

# ALKEM Laboratories

|                 |   |
|-----------------|---|
| Estimate change |  |
| TP change       |  |
| Rating change   |  |

|                       |             |
|-----------------------|-------------|
| Bloomberg             | ALKEM IN    |
| Equity Shares (m)     | 120         |
| M.Cap.(INRb)/(USDb)   | 645.9 / 7.1 |
| 52-Week Range (INR)   | 5934 / 4492 |
| 1, 6, 12 Rel. Per (%) | -7/-3/4     |
| 12M Avg Val (INR M)   | 839         |

## 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    | -13.0   | 10.2    |
| BV/Sh. (INR)      | 1,148.2 | 1,263.8 | 1,397.8 |
| <b>Ratios</b>     |         |         |         |
| Net D-E           | -0.1    | 0.0     | -0.1    |
| RoE (%)           | 18.8    | 15.0    | 15.0    |
| RoCE (%)          | 18.3    | 14.8    | 14.8    |
| Payout (%)        | 29.8    | 36.1    | 32.8    |
| <b>Valuations</b> |         |         |         |
| P/E (x)           | 26.8    | 29.9    | 27.2    |
| EV/EBITDA (x)     | 21.6    | 20.1    | 17.6    |
| Div. Yield (%)    | 0.9     | 1.0     | 1.0     |
| FCF Yield (%)     | 2.9     | -1.6    | 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: INR5,400**

**TP: INR5,525 (+2%)**

**Neutral**

## Acquisition of Occlutech to open opportunities in Med-tech segment

### Segmental mix, operating leverage drive beat on earnings

- ALKEM is taking significant steps in its Medtech journey through acquiring Occlutech (develops, manufactures, and commercialized medical devices for congenital heart disease, stroke prevention and heart failure).
- ALKEM would be buying up to 55% stake for a consideration of EUR99m (INR10.6b). Revenue/EBITDA/loss of this company in CY25 was EUR49m/EUR2m/EUR6.8m. ALKEM expects to improve EBITDA margins to 23-24% over the next 3-4 years.
- ALKEM Laboratories reported in-line revenue in 3QFY26. EBITDA/PAT came in 17%/20% higher than our estimates, aided by higher growth in export markets, partly supported by currency movement.
- Strong growth was seen in therapies like VMNs, anti-diabetic, respiratory and derma. This was offset to some extent by muted YoY growth in anti-infectives and gastro-intestinal segments.
- New launches, volume traction in base business and steady progress across non-US markets drove overall export growth for the quarter.
- We reduce our earnings estimates by 4%/5% for FY27/FY28, factoring in a) an increase in raw material prices due to the implementation of minimum import price (MIP) by the government of India, and b) ongoing weakness at industry level in certain therapies in DF segment. We value ALKEM at 28x 12M forward earnings to arrive at a TP of INR5,525.
- Increased efforts toward new ventures (med-tech and Enzene), as well as the step-up in the tax rate, are expected to keep growth in check over FY26-28. Maintain Neutral on limited upside from current levels.

## Occlutech acquisition to form a Medtech platform for ALKEM to enter developed markets

- Occlutech is a **leading specialist provider of minimally invasive structural heart occlusion devices** with presence across congenital heart disease, stroke prevention and heart failure segments; commercialized in **70+ countries** with manufacturing facilities in **Germany and Turkey**.
- Its portfolio comprises **10+ product lines** across three therapeutic areas with **200,000+ devices sold** since inception.
- It has delivered ~17% sales CAGR over CY22-24 to EUR43m; estimated to reach EUR49m (~INR4.9b) in CY25, implying ~16.5% CAGR over CY22-25. Over the next five years, ALKEM intends to scale up revenue to INR10b+ and expand EBITDA margin from ~5% currently to ~20-25%.
- This implies EV/EBITDA of ~15x/~7x on CY28E/CY30E EBITDA. The acquisition is 3.6x CY25 sales.
- ALKEM would leverage Occlutech as a global med-tech entry platform across Japan, the US and Europe.

- **Our take:** For ALKEM, acquiring an R&D-focused company with presence in developed markets is a good strategy to scale up its med-tech business. The profitability of Occlutech has yet to improve despite being present in this space for 15+ years. With ALKEM also in the process of building its positioning in this space, this would be the key monitorable. The valuation is decent if the performance happens as per guidance.

#### EBITDA/PAT better than expected

- 3Q revenue grew 10.7% YoY to INR37.4b (our est.: INR36.7b).
- Gross margin expanded 160bp YoY to 66%.
- EBITDA margin was steady YoY at 22.2% (our est.: 19.3%) as higher gross margin was offset by high other expenses/employee cost (up 140bp/80bp YoY as % of sales). R&D expense was stable YoY as % of sales.
- EBITDA grew 9% YoY to INR8.3b (our est. of INR7.1b).
- Adj. PAT grew 8.7% YoY to INR6.8b (our est.: INR5.8b).
- For 9MFY26, revenue/EBITDA/PAT grew 13%/17%/13% YoY.

#### International growth much higher than DF segment

- DF business grew 5.5% YoY to INR25b (67.2% of sales).
- International business grew 27% YoY to INR12.1b.
- US sales increased by 19% YoY to INR7.7b (20.3% of Sales).
- Other international sales rose 42% YoY to INR4.6b (12.5% of sales).

#### Highlights from the management commentary

- ALKEM had taken steps to change the distribution set-up in DF, leading to high base last year. Adj for the same, YoY growth would be double digits in 3Q.
- ALKEM expects Enzene and medtech to have EBITDA margin of 25% in 4-5 years.
- In addition to acquisition, ALKEM would invest INR1b-INR2b in R&D at Occlutech over next 1-2 years. Current GM of Occlutech is about 73%.
- There is a debt of INR4b-INR5b on the balance sheet of Occlutech. This can be re-financed using corporate guarantee of ALKEM. In CY25, Occlutech reported revenue of EUR49m, EBITDA of EUR2m, and a loss of EUR6.8m.

