15 August 2026
1QFY27 Results Update | Sector: Healthcare

ALKEM Laboratories

Estimate change	⟷
TP change	↑
Rating change	⟷

Bloomberg	ALKEM IN
Equity Shares (m)	120
M.Cap.(INRb)/(USDb)	645.5 / 6.8
52-Week Range (INR)	5934 / 5075
1, 6, 12 Rel. Per (%)	-5/4/2
12M Avg Val (INR M)	864

Financials & Valuations (INR b)

Y/E MARCH	FY26	FY27E	FY28E
Sales	147.1	162.6	180.4
EBITDA	30.1	34.7	39.0
Adjusted PAT	25.5	23.0	25.8
EBIT Margin (%)	17.8	18.6	18.9
Adj EPS (INR)	213.4	192.7	216.0
EPS Gr. (%)	17.8	-9.7	12.1
BV/Sh. (INR)	1,156.0	1,283.5	1,434.3
Ratios			
Net D-E	0.0	0.0	-0.1
RoE (%)	19.8	15.8	15.9
RoCE (%)	18.0	14.7	14.9
Payout (%)	30.8	33.8	30.2
Valuations			
P/E (x)	25.3	28.0	25.0
EV/EBITDA (x)	21.6	18.6	16.3
Div. Yield (%)	0.9	1.0	1.0
FCF Yield (%)	2.3	0.9	2.5
EV/Sales (x)	4.4	4.0	3.5

Shareholding Pattern (%)

As On	Jun-26	Mar-26	Jun-25
Promoter	49.7	51.2	53.0
DII	22.6	21.4	21.8
FII	10.4	10.2	9.1
Others	17.3	17.3	16.1

FII includes depository receipts

CMP: INR5,399 TP: INR5,770 (+7%) Neutral

Strong margin-led beat

Chronic momentum strong; new businesses in gestation

- ALKEM delivered in-line revenue and EBITDA/PAT beat of 16%/19% in 1QFY27, driven by improved segmental mix and higher-than-expected operating leverage.
- Notably, ALKEM achieved the highest quarterly gross margin in the past 10 years. Additional cost related to newer business (CDMO) dragged down EBITDA growth for the quarter.
- The company continued to outperform the industry in chronic therapies, led by superior marketing efforts.
- Therapy-wise, ALKEM posted industry-beating growth in anti-diabetic, pain, VMNs, respiratory and dermatology in domestic formulation (DF).
- Currency benefit supported some growth in US segment. The approval pace has improved over the past two quarters.
- ALKEM is implementing remediation measures to resolve OAI classification at its Daman site.
- We raise our earnings estimates by 4%/3% for FY27/FY28, factoring in superior growth in ROW markets and higher-than-industry growth in chronic therapies. These factors were partly offset by a) weak performance in trade generics, b) increased gestation period to achieve EBITDA breakeven in CDMO business, and c) additional time taken to consolidate med-tech business. We value ALKEM at 27x 12-month forward earnings to arrive at a TP of INR5,770.
- Considering the front-loading of opex in new business initiatives like Enzene CDMOs and enhanced efforts to improve profitability of med-tech business, we expect earnings to decline in FY27 and subsequently revive FY28 onward. The valuation leaves limited upside from the current levels. **Maintain Neutral**.

Segmental mix benefit offset by higher operational costs YoY

- 1QFY27 revenue grew 11% YoY to INR37.4b (our est.: INR37.1b).
- Gross margin expanded 260bp YoY to 67.9%.
- EBITDA margin contracted 145bp YoY to 20.5% (our est.: 17.8%) as higher gross margin was offset by higher other expenses/employee costs (up 250bp/105bp YoY as % of sales).
- EBITDA grew 3.7% YoY to INR7.6b (est. INR6.6b).
- Adj. PAT declined 20.4% YoY to INR5.2b (our est.: INR4.4b).

Ex-US/DF momentum offset by US sales YoY

- DF business grew 10.3% YoY to INR25b (67% of sales).
- International business grew 16% YoY to INR12.2b.
- Within international business, US sales grew 6.5% YoY to INR7.4b (20% of sales).
- Other international sales grew 34.6% YoY to INR4.8b (13% of sales).

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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.

