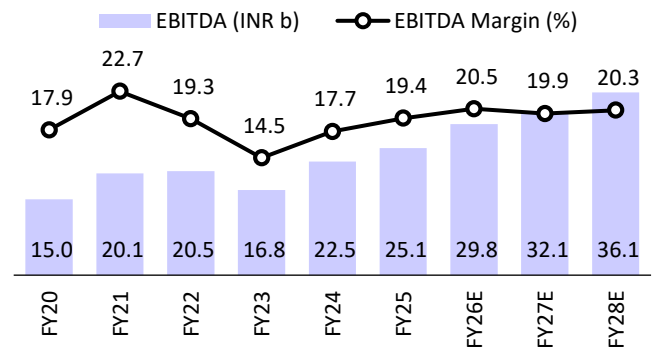
Story in charts

Exhibit 5: Expect 9.5% sales CAGR over FY25-28 in the US



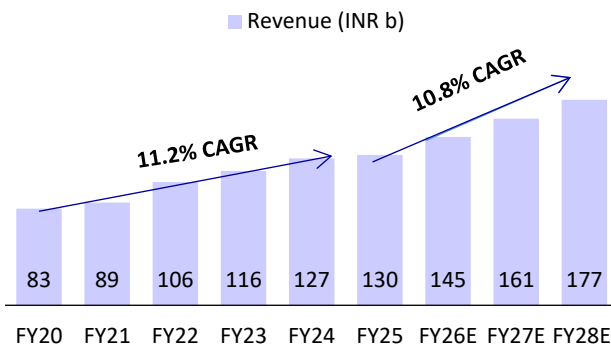
Source: Company, MOFSL

Exhibit 6: EBITDA margin to expand ~100bp over FY25-28



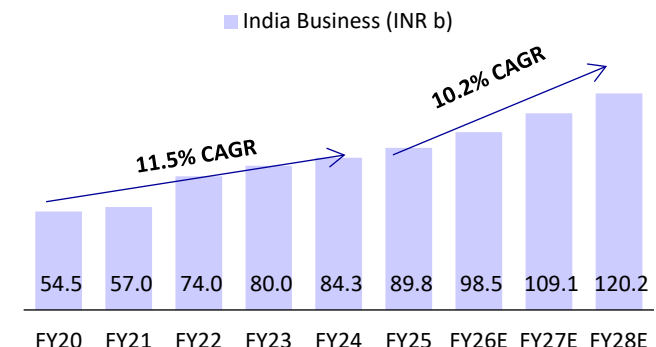
Source: Company, MOFSL

Exhibit 7: Expect revenue CAGR of 11% over FY25-28



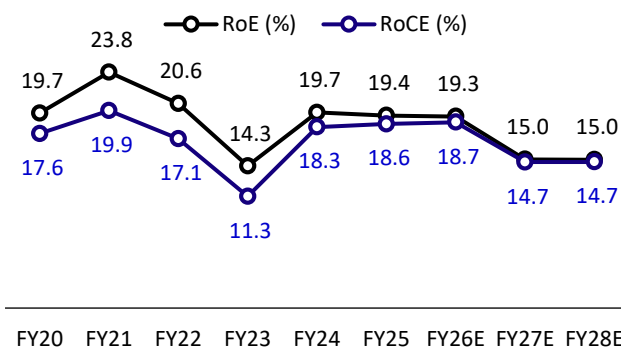
Source: Company, MOFSL

Exhibit 8: Expect India sales CAGR of 10% over FY25-28



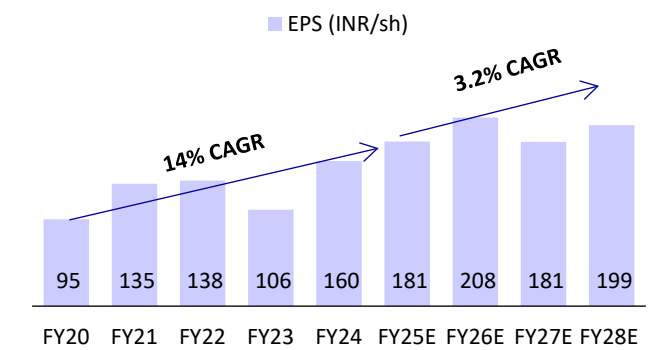
Source: Company, MOFSL

Exhibit 9: Return ratios expected to moderate going ahead



Source: Company, MOFSL

Exhibit 10: Expect earnings to post a 3% CAGR over FY25-28



Source: Company, MOFSL

Financials and Valuations

Consolidated - Income Statement

	INRm						
Y/E March	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Total Income from Operations	1,06,342	1,15,993	1,26,676	1,29,645	1,45,206	1,60,834	1,77,229
Change (%)	20.2	9.1	9.2	2.3	12.0	10.8	10.2
Total Expenditure	85,813	99,198	1,04,221	1,04,524	1,15,381	1,28,774	1,41,164
EBITDA	20,529	16,795	22,455	25,121	29,825	32,061	36,065
Margin (%)	19.3	14.5	17.7	19.4	20.5	19.9	20.3
Depreciation	3,040	3,104	2,993	3,572	3,687	3,809	4,064
EBIT	17,490	13,690	19,462	21,550	26,138	28,252	32,001
Int. and Finance Charges	524	1,074	1,124	1,217	1,389	1,064	998
Other Income	1,627	2,161	3,108	4,937	4,883	5,837	4,556
PBT bef. EO Exp.	18,592	14,778	21,446	25,270	29,632	33,024	35,560
EO Items	-150	-1,730	-1,215	0	-399	0	0
PBT after EO Exp.	18,443	13,048	20,231	25,270	29,233	33,024	35,560
Current Tax	1,640	2,980	2,117	3,110	4,179	10,568	10,846
Deferred Tax	0	0	0	0	0	0	0
Tax Rate (%)	8.9	22.8	10.5	12.3	14.3	32.0	30.5
Less: Mionrity Interest	300	226	157	505	556	840	900
Reported PAT	16,503	9,842	17,958	21,655	24,498	21,616	23,814
Adjusted PAT	16,516	12,678	19,091	21,655	24,828	21,616	23,814