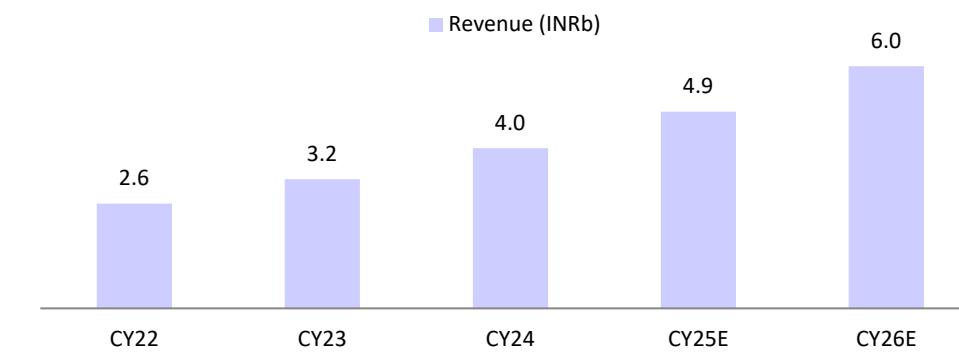
## About Occlutech

- Occlutech is a leading specialist provider of minimally invasive cardiac devices. Occlutech has developed, produced, and commercialized first-class, minimally invasive, cardiac implants for congenital heart disease, stroke prevention, and heart failure. The devices are sold to hospitals and clinics in over 70 countries. It has manufacturing facilities in Germany and Turkey.
- Occlutech has 10+ product lines in three therapeutic areas. Occlutech has sold 2L+ devices till date since inception.

## Financial snapshot: 16-17% sales CAGR over CY22-25E

- Occlutech has delivered 17% sales CAGR over CY22-24 to EUR43m. Considering estimated sales of EUR49m (INR4.9b) in CY25, the sales CAGR over CY22-25 is expected to be 16.5%. There was a net loss of EUR20m in CY24.

### Exhibit 1: ALKEM guides for INR6b in revenue in CY26; up 23% YoY

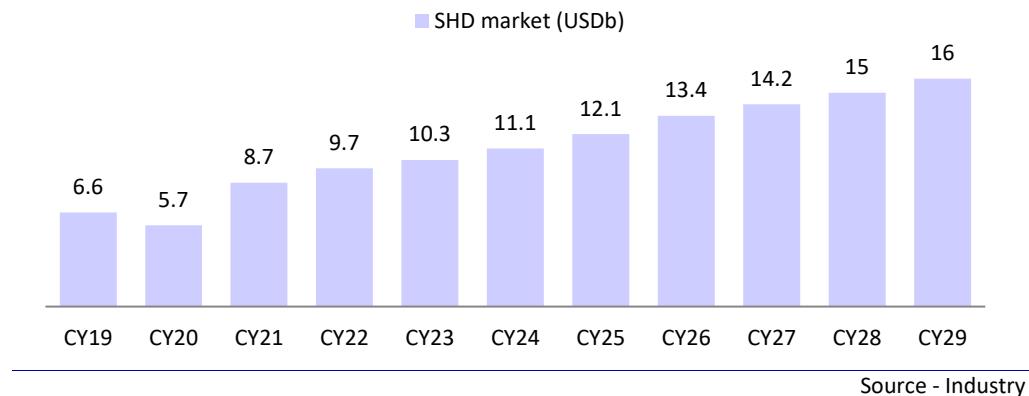


- The loss is expected to reduce to EUR6.8m in CY25. ALKEM has guided for 23% YoY growth in CY26 to reach INR6b in revenue from this entity.
- With growth potential of 14-15% CAGR over the next five years, ALKEM intends to scale up this business to INR10b+.
- From current 5% EBITDA margin, ALKEM intends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

## Occluders – a part of structural heart devices

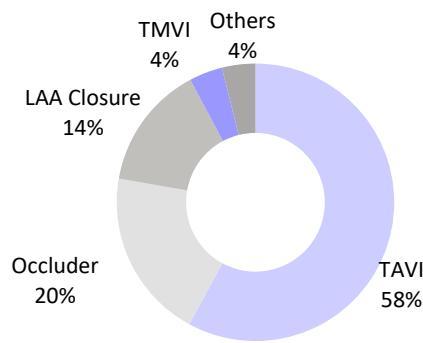
- Occluders form a part of structural heart devices. The market size of occluders is about USD2b (CY24) and is expected to witness CAGR of 4% over FY24-29. The overall structural heart devices market is about USD11b and is expected to grow at compounded rate of 7.8% over FY24-29 to reach USD16b.
- Structural heart disease (SHD) is a problem involving tissues or valves of the heart. All SHDs involve a defect or disorder in the structure of the heart tissue or valves or its functioning. Common symptoms of SHD involve strokes, shortness of breath, high blood pressure, leg cramps, and kidney dysfunction.

**Exhibit 2: SHD market expected to witness 7.8% CAGR over CY24-29**

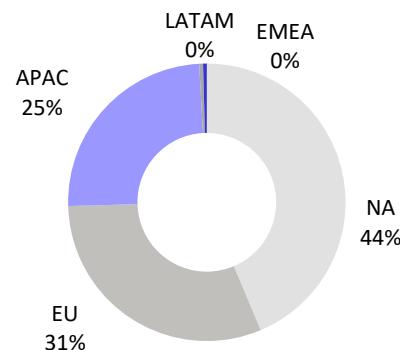


- Occluders EU market size is about USD745. The ROW markets is about USD1.8b in CY24. Occluder technology is evolving and includes advanced biodegradable occluders, hybrid occlusion tools, and precision delivery systems for improved the safety and efficacy of occluder devices, providing patients with more treatment options for congenital heart defects.
- Biodegradable occluders are still under clinical evaluation and not yet commercially available and hybrid occlusion tools (which combine multiple functionalities to address various heart defects simultaneously) are not a widely adopted or clearly defined product category in current practice.