Highlights from the management commentary

- India segment growth was impacted by weakness in trade generics, broadly flat in 1Q, due to heightened competition, tighter DSO discipline and price increases following higher API costs. Management expects primary sales to recover as channel inventories normalize, with India segment growth expected to reach ~12% YoY for FY27.
- US segment growth guidance stands at mid- to high-single digit for FY27.
- US CDMO business incurred capex of ~INR600m in 1QFY27. Annualized sales of USD25-30m should reach breakeven.
- The denosumab biosimilar approval in US has been delayed by few months.
- In Europe, the Prolia biosimilar will be commercialized via partner Theramex. Management expects a gradual ramp-up given the highly competitive market and does not anticipate a significant contribution in the near term.
- The Xgeva biosimilar launch in Europe is expected in three months.

Quarterly performance

Y/E March	FY26				FY27E				FY26	FY27E	FY27E	Var
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			1QE	%
Net Revenues	**33,711**	**40,010**	**37,368**	**36,033**	**37,402**	**43,590**	**41,177**	**40,427**	**147,123**	**162,595**	**37,140**	**0.7**
YoY Change (%)	11.2	17.2	10.7	14.6	10.9	8.9	10.2	12.2	13.5	10.5	10.2	
EBITDA	**7,391**	**9,208**	**8,280**	**5,174**	**7,661**	**10,549**	**9,347**	**7,156**	**30,052**	**34,712**	**6,611**	**15.9**
YoY Change (%)	21.4	22.3	9.0	32.2	3.7	14.6	12.9	38.3	19.6	15.5	-10.5	
Margins (%)	21.9	23.0	22.2	14.4	20.5	24.2	22.7	17.7	20.4	21.3	17.8	
Depreciation	877	936	950	1,058	1,002	1,186	1,177	1,122	3,821	4,487	1,192	
EBIT	**6,514**	**8,272**	**7,330**	**4,116**	**6,659**	**9,363**	**8,170**	**6,033**	**26,232**	**30,225**	**5,419**	
YoY Change (%)	23.3	22.7	8.7	47.6	2.2	13.2	11.5	46.6	34.8	40.3	-16.8	
Margins (%)	19.3	20.7	19.6	11.4	17.8	21.5	19.8	14.9	17.8	18.6	14.6	
Interest	298	350	421	539	466	470	475	485	1,608	1,896	475	
Other Income	1,365	1,037	1,431	2,001	1,528	1,352	1,277	1,254	5,834	5,410	1,358	
PBT before EO Exp	**7,581**	**8,958**	**8,340**	**5,578**	**7,720**	**10,244**	**8,972**	**6,802**	**30,457**	**33,739**	**6,302**	
EO Exp/(Inc)	-129	0	528	1,350	0	0	0	0	1,748	0	0	
PBT after EO Exp	**7,710**	**8,958**	**7,812**	**4,228**	**7,720**	**10,244**	**8,972**	**6,802**	**28,709**	**33,739**	**6,302**	
Tax	1,027	1,162	1,277	1,712	2,505	3,176	2,799	2,143	5,178	10,623	1,739	
Rate (%)	13.3	13.0	16.3	40.5	32.4	31.0	31.2	31.5	17.0	31.5	27.6	
PAT (pre Minority Interest)	**6,683**	**7,796**	**6,535**	**2,517**	**5,215**	**7,068**	**6,173**	**4,660**	**23,531**	**23,116**	**4,563**	
Minority Interest	41	145	175	152	15	20	21	24	513	80	200	
Reported PAT	**6,643**	**7,651**	**6,360**	**2,365**	**5,200**	**7,048**	**6,152**	**4,636**	**23,018**	**23,036**	**4,363**	
Adj Net Profit	**6,531**	**7,651**	**6,802**	**4,533**	**5,200**	**7,048**	**6,152**	**4,636**	**25,517**	**23,036**	**4,363**	**19.2**
YoY Change (%)	19.8	11.1	8.7	48.2	-20.4	-7.9	-9.6	2.3	17.8	-9.7	-33.2	

