Sector: Pharmaceuticals **RESULT REVIEW Q1FY26** **Declared On: 12 Aug 2025**

Alkem Laboratories Limited

RECOMMENDATION SNAPSHOT				
*CMP	MCap (Rsbn)	Recommendation	Target	Potential Upside
Rs5375	643	Hold	Rs5500	2%

as on 13th Aug, 2025

About the Company:

Alkem Laboratories Limited (Alkem) is the fifth largest branded Pharma company in India with global operations. Besides being a strong domestic company, Alkem's business operations are spread in more than 40 international markets, with the US being the key market. The company develops, manufactures and sells pharmaceutical and nutraceutical products in India and overseas. With a broad portfolio of more than 800 brands and a highly proficient management team, Alkem is amongst the leaders in its major therapy areas of anti-infective, gastrointestinal (GI), vitamins and minerals (VMN), and pain. For more than a decade now, Alkem has maintained the number 1 position in anti-infective by successfully tapping the largest sub therapy area, i.e. anti-bacterial. It holds a strong positioning in the GI and VMN segments as well. Dominantly an acute player, the company has slowly diversified its revenue base in chronic/semi-chronic therapies. Mr. Sandeep Singh is the Managing Director of the company.

Results: Quick Glance:

- The net sales for the quarter grew by 11.2% at Rs33.71bn as compared to Rs30.32bn in the same quarter last year
- The Ebitda margins for the quarter under review stood at 21.9% as compared to 20.1% in Q1FY25
- The company reported profit of Rs6.68bn as compared to Rs5.50bn in the same quarter last year. An exceptional item amounting to Rs0.13bn relates to gain from sale of Indore facility classified as held for sale in the previous year and sold in the current period
- The EPS for the quarter stood at Rs55.56 as compared to Rs45.60 in the corresponding period of last year

Other Highlights:

- **Domestic Business:** India sales for the quarter grew by 12.0% on a y-o-y basis; with sales of Rs22.65bn as compared to Rs20.22bn in Q1FY25
- **International Business:** The international business sales grew by 8.9% on a y-o-y basis; at Rs10.54bn as compared to Rs9.68bn in Q1FY25
- **US business:** The US sales came in at Rs6.98bn; growth of 8.8%
- **Other International business:** The sales for the quarter came in at Rs3.56bn; growth of 9.0%
- The R&D expenses for the quarter stood at Rs1,184mn, 3.5% of total revenue from operations

Conference Call Highlights:

India business: (contributed 68.3% to total sales in Q1FY26)

- According to IQVIA data, for the quarter, the company achieved growth of 9.7% on a y-o-y basis as compared to the IPM growth of 8.5%. Alkem has achieved strong overall volume growth of 2.9%, outperforming the IPM volume growth of 1.5%; expansion of 140bps
- During Q1FY26, as per IQVIA the company has outperformed IPM in 7 therapies: GI grew by ~1.6x, VMN: ~2.3x, Pain: ~1.4x, Anti-diabetics: ~1.4x, Neuro/CNS: ~1.2x, Respiratory: ~1.4x and Derma: ~1.1x
- The Management expects the overall domestic market to outpace (by 100-150bps) the IPM growth which stands at ~8-9%
- The overall NLEM contribution stands at ~30% of sales

US business: (contributed 21.0% to total sales in Q1FY26)

- In Q1FY26, the company's International sales grew by 8.9% on a y-o-y basis recording sales of Rs10.54bn as compared to Rs9.68bn in Q1FY25. US sales stood at Rs6.98bn, growth of 8.8% on a y-o-y basis for the quarter under review
- During the quarter, the company has filed its first BLA, received 5 ANDAs approvals (including 2 tentative approvals) and launched 3 ANDAs. As of 30th June 2025, the company has filed 185 ANDAs, 2 ANDAs and has received 160 ANDA approvals (including 15 TA)
- The price erosion continues to persist in the US markets and at present stands at ~3-4% on a y-o-y basis. The past concerns related to supply chains and inventory have now more or less stabilised and the business is in a better position. For FY26E, the Management expects the overall US business to grow in mid-single digits and even has the possibility to scale up to high-single digits in the foreseeable future. The company is working towards filing products in these markets
- Alkem has launched Sacubitril+Valsartan in the US markets towards the end of Jul'25. The benefit from the same is anticipated to flow in from Q2FY26

Conference Call Highlights (contd.):

US business (contd.):

- For tariffs, until the final outcome, the situation would be wait-and-watch and thus can't be speculated at the current juncture. However, even if tariffs are implemented, the Management has indicated of passing on the additional costs to the customers as far as possible

The other international business: (contributed to 10.7% of sales in Q1FY26)