**Exhibit 1: SHD market by product**



**Exhibit 2: SHD market by geography**



TAVI: Transcatheter aortic valve implantation (TAVI), Left atrial appendage (LAA), Source: Industry

Source: Industry

- SHD treatment has witnessed a structural shift from open-heart surgery toward minimally invasive transcatheter interventions, driven by a) aging population, b) rising atrial fibrillation (AF) incidence, c) increasing diagnosis of congenital heart defects, d) growing adoption of cath-lab based procedure
- **Global companies in the occluder space are Abbott and Lifetech Scientific. Indian companies in this space are SMT and Merill Lifescience. Broadly, it remains an oligopoly market.**

### Occlutech – third-largest company in this space

- Notably, Occlutech is the third-largest company in occluder segment. About 85% of revenue is from Western Europe and US market.
- PFO (patent foramen Ovale) is yet to be approved by USFDA. Having said this, Occlutech PFO has 99% procedural success rate and 95% efficient closure rate after six months. Most of R&D spend for this product is largely done.
- USFDA approved Occlutech 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 partnered with B. Braun Interventional Systems Inc. to commercialize the device in the US following approval. The breakthrough designation was granted by FDA to the Atrial Flow Regulator (AFR) for pulmonary arterial hypertension (PAH). The ASD closure US market size was USD40m at the time of approval for Occlutech. Occlutech has gained 5% market share in 1.5 years time frame.

### Plan of action by Alkem

- In addition to the amount paid for acquisition, ALKEM would be investing INR1b-INR2b to fund 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 strong gross margin of 73%, ALKEM would be building operating leverage through enhancing offerings and increasing reach.

#### Quarterly Perf. (Consolidated)

| Y/E March                          | FY25          |               |               |               |               |               |               |               | FY26            |                 |               |             |
|------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|-----------------|-----------------|---------------|-------------|
|                                    | 1Q            | 2Q            | 3Q            | 4Q            | 1Q            | 2Q            | 3Q            | 4QE           | FY25            | FY26E           | FY26E         | Var         |
| <b>Net Revenues</b>                | <b>30,318</b> | <b>34,147</b> | <b>33,743</b> | <b>31,438</b> | <b>33,711</b> | <b>40,010</b> | <b>37,368</b> | <b>34,116</b> | <b>1,29,645</b> | <b>1,45,205</b> | <b>36,750</b> | <b>1.7</b>  |
| YoY Change (%)                     | 2.2           | -0.7          | 1.5           | 7.1           | 11.2          | 17.2          | 10.7          | 8.5           | 2.3             | 12.0            | 8.9           |             |
| Total Expenditure                  | 24,232        | 26,618        | 26,149        | 27,525        | 26,321        | 30,802        | 29,088        | 29,169        | 1,04,524        | 1,15,381        | 29,658        |             |
| <b>EBITDA</b>                      | <b>6,086</b>  | <b>7,528</b>  | <b>7,594</b>  | <b>3,913</b>  | <b>7,391</b>  | <b>9,208</b>  | <b>8,280</b>  | <b>4,947</b>  | <b>25,121</b>   | <b>29,825</b>   | <b>7,093</b>  | <b>16.7</b> |
| YoY Change (%)                     | 56.4          | 0.8           | 7.3           | -2.7          | 21.4          | 22.3          | 9.0           | 26.4          | 11.9            | 18.7            | -6.6          |             |
| Margins (%)                        | 20.1          | 22.0          | 22.5          | 12.4          | 21.9          | 23.0          | 22.2          | 14.5          | 19.4            | 20.5            | 19.3          |             |
| Depreciation                       | 805           | 789           | 853           | 1,125         | 877           | 936           | 950           | 924           | 3,572           | 3,687           | 955           |             |
| <b>EBIT</b>                        | <b>5,282</b>  | <b>6,739</b>  | <b>6,741</b>  | <b>2,788</b>  | <b>6,514</b>  | <b>8,272</b>  | <b>7,330</b>  | <b>4,022</b>  | <b>21,550</b>   | <b>26,137</b>   | <b>6,138</b>  |             |
| YoY Change (%)                     | 66.7          | 0.2           | 5.7           | -12.5         | 23.3          | 22.7          | 8.7           | 44.3          | 57.4            | 34.3            | -8.9          |             |
| Margins (%)                        | 17.4          | 19.7          | 20.0          | 8.9           | 19.3          | 20.7          | 19.6          | 11.8          | 16.6            | 18.0            | 16.7          |             |
| Interest                           | 291           | 281           | 360           | 284           | 298           | 350           | 421           | 320           | 1,217           | 1,389           | 310           |             |
| <b>EBT</b>                         | <b>5,795</b>  | <b>7,247</b>  | <b>7,234</b>  | <b>3,629</b>  | <b>7,093</b>  | <b>8,858</b>  | <b>7,859</b>  | <b>4,627</b>  | <b>23,904</b>   | <b>28,436</b>   | <b>6,783</b>  |             |
| Margins (%)                        | 19.1          | 21.2          | 21.4          | 11.5          | 21.0          | 22.1          | 21.0          | 13.6          | 18.4            | 19.6            | 18.5          |             |
| Other Income                       | 1,203         | 1,345         | 930           | 1,460         | 1,365         | 1,037         | 1,431         | 1,050         | 4,937           | 4,883           | 1,150         |             |
| <b>PBT before EO Exp</b>           | <b>6,194</b>  | <b>7,803</b>  | <b>7,311</b>  | <b>3,963</b>  | <b>7,581</b>  | <b>8,958</b>  | <b>8,340</b>  | <b>4,752</b>  | <b>25,270</b>   | <b>29,631</b>   | <b>6,978</b>  | <b>19.5</b> |
| EO Exp/(Inc)                       | 0             | 0             | 0             | 0             | -129          | 0             | 528           | 0             | 0               | 399             | 0             |             |
| <b>PBT after EO Exp</b>            | <b>6,194</b>  | <b>7,803</b>  | <b>7,311</b>  | <b>3,963</b>  | <b>7,710</b>  | <b>8,958</b>  | <b>7,812</b>  | <b>4,752</b>  | <b>25,270</b>   | <b>29,232</b>   | <b>6,978</b>  |             |
| Tax                                | 691           | 783           | 903           | 733           | 1,027         | 1,162         | 1,277         | 713           | 3,110           | 4,179           | 1,012         |             |
| Rate (%)                           | 11.2          | 10.0          | 12.3          | 18.5          | 13.3          | 13.0          | 16.3          | 15.0          | 12.3            | 14.1            | 14.5          |             |
| <b>PAT (pre-Minority Interest)</b> | <b>5,502</b>  | <b>7,020</b>  | <b>6,408</b>  | <b>3,230</b>  | <b>6,683</b>  | <b>7,796</b>  | <b>6,535</b>  | <b>4,040</b>  | <b>22,160</b>   | <b>25,054</b>   | <b>5,966</b>  |             |
| Minority Interest                  | 51            | 133           | 150           | 172           | 41            | 145           | 175           | 195           | 505             | 556             | 190           |             |
| <b>Reported PAT</b>                | <b>5,452</b>  | <b>6,886</b>  | <b>6,258</b>  | <b>3,059</b>  | <b>6,643</b>  | <b>7,651</b>  | <b>6,360</b>  | <b>3,845</b>  | <b>21,655</b>   | <b>24,498</b>   | <b>5,776</b>  | <b>10.1</b> |
| Adj Net Profit                     | <b>5,452</b>  | <b>6,886</b>  | <b>6,258</b>  | <b>3,059</b>  | <b>6,531</b>  | <b>7,651</b>  | <b>6,802</b>  | <b>3,845</b>  | <b>21,655</b>   | <b>24,828</b>   | <b>5,776</b>  | <b>20.4</b> |
| YoY Change (%)                     | 90.1          | 2.0           | -2.6          | 0.6           | 19.8          | 11.1          | 8.7           | 25.7          | 13.5            | 14.7            | -7.7          |             |