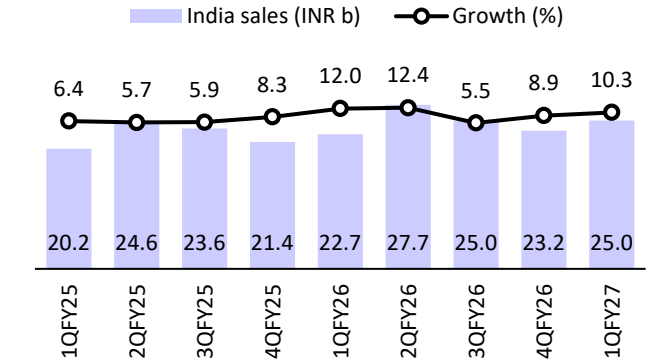
Y/E March	FY26				FY27E				FY26	FY27E	FY27
INRm	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			1QE
India formulations	22,650	27,660	24,959	23,245	24,978	30,647	27,605	25,779	98,514	109,009	24,960
YoY Change (%)	12.0	12.4	5.5	8.9	10.3	10.8	10.6	10.9	9.7	10.7	10.2
US generics	6,982	7,649	7,533	7,681	7,439	7,103	7,407	8,388	29,845	30,336	7,877
YoY Change (%)	8.8	33.2	18.8	26.2	6.5	9.0	9.0	9.0	21.4	1.6	9.0
International (Ex-US)	3,556	4,241	4,624	4,543	4,785	4,623	4,948	5,043	16,964	19,398	4,303
YoY Change (%)	9.0	32.1	41.6	24.1	34.6	9.0	7.0	11.0	26.6	14.3	21.0
Cost Break-up											
RM Cost (% of Sales)	34.7	35.0	34.1	34.6	32.1	33.0	33.5	33.0	34.6	32.9	34.8
Staff Cost (% of Sales)	20.6	17.8	19.3	19.8	21.6	18.6	19.6	20.3	19.3	20.0	19.7
R&D Expenses(% of Sales)	3.5	3.3	3.7	6.4	4.0	4.0	4.0	5.0	4.2	4.3	4.5
Other Cost (% of Sales)	19.3	21.0	20.8	24.9	21.8	20.2	20.2	24.0	21.5	21.5	23.2
Gross Margins (%)	65.3	65.0	65.9	65.4	67.9	67.0	66.5	67.0	65.4	67.1	65.2
EBITDA Margins (%)	21.9	23.0	22.2	14.4	20.5	24.2	22.7	17.7	20.4	21.3	17.8
EBIT Margins (%)	19.3	20.7	19.6	11.4	17.8	21.5	19.8	14.9	17.8	18.6	14.6

Key highlights from the management commentary

- ETR is expected to be 30-32% at consolidated level for FY27.
- Branded generics grew 12% YoY. Excl. trade generics, India growth was driven by 6% price growth, 2% volume growth and 3% contribution from new launches.
- Biosimilars launched in India have scaled up well, with seven products generating ~INR1.5b in annual revenue. Backward integration supported margin improvement for these products.
- ALKEM does not currently intend to pursue further acquisitions in orthopedics/medtech and will focus on ramping up the existing businesses.