- The other international markets (non-US) sales for the quarter stood at Rs3.56bn, growth of 9.0% on a y-o-y basis led by a 2x growth observed in Australia and key European markets
- The company continues to accelerate and strengthen the non-US business and is working on building the pipeline in these geographies; the strong momentum for the non-US markets continues
- **Enzene biosciences:** the sales (inclusive of CDMO business of the US) for Q1FY26 came in at ~Rs900mn. The Ebitda in Q1FY26 (for both the Pune and the US unit) stood breakeven. The Enzene US plant is expected to be fully operational from Q4FY26 (the commercialisation will happen in Q3FY26E); the opex for the same are expected in Q3 and Q4FY26. The company has filed for a BLA for denosumab in the US markets and expects an approval for the same tentatively in H2 of next year; thereafter the company would be working towards subsequent commercialisation of the drug. The opex for the CDMO facility is expected to be at ~Rs500mn on a quarterly basis. The lab level work has been completed for this facility and is expected to be ready by ~Q3FY26; the Management expects good inflows from Q4FY26 onwards once the facility is fully operational
- The acquisitions related to **Bombay Ortho** (via Alkem Medtech WoS) and **Adroit Biomed** were completed during the quarter under review. For Bombay Ortho; the revenues reported in Q1FY26 stood at Rs25mn (on a small scale) but the Management has indicated of receiving positive/encouraging responses from the customers. The business will scale up gradually on a q-o-q basis and in FY26E the revenues are expected to be at ~Rs200mn and the annualised run rate towards the end of FY26E is expected to be at ~Rs400-500mn. Additionally, the business is expected to breakeven in FY28E; on account of marketing spends and until the operating leverage starts getting reflected in the books (once the business is stabilised the opex for the same would be ~Rs250-300mn per quarter), the Management expects ~Rs400-500mn losses for both FY26E and FY27E. As far as Adroit is concerned; the revenues reported for the quarter stood at Rs150mn and the business is in line with the internal targets set by Alkem
- **Financials:** (i) the gross margins for Q1FY26 stood at ~65.3%. The margins saw an improvement primarily on account of lower API prices (~0.8-0.9%), overall better product mix, higher contribution from the domestic markets. All of this was offset by the price erosion/drop in the US markets which was to the tune of ~3-4% on a y-o-y basis. Going forward, the Management expects the gross margins to be more or less at ~64%, (ii) the guidance on the Ebitda margins for FY26E is maintained at ~19.5% and the Management would revise it upwards if needed after 1-2 quarters, (iii) the R&D as a % to sales for full year will be in the same range of ~4.5-5%, over the coming quarters higher spends are expected as generally Q4 is the quarter where maximum number of filings are done by Alkem, (iv) the employee cost increased by ~15% on a y-o-y basis; this was a blend of annual increments and payments of higher incentives due to outperformance in the domestic business. The Management expects these costs to be on a lower side in the upcoming quarters, (v) for the quarter, the company has reported a forex gain which is included in other income, (vi) the other expenses have reported a decline on a q-o-q basis (by ~10.4%) as the company had completed its clinical trial expenses (last year) of ~Rs350-400mn related to denosumab for the US markets, (vii) capex guided for FY26E is ~Rs7500mn, (viii) the tax guidance for FY26E is ~13-15% (more or less at similar levels of Q1FY26), (ix) the net cash balance as of 30th June 2025 stands at Rs48.7bn

Financials:

Performance (Q1FY26)							
Q1FY26 Result (Rs mn)	**Jun-25**	**Jun-24**	**y-o-y**	**Mar-25**	**q-o-q**	**FY25**	**FY26E**
Total Revenue	33711	30318	11.2%	31438	7.2%	129645	139161
EBITDA	7391	6086	21.4%	3913	88.9%	25122	28250
Other Income	1365	1203	13.4%	1460	(6.5%)	4937	5292
Interest	298	291	2.3%	284	4.8%	1217	1063
Depreciation	877	805	8.9%	1125	(22.1%)	3572	3521
Exceptional Items	129	0	-	0	-	0	0
Tax	1027	691	48.6%	733	40.0%	3110	4489
Net Profit	**6679**	**5502**	**21.4%**	**3224**	**107.2%**	**22154**	**24470**

Outlook and Recommendations:

The company has reported good set of numbers for the quarter under review aided by strong growth in the domestic business which grew by 12% on a y-o-y basis (the inorganic contribution from the recent acquisitions was ~0.4-0.5% during the quarter). This business continues to outpace the IPM growth (Alkem grew by ~9.7% as against IPM growth of 8.5%). The growth momentum for the Indian markets is sustainable and the Management expects Indian markets to outperform the IPM by approx. 100-150bps. The US business grew by ~8.8% for the quarter under review. Even though the price erosion which is currently in single digit (~3-4%) continues to prevail in these markets; the overall growth was led by growth in the base business, new launches/filings and small contribution from the CDMO sales. The Management anticipates the US business to grow in mid-single digits for FY26E with a further possibility to inch higher towards high-single digits in due course. Tariff related uncertainties can't be evaluated in the current scheme of things, however; the company would be ready to pass on any incremental costs (if they occur) to the customers as far as possible and would also evaluate backward integration options which will be more product specific. Irrespective of these ambiguities related to the geopolitical concerns; the company has been working on building and strengthening its base in the non-US markets (generally a high margin business) and will continue to scout for opportunities as and when realised. The non-US markets reported a growth of ~9% for the quarter under reference. Overall, international business revenues came in at Rs10.54bn; growth of ~8.9% in Q1FY26. The recent acquisitions are expected to scale up gradually and the revenues from the same have been factored in for few business working days (as these were completed in Q1FY26). The CDMO business is expected to start contributing to revenues from Q4FY26; once the plant is fully operational. On the financial front, an improvement was witnessed in the gross margins which was aided by lower API prices, better product mix and partially offset by the price erosion in the US markets. The Management expects these levels to be maintained even for the full year. All of this has resulted in better Ebitda margins reported for the quarter which came in at 21.9%. The Management has maintained its guidance on the same for the full year as well and would consider to revise it upwards after a span of 1-2 quarters. The R&D spend on an annual basis is expected to be at ~4.5-5%; though the spends in absolute figures may appear elevated as the company is undertaking certain filings (in the non-US markets)/working on few products which will require clinical trial related expenses (for the domestic markets). The healthy cash reserves would be utilised for opportunities primarily in the chronic segment. The PAT reported a growth of ~21% on a y-o-y basis; however, the adjusted PAT (after excluding the exceptional item related to gain from sale of Indore facility amounting to Rs0.13bn which was classified as held for sale in the previous year and sold in the current period); has reported decent growth of 19%. Overall, we feel that the company is scaling up gradually towards the internal targets and we thus continue to maintain Hold on the stock for a target price of Rs5500.

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