## Key performance Indicators (Consolidated)

| Y/E March                 | FY25   |        |        |        | FY26   |        |        |        | FY25   | FY26E  | FY26<br>3QE |
|---------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|-------------|
|                           | 1Q     | 2Q     | 3Q     | 4Q     | 1Q     | 2Q     | 3Q     | 4QE    |        |        |             |
| <b>INRm</b>               |        |        |        |        |        |        |        |        |        |        |             |
| <b>India formulations</b> | 20,223 | 24,610 | 23,649 | 21,355 | 22,650 | 27,660 | 24,959 | 23,277 | 89,837 | 98,546 | 25,541      |
| YoY Change (%)            | 6.4    | 5.7    | 5.9    | 8.3    | 12.0   | 12.4   | 5.5    | 9.0    | 6.5    | 9.7    | 8.0         |
| US generics               | 6,416  | 5,744  | 6,340  | 6,086  | 6,982  | 7,649  | 7,533  | 6,812  | 24,586 | 29,499 | 7,226       |
| YoY Change (%)            | (7.7)  | (25.2) | (7.3)  | (2.5)  | 8.8    | 33.2   | 18.8   | 11.9   | (11.3) | 20.0   | 14.0        |
| International (Ex-US)     | 3,261  | 3,210  | 3,265  | 3,661  | 3,556  | 4,241  | 4,624  | 4,027  | 13,397 | 16,448 | 3,983       |
| YoY Change (%)            | 2.2    | 12.0   | (4.0)  | 28.2   | 9.0    | 32.1   | 41.6   | 10.0   | 8.8    | 22.8   | 22.0        |
| <b>Cost Break-up</b>      |        |        |        |        |        |        |        |        |        |        |             |
| RM Cost (% of Sales)      | 35.5   | 35.3   | 35.7   | 40.7   | 34.7   | 35.0   | 34.1   | 39.0   | 36.7   | 35.6   | 34.0        |
| Staff Cost (% of Sales)   | 19.9   | 17.9   | 18.5   | 19.6   | 20.6   | 17.8   | 19.3   | 19.4   | 18.9   | 19.2   | 19.2        |
| R&D Expenses (% of Sales) | 4.1    | 4.3    | 3.9    | 5.0    | 3.5    | 3.3    | 3.7    | 4.1    | 4.3    | 3.6    | 3.7         |
| Other Cost (% of Sales)   | 20.4   | 20.5   | 19.4   | 22.2   | 19.3   | 21.0   | 20.8   | 23.5   | 20.6   | 21.1   | 23.8        |
| Gross Margins (%)         | 64.5   | 64.7   | 64.3   | 59.3   | 65.3   | 65.0   | 65.9   | 61.0   | 63.3   | 64.4   | 66.0        |
| EBITDA Margins (%)        | 20.1   | 22.0   | 22.5   | 12.4   | 21.9   | 23.0   | 22.2   | 14.0   | 19.4   | 20.4   | 19.3        |
| EBIT Margins (%)          | 17.4   | 19.7   | 20.0   | 8.9    | 19.3   | 20.7   | 19.6   | 11.3   | 16.6   | 17.5   | 16.7        |