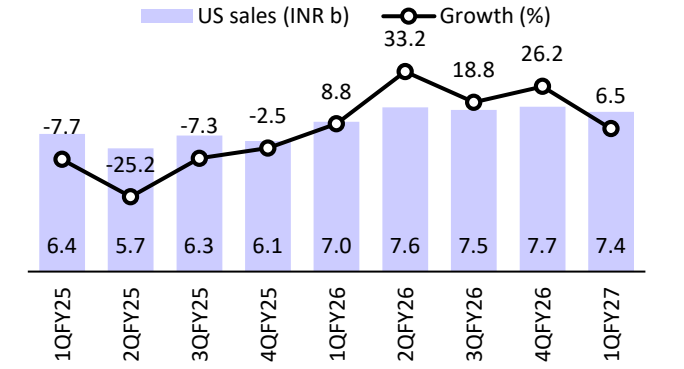
Key exhibits

Exhibit 1: DF revenue grew 10.3% YoY in 1QFY27



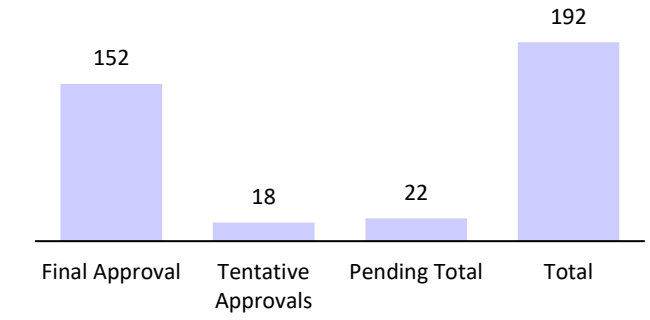
Source: MOFSL, Company

Exhibit 2: US sales grew 6.5% YoY in 1QFY27



Source: MOFSL, Company

Exhibit 3: Cumulative US ANDA filings



Source: MOFSL, Company

Exhibit 4: Robust ANDA pipeline

US Filings	# Nos.
Total ANDAs filed	192
NDAs	2

Source: MOFSL, Company

Traction in core pharma remains intact

DF: Broad-based therapy outperformance sustain momentum

- DF revenue grew 10.3% YoY to INR25b (~678% of total revenue) in 1QFY27.
- ALKEM outperformed IPM in seven focus therapies: Pain 1.8x, Respiratory 1.6x, Derma 1.6x, Anti-diabetic 1.4x, VMN 1.4x, Gastro 1.2x and Anti-infectives 1.1x.
- Branded generics grew ~12% YoY, while trade generics remained broadly flat and weighed on overall domestic growth.
- Acute/Chronic segment grew 12.3%/17.9% YoY vs. IPM growth of 10.1%/15.4%, implying 220/250bp outperformance, respectively.

- Chronic growth remained healthy in 1QFY27, supported partly by the launch of generic semaglutide following patent expiry; ALKEM is among the top three players in generics, although contribution remains small currently.
- Trade generics remained subdued due to heightened competition, tighter DSO discipline and price increases following higher API costs; management expects primary sales to recover as channel inventories normalize.
- The company remains focused on sustaining growth above industry levels in the DF segment; we estimate ALKEM to deliver ~10.7% sales CAGR in DF, scaling to ~INR120.6b over FY26-28.

Product launches drive growth in the international business

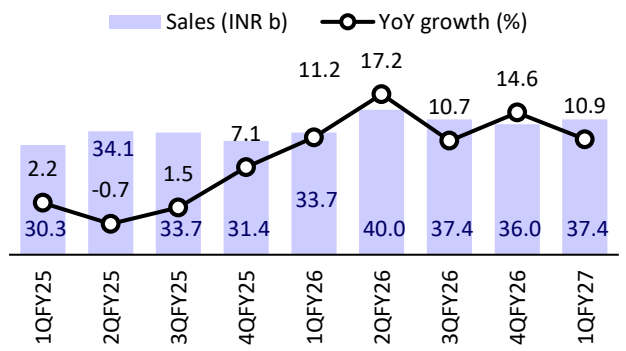
- International business delivered strong growth of 16% YoY in 1QFY27, led by robust traction in Ex-US markets.
- Ex-US markets outpaced the US in 1QFY27, registering 34.6% YoY growth vs. 6.5% YoY in the US.
- Ex-US markets continue to deliver healthy double-digit growth across key markets, with strong performance in Germany, Australia, Chile and management expects this momentum to remain sustainable.
- The US market remains challenging, with limited volume growth and muted traction from recent launches, although price erosion has bottomed out.
- While these markets remain relatively small compared with the US, they are emerging as consistent growth contributors.
- ALKEM received five ANDA approvals and launched 11 products in 1QFY27.
- Overall, we expect ALKEM to deliver an 8% sales CAGR in the international markets to INR54.4b over FY26-28.

Reiterate Neutral

- We raise our earnings estimates by 4%/3% for FY27/FY28, factoring in superior growth in ROW markets and higher-than-industry growth in chronic therapies, partly offset by a) weak performance in trade generics segment, b) increased gestation period to achieve EBITDA breakeven in CDMO business, and c) additional time taken to consolidate medtech business. We value ALKEM at 27x 12-month forward earnings to arrive at a TP of INR5,770.
- Considering the front-loading of opex in new business initiatives like Enzene CDMOs and enhanced efforts to improve profitability of medtech business, we expect earnings to decline in FY27 and subsequently revive FY28 onward. The valuation leaves limited upside from the current levels. **Maintain Neutral.**