Change (%)	2.6	-23.2	50.6	13.4	14.7	-12.9	10.2
Margin (%)	15.5	10.9	15.1	16.7	17.1	13.4	13.4

Consolidated - Balance Sheet

Y/E March	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Equity Share Capital	239	239	239	239	239	239	239
Total Reserves	86,140	90,214	1,02,882	1,19,610	1,37,024	1,50,847	1,66,869
Net Worth	86,379	90,453	1,03,121	1,19,849	1,37,263	1,51,086	1,67,108
Minority Interest	2,094	3,897	4,023	4,488	4,488	4,488	4,488
Deferred Tax Liabilities	0	0	0	0	0	0	0
Total Loans	26,466	13,775	14,032	13,302	13,302	13,302	13,302
Capital Employed	1,14,939	1,08,125	1,21,176	1,37,638	1,55,052	1,68,876	1,84,898
Gross Block	35,948	36,835	43,260	46,607	52,742	66,771	78,378
Less: Accum. Deprn.	13,077	16,181	19,174	22,745	26,433	30,242	34,306
Net Fixed Assets	22,871	20,654	24,086	23,862	26,310	36,529	44,073
Goodwill on Consolidation	6,146	4,796	4,642	4,662	4,662	4,662	4,662
Capital WIP	3,395	3,103	1,586	5,481	2,847	12,320	4,215
Total Investments	3,710	6,218	4,838	18,455	18,455	18,455	18,455
Curr. Assets, Loans&Adv.	91,477	89,770	1,05,449	1,07,070	1,33,762	1,32,833	1,53,912
Inventory	30,055	26,075	26,612	29,224	32,876	37,044	40,609
Account Receivables	18,846	21,322	22,528	24,663	28,643	32,608	35,931
Cash and Bank Balance	25,786	25,786	15,694	15,631	30,184	16,595	26,036
Loans and Advances	16,790	16,587	40,616	37,552	42,059	46,586	51,335
Curr. Liability & Prov.	25,753	29,442	34,572	39,273	48,365	53,306	57,800
Account Payables	11,734	11,650	17,481	18,394	20,547	22,579	24,752
Other Current Liabilities	7,955	10,370	12,824	15,906	17,815	19,732	21,744
Provisions	6,064	7,421	4,267	4,973	10,003	10,994	11,305
Net Current Assets	65,725	60,329	70,877	67,797	85,397	79,528	96,111
Deferred Tax assets	13,093	13,025	15,148	17,383	17,383	17,383	17,383
Appl. of Funds	1,14,939	1,08,125	1,21,177	1,37,638	1,55,053	1,68,877	1,84,897