E: MOFSL Estimates

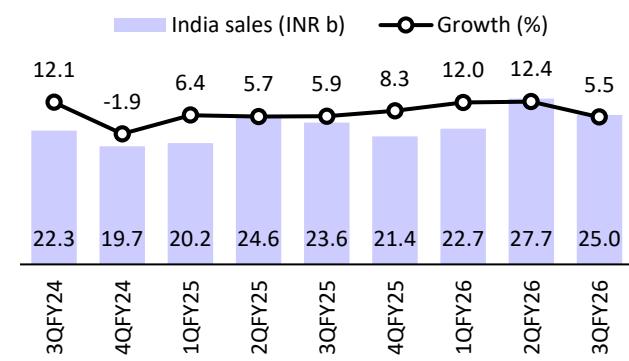


## Management call highlights

- Currently, Occlutech has 150+ shareholders, with 32% being held by the founder. Current management/promoters would work with ALKEM to grow the business over the next 3-4 years at least.
- ALKEM is conservatively building 14% revenue CAGR in the Occlutech business without any new product and without addition to the portfolio.
- With MIP on Pen-G prices, there can be an impact of INR800m-INR1b for ALKEM. Having said this, ALKEM is working on mitigating the risk partly through higher trade generics segment. Typically, ALKEM has 4-5 months of inventory, which can provide some relief before MIP starts impacting profitability of ALKEM.
- ALKEM is bullish on DF segment and is on track to deliver its full-year guidance.

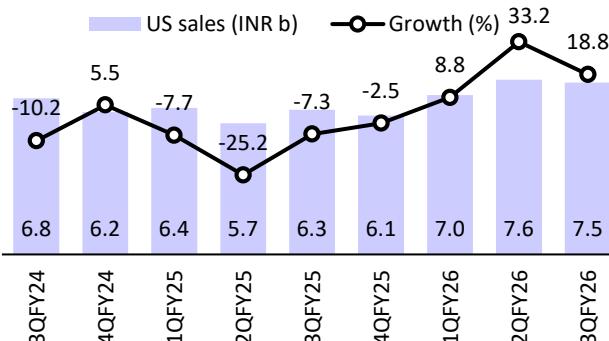
## Key exhibits

**Exhibit 3: DF revenue grew 5.5% YoY in 3QFY26**



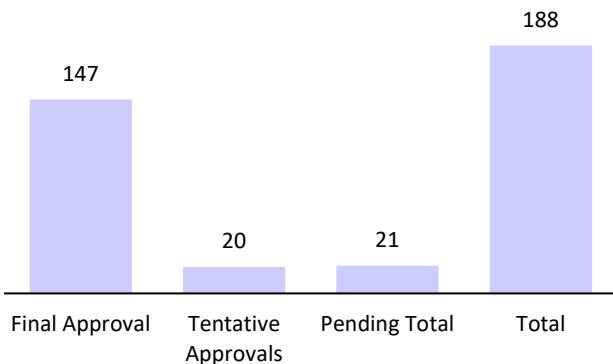
Source: MOFSL, Company

**Exhibit 4: US sales grew 19% YoY in 3QFY26**



Source: MOFSL, Company

**Exhibit 5: Cumulative US ANDA filings**



Source: MOFSL, Company

**Exhibit 6: Robust ANDA pipeline**

| US Filings        | # Nos. |
|-------------------|--------|
| Total ANDAs filed | 188    |
| NDAs              | 2      |

Source: MOFSL, Company

### Core pharma traction intact; Medtech entry enhances growth visibility

#### DF: Efforts underway to increase chronic share to aid sustainable growth

- After strong double-digit growth in the prior two quarters, DF growth moderated to 5.5% YoY in 3QFY26, largely due to high base from distribution adjustments in 3QFY25, while underlying billing growth remained healthy.
- Therapy-wise, ALKEM outperformed IPM in six key areas, VMN (2.0x IPM growth), Derma (1.8x IPM growth), Pain (1.4x IPM growth), AI (1.4x IPM growth), Respiratory (1.2x IPM growth), and Anti-Diabetic (1.2x IPM growth).
- A decline in Xone and subdued performance in Pan-D, Taxim-O and A to Z Ns dragged down overall growth below industry levels despite healthy growth in Uprise-D3, Clavam, and Pan in Dec'25.
- For 3QFY26, moderate growth in Anti-infective and Gastro, along with softness in Pain and Neuro in select months, was partly offset by consistent outperformance in VMN and Anti diabetic therapies.
- The company remains focused on sustaining growth above industry levels in the DF segment, with continued strengthening of its chronic portfolio; we estimate ALKEM to deliver ~10% sales CAGR in DF, scaling to ~INR120b over FY25-28.

### Healthy international execution across US and Ex-US markets

- International business delivered strong growth in 9MFY26, led by robust traction in both US and Ex-US markets; US continues to be the key contributor to international revenue.
- Ex US markets (+27.6% YoY) outpaced the US (+19.8% YoY) in 9MFY26.
- In non-US markets, growth was broad-based across key geographies, with management highlighting significant headroom in emerging markets, including APAC and EMEA, where penetration remains low.
- In the US, growth was supported by new launches and volume expansion.
- ALKEM filed four NDAs, one BLA and received 13 ANDA approvals in 9MFY26.
- Overall, we expect ALKEM to deliver 11% sales CAGR in international markets to INR51.7b over FY25-28.