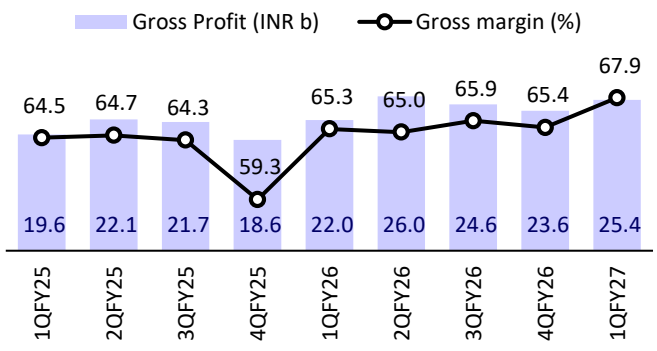
Story in charts

Exhibit 5: Total sales grew 10.9% YoY in 1QFY27



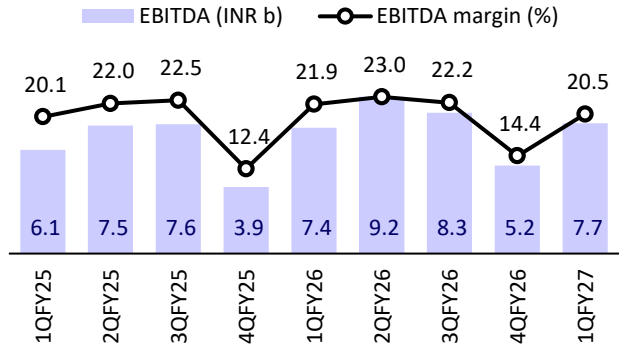
Source: Company, MOFSL

Exhibit 6: Gross margin up 260bp YoY in 1QFY27



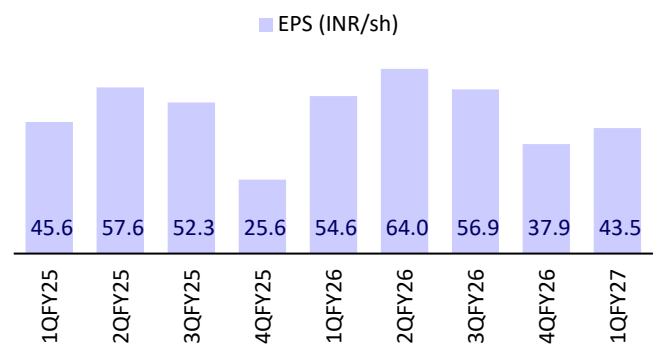
Source: Company, MOFSL

Exhibit 7: EBITDA margin down 145bp YoY in 1QFY27



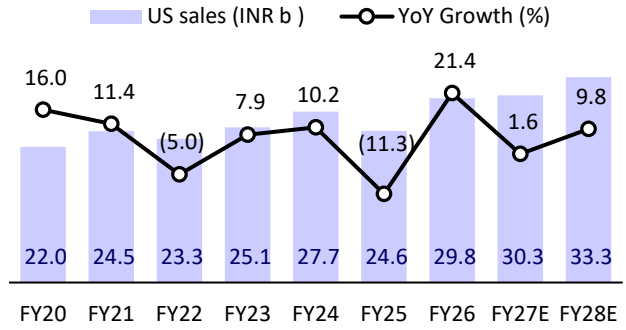
Source: Company, MOFSL

Exhibit 8: EPS down 26% YoY to INR43 in 1QFY27



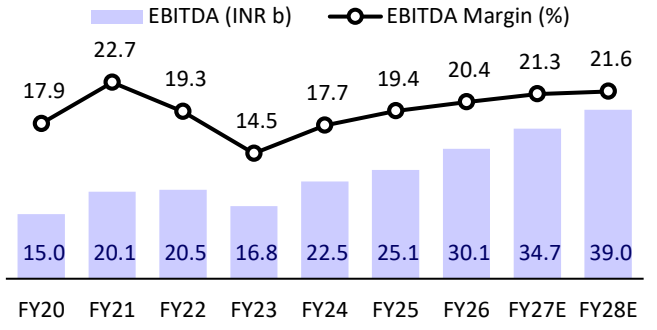
Source: Company, MOFSL

Exhibit 9: Expect 5.6% sales CAGR in the US over FY26-28



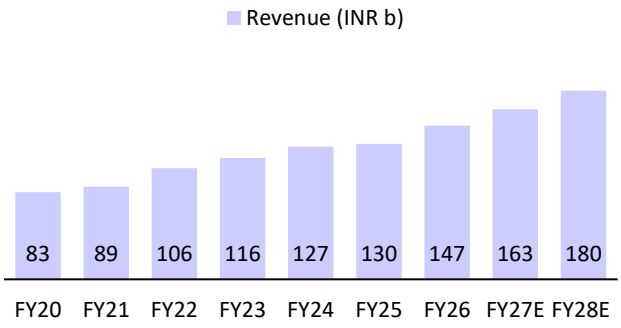
Source: Company, MOFSL

Exhibit 10: EBITDA margin to expand ~120bp over FY26-28



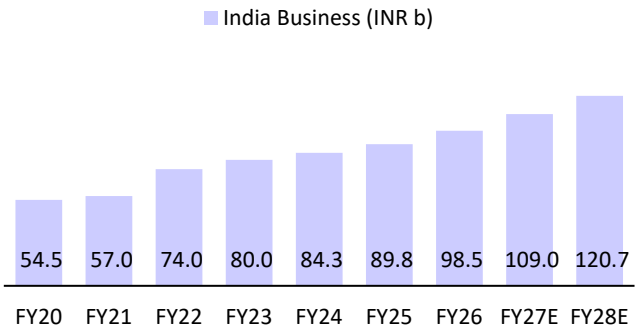
Source: Company, MOFSL

Exhibit 11: Expect revenue CAGR of 11% over FY26-28



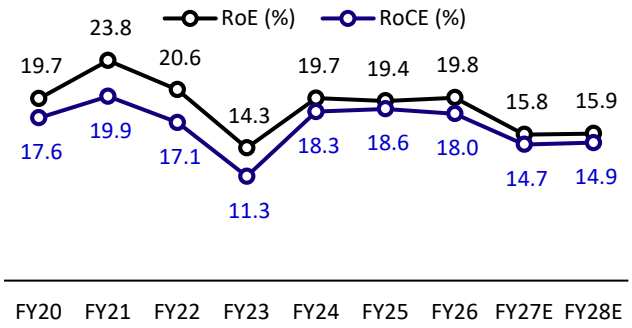
Source: Company, MOFSL

Exhibit 12: Expect India sales CAGR of 10.7% over FY26-28



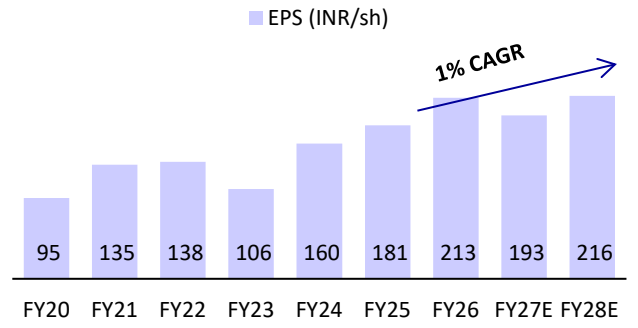
Source: Company, MOFSL

Exhibit 13: Return ratios expected to moderate going ahead



Source: Company, MOFSL

Exhibit 14: Expect earnings to remain flat over FY26-28



Source: Company, MOFSL

Financials and Valuations

Consolidated - Income Statement

INRm

Y/E March	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E