Financials and Valuations

Ratios

Y/E March	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Basic (INR)							
EPS	138.1	106.0	159.7	181.1	207.7	180.8	199.2
Cash EPS	163.6	132.0	184.7	211.0	238.5	212.7	233.2
BV/Share	723	757	863	1,002	1,148	1,264	1,398
DPS	59.0	50.0	40.0	45.0	50.0	55.0	55.0
Payout (%)	50.7	72.0	31.6	29.4	28.9	36.0	32.7
Valuation (x)							
P/E	39.6	51.5	34.2	30.2	26.3	30.2	27.4
Cash P/E	33.4	41.4	29.6	25.9	22.9	25.7	23.4
P/BV	7.6	7.2	6.3	5.5	4.8	4.3	3.9
EV/Sales	6.2	5.5	5.1	5.0	4.4	4.0	3.6
EV/EBITDA	31.9	38.2	29.0	25.9	21.3	20.3	17.8
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	148.6	156.4	-81.4	121.9
Return Ratios (%)							
RoE	20.6	14.3	19.7	19.4	19.3	15.0	15.0
RoCE	17.1	11.3	18.3	18.6	18.7	14.7	14.7
RoIC	21.6	13.6	20.3	19.2	22.2	17.1	17.3
Working Capital Ratios							
Fixed Asset Turnover (x)	3.0	3.1	2.9	2.8	2.8	2.4	2.3
Asset Turnover (x)	0.9	1.1	1.0	0.9	0.9	1.0	1.0
Inventory (Days)	103	82	77	82	83	84	84
Debtor (Days)	65	67	65	69	72	74	74
Creditor (Days)	40	37	50	52	52	51	51
Working Cap. Turnover (Days)	137	109	159	147	139	143	144
Leverage Ratio (x)							
Current Ratio	3.6	3.0	3.1	2.7	2.8	2.5	2.7
Interest Cover Ratio	33.4	12.8	17.3	17.7	18.8	26.5	32.1
Debt/Equity	0.0	-0.1	0.0	0.0	-0.1	0.0	-0.1

Consolidated - Cash Flow Statement

Y/E March	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
OP/(Loss) before Tax	18,443	13,048	20,231	25,270	29,632	33,024	35,560
Depreciation	3,040	3,104	2,993	3,572	3,687	3,809	4,064
Interest & Finance Charges	-703	1,074	1,124	-3,720	-3,494	-4,772	-3,559
Direct Taxes Paid	-3,969	-2,734	-4,069	-3,110	-4,179	-10,568	-10,846
(Inc)/Dec in WC	-5,450	3,268	-516	3,017	-3,446	-7,719	-7,142
CF from Operations	11,361	17,759	19,763	25,028	22,201	13,774	18,077
CF from Operating incl EO	11,110	16,825	19,482	25,028	22,201	13,774	18,077
(Inc)/Dec in FA	-3,280	-2,297	-1,868	-7,262	-3,502	-23,502	-3,502
Free Cash Flow	7,830	14,528	17,614	17,767	18,699	-9,728	14,575
(Pur)/Sale of Investments	-12,051	1,955	-10,612	-13,617	0	0	0
Others	980	1,471	2,395	4,937	4,883	5,837	4,556
CF from Investments	-14,351	1,128	-10,085	-15,942	1,381	-17,665	1,054
Inc/(Dec) in Debt	8,628	-11,408	-5,132	-730	0	0	0
Interest Paid	-401	-905	-913	-1,217	-1,389	-1,064	-998
Dividend Paid	-4,219	-5,295	-5,405	-6,376	-7,084	-7,793	-7,793
CF from Fin. Activity	3,796	-16,388	-19,489	-9,149	-9,029	-9,697	-9,690
Inc/Dec of Cash	555	1,565	-10,093	-62	14,552	-13,589	9,441
Opening Balance	1,705	2,297	3,862	-6,231	-6,293	8,260	-5,329
Closing Cash and Cash Eq.	2,297	3,862	-6,231	-6,293	8,260	-5,329	4,112
Bank Balances	23,489	21,924	21,924	21,924	21,924	21,924	21,924
Total Cash and Cash Eq.	25,786	25,786	15,694	15,631	30,184	16,595	26,036

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NOTES

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SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
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