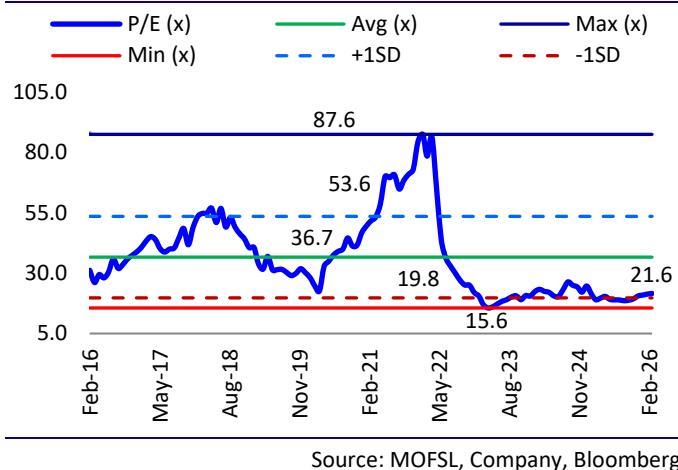
### Occlutech platform acquisition; cardio focus to scale over medium term

- Alkem MedTech has announced a binding offer to acquire up to 55% stake in Occlutech Holding AG, Switzerland, for EUR99.4m or ~INR10.7b, marking its entry into advanced cardiovascular devices globally.
- Occlutech reported CY25 revenue of EUR49.4m, delivering 15.7% CAGR over the past three years; the company is EBITDA positive in CY26, with margin expected at ~10% by FY27 and ~23-24% over the next three years.
- ~85% of Occlutech's revenue is derived from Western Europe and the US; it holds ~23% market share in Europe and has achieved ~5% share in the US within 1.5 years of entry, reflecting strong positioning in high entry barrier markets.
- The company's portfolio is focused on minimally invasive structural heart implants for atrial septal defect closure, heart failure and stroke prevention; it ranks third globally and second in Europe in this niche segment.
- The Left Atrial Appendage occluder addresses a ~USD1.4b global market currently dominated by two global players; expected approval and commercialization can materially scale revenues over the medium term.
- Further, management also highlighted denosumab biosimilars, including Xgeva and Prolia, in the pharma pipeline, with US entry expected by CY26 and Europe launch in the coming months.

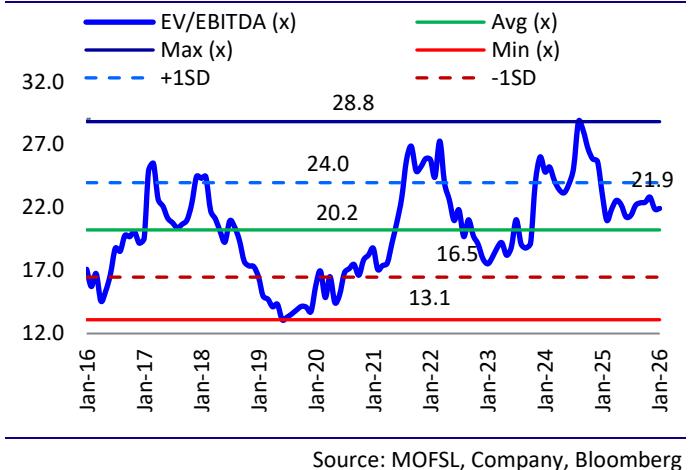
### Reiterate Neutral

- We reduce our earnings estimates by 4%/5% for FY27/FY28, factoring in a) increase in raw material prices due to the implementation of MIP by the government of India, and b) ongoing weakness at industry level in certain therapies in DF segment. We value ALKEM at 28x 12M forward earnings to arrive at a TP of INR5,525.
- Increased efforts towards new ventures (med-tech and Enzene), as well as the step-up in the tax rate, are expected to keep growth in check over FY26-28. Maintain Neutral on limited upside from current levels.