Total Income from Operations	**106,342**	**115,993**	**126,676**	**129,645**	**147,123**	**162,595**	**180,424**
Change (%)	20.2	9.1	9.2	2.3	13.5	10.5	11.0
Total Expenditure	**85,813**	**99,198**	**104,221**	**104,524**	**117,071**	**127,883**	**141,385**
EBITDA	**20,529**	**16,795**	**22,455**	**25,121**	**30,052**	**34,712**	**39,039**
Margin (%)	19.3	14.5	17.7	19.4	20.4	21.3	21.6
Depreciation	3,040	3,104	2,993	3,572	3,821	4,487	4,950
EBIT	**17,490**	**13,690**	**19,462**	**21,550**	**26,232**	**30,225**	**34,089**
Int. and Finance Charges	524	1,074	1,124	1,217	1,608	1,896	1,840
Other Income	1,627	2,161	3,108	4,937	5,834	5,410	5,605
PBT bef. EO Exp.	**18,592**	**14,778**	**21,446**	**25,270**	**30,457**	**33,739**	**37,854**
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**	**33,739**	**37,854**
Current Tax	1,640	2,980	2,117	3,110	5,178	10,623	11,924
Deferred Tax	0	0	0	0	0	0	0
Tax Rate (%)	8.9	22.8	10.5	12.3	18.0	31.5	31.5
Less: Minority Interest	300	226	157	505	513	80	110
Reported PAT	**16,503**	**9,842**	**17,958**	**21,655**	**23,018**	**23,036**	**25,820**
Adjusted PAT	**16,516**	**12,678**	**19,091**	**21,655**	**25,517**	**23,036**	**25,820**
Change (%)	2.6	-23.2	50.6	13.4	17.8	-9.7	12.1
Margin (%)	15.5	10.9	15.1	16.7	17.3	14.2	14.3