**Exhibit 7: P/E chart**

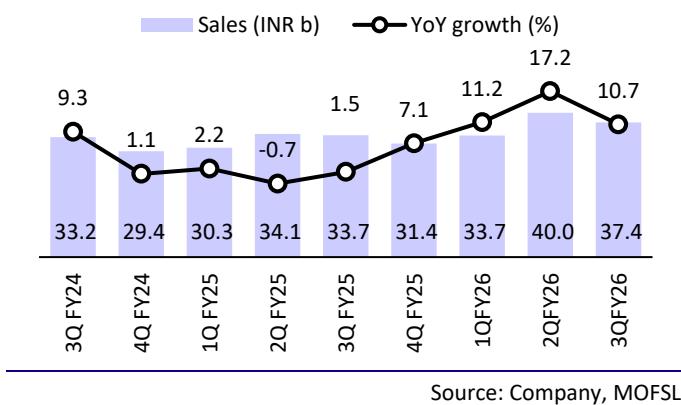


**Exhibit 8: EV/EBITDA chart**



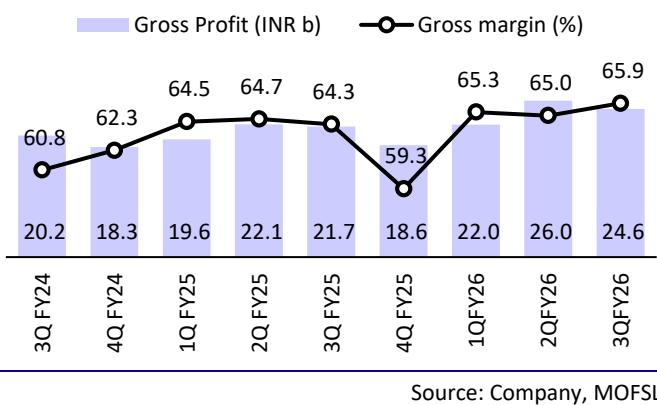
## Story in charts

**Exhibit 9: Total sales grew 10.7% YoY in 3QFY26**



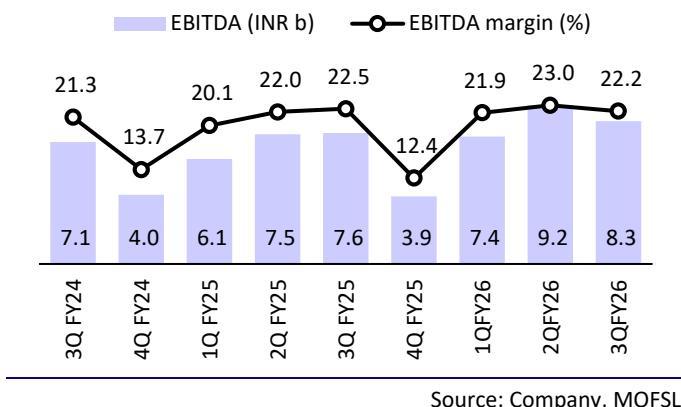
Source: Company, MOFSL

**Exhibit 10: Gross margin up 160bp YoY in 3QFY26**



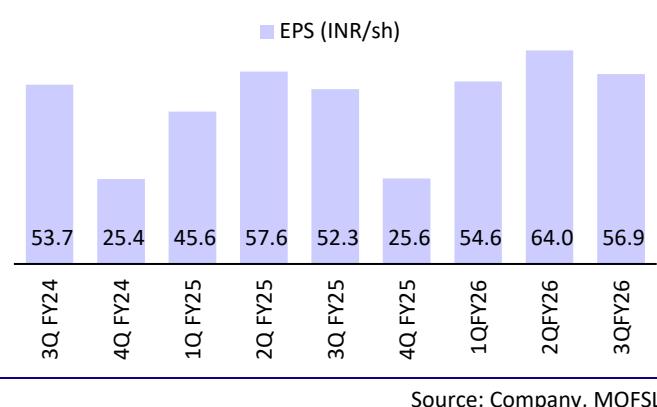
Source: Company, MOFSL

**Exhibit 11: EBITDA margin down 3bp YoY in 3QFY26**



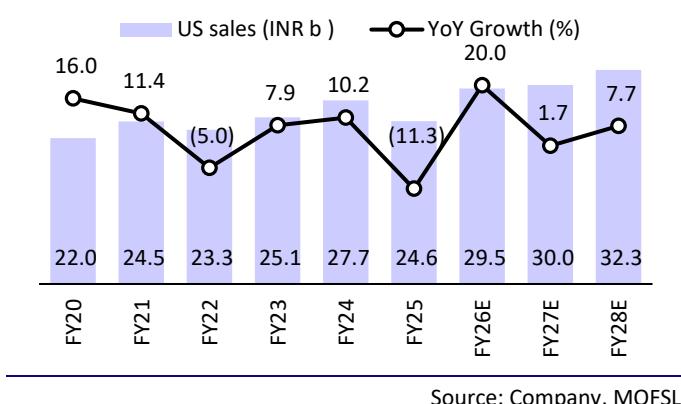
Source: Company, MOFSL

**Exhibit 12: EPS grew 8.8% YoY to INR57 in 3QFY26**



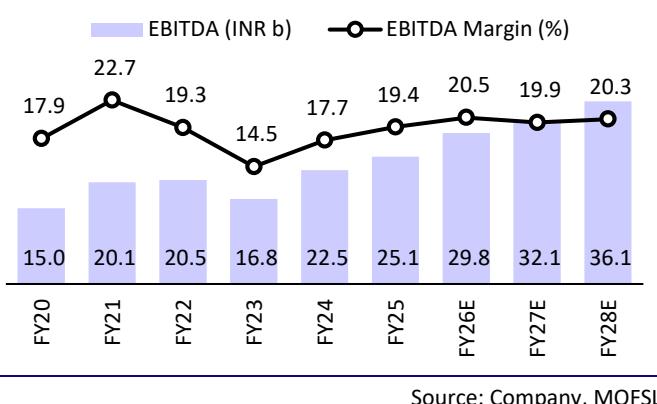
Source: Company, MOFSL

**Exhibit 13: Expect 9.5% sales CAGR in the US over FY25-28**



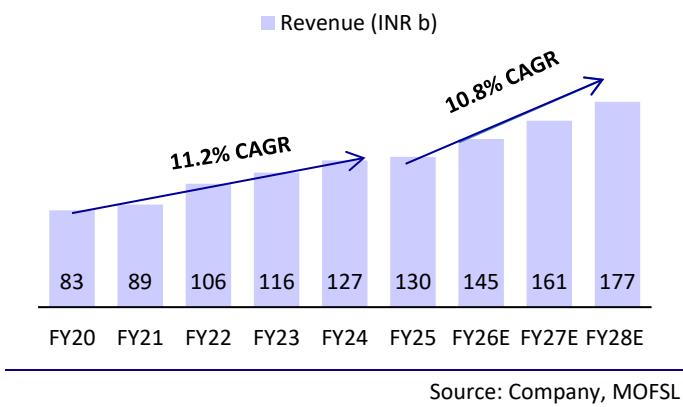
Source: Company, MOFSL

**Exhibit 14: EBITDA margin to expand ~100bp over FY25-28**

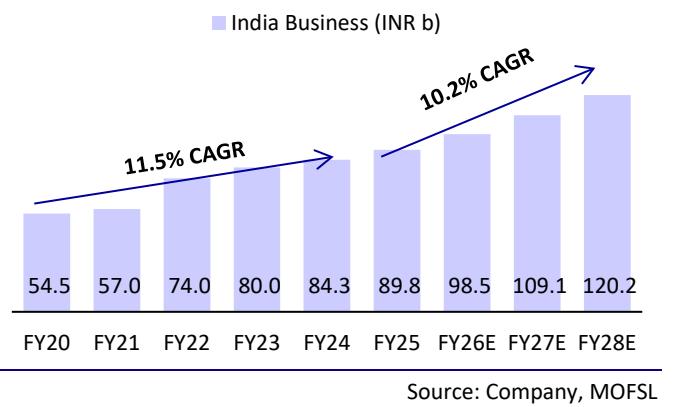


Source: Company, MOFSL

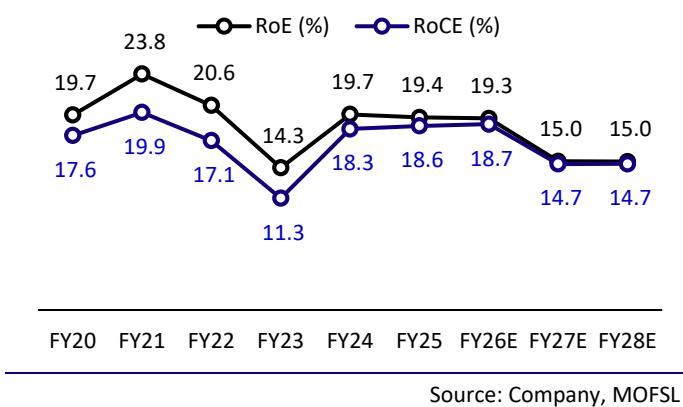
**Exhibit 15: Expect revenue CAGR of 11% over FY25-28**



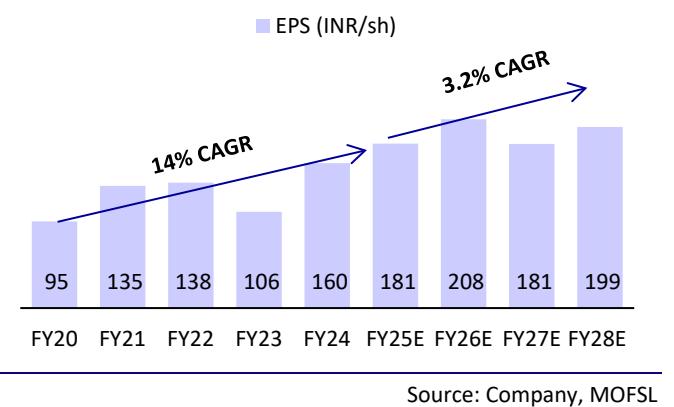
**Exhibit 16: Expect India sales CAGR of 10% over FY25-28**



**Exhibit 17: Return ratios expected to moderate ahead**



**Exhibit 18: Expect earnings to have 3% CAGR over FY25-28**



## Financials and Valuations

| Consolidated - Income Statement     |                 |                 |                 |                 |                 |                 | INRm            |
|-------------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Y/E March                           | FY22            | FY23            | FY24            | FY25            | FY26E           | FY27E           | FY28E           |
| <b>Total Income from Operations</b> | <b>1,06,342</b> | <b>1,15,993</b> | <b>1,26,676</b> | <b>1,29,645</b> | <b>1,45,205</b> | <b>1,60,834</b> | <b>1,77,229</b> |
| Change (%)                          | 20.2            | 9.1             | 9.2             | 2.3             | 12.0            | 10.8            | 10.2            |
| <b>Total Expenditure</b>            | <b>85,813</b>   | <b>99,198</b>   | <b>1,04,221</b> | <b>1,04,524</b> | <b>1,15,381</b> | <b>1,28,774</b> | <b>1,41,164</b> |
| <b>EBITDA</b>                       | <b>20,529</b>   | <b>16,795</b>   | <b>22,455</b>   | <b>25,121</b>   | <b>29,825</b>   | <b>32,061</b>   | <b>36,065</b>   |
| 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           |