Consolidated - Balance Sheet

INRm

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	153,205	171,232
Net Worth	**86,379**	**90,453**	**103,121**	**119,849**	**138,201**	**153,444**	**171,471**
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**	**178,886**	**196,914**
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	31,053	36,003
Net Fixed Assets	**22,871**	**20,654**	**24,086**	**23,862**	**33,474**	**42,993**	**49,645**
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**	**135,527**	**159,943**
Inventory	30,055	26,075	26,612	29,224	33,332	36,788	40,672
Account Receivables	18,846	21,322	22,528	24,663	29,791	32,964	36,579
Cash and Bank Balance	25,786	25,786	15,694	15,631	17,329	18,678	30,430
Loans and Advances	16,790	16,587	40,616	37,552	49,868	47,096	52,261
Curr. Liability & Prov.	**25,753**	**29,442**	**34,572**	**39,273**	**45,086**	**54,066**	**59,006**
Account Payables	11,734	11,650	17,481	18,394	22,442	23,124	25,565
Other Current Liabilities	7,955	10,370	12,824	15,906	16,326	19,948	22,136
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**	**81,461**	**100,937**
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**	**178,886**	**196,914**

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**	**192.7**	**216.0**
Cash EPS	163.6	132.0	184.7	211.0	245.4	230.2	257.4
BV/Share	723	757	863	1,002	1,156	1,284	1,434
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	33.8	30.2
Valuation (x)							
P/E	39.1	50.9	33.8	29.8	25.3	28.0	25.0
Cash P/E	33.0	40.9	29.2	25.6	22.0	23.5	21.0
EV/Sales	6.1	5.5	5.1	5.0	4.4	4.0	3.5
EV/EBITDA	31.5	37.7	28.7	25.6	21.6	18.6	16.3
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	47.8	132.9
Return Ratios (%)							
RoE	20.6	14.3	19.7	19.4	19.8	15.8	15.9
RoCE	17.1	11.3	18.3	18.6	18.0	14.7	14.9
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	83	82
Debtor (Days)	65	67	65	69	74	74	74
Creditor (Days)	40	37	50	52	56	52	52
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	15.9	18.5
Debt/Equity	0.0	-0.1	0.0	0.0	0.0	0.0	-0.1

Consolidated - Cash Flow Statement

INRm

Y/E March	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E
OP/(Loss) before Tax	18,443	13,048	20,231	25,270	28,709	33,739	37,854
Depreciation	3,040	3,104	2,993	3,572	3,821	4,487	4,950
Interest & Finance Charges	-703	1,074	1,124	1,217	1,608	-3,514	-3,765
Direct Taxes Paid	-3,969	-2,734	-4,069	-5,040	-6,290	-10,623	-11,924
(Inc)/Dec in WC	-5,450	3,268	-516	-2,140	-4,152	5,122	-7,724
CF from Operations	**11,361**	**17,759**	**19,763**	**22,879**	**23,695**	**29,211**	**19,392**
CF from Operating incl EO	**11,110**	**16,825**	**19,482**	**19,128**	**19,630**	**29,211**	**19,392**
(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**	**5,709**	**15,890**
(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	5,410	5,605
CF from Investments	**-14,351**	**1,128**	**-10,085**	**-12,988**	**-16,672**	**-18,092**	**2,103**
Inc/(Dec) in Debt	8,628	-11,408	-5,132	-1,941	1,141	0	0
Interest Paid	-401	-905	-913	-806	-1,235	-1,896	-1,840
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**	**-9,769**	**-9,743**
Inc/Dec of Cash	**555**	**1,565**	**-10,093**	**-1,969**	**-2,076**	**1,350**	**11,752**
Opening Balance	1,705	2,297	3,862	-6,231	-8,200	-10,275	-8,926
Closing Cash and Cash Eq.	**2,297**	**3,862**	**-6,231**	**-8,200**	**-10,275**	**-8,926**	**2,826**
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**	**18,678**	**30,430**

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SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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