| <b>EBIT</b>                         | <b>17,490</b>   | <b>13,690</b>   | <b>19,462</b>   | <b>21,550</b>   | <b>26,137</b>   | <b>28,252</b>   | <b>32,001</b>   |
| 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           |
| <b>PBT bef. EO Exp.</b>             | <b>18,592</b>   | <b>14,778</b>   | <b>21,446</b>   | <b>25,270</b>   | <b>29,631</b>   | <b>33,024</b>   | <b>35,560</b>   |
| EO Items                            | -150            | -1,730          | -1,215          | 0               | -399            | 0               | 0               |
| <b>PBT after EO Exp.</b>            | <b>18,443</b>   | <b>13,048</b>   | <b>20,231</b>   | <b>25,270</b>   | <b>29,232</b>   | <b>33,024</b>   | <b>35,560</b>   |
| 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: Minority Interest             | 300             | 226             | 157             | 505             | 556             | 840             | 900             |
| <b>Reported PAT</b>                 | <b>16,503</b>   | <b>9,842</b>    | <b>17,958</b>   | <b>21,655</b>   | <b>24,498</b>   | <b>21,616</b>   | <b>23,814</b>   |
| <b>Adjusted PAT</b>                 | <b>16,516</b>   | <b>12,678</b>   | <b>19,091</b>   | <b>21,655</b>   | <b>24,828</b>   | <b>21,616</b>   | <b>23,814</b>   |
| Change (%)                          | 2.6             | -23.2           | 50.6            | 13.4            | 14.7            | -13.0           | 10.2            |
| Margin (%)                          | 15.5            | 10.9            | 15.1            | 16.7            | 17.1            | 13.4            | 13.4            |

| Consolidated - Balance Sheet        |                 |                 |                 |                 |                 |                 | INRm            |
|-------------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| 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        | 1,36,311        | 1,50,098        | 1,66,052        |
| <b>Net Worth</b>                    | <b>86,379</b>   | <b>90,453</b>   | <b>1,03,121</b> | <b>1,19,849</b> | <b>1,36,550</b> | <b>1,50,337</b> | <b>1,66,291</b> |
| 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          |
| <b>Capital Employed</b>             | <b>1,14,939</b> | <b>1,08,125</b> | <b>1,21,176</b> | <b>1,37,638</b> | <b>1,54,340</b> | <b>1,68,127</b> | <b>1,84,080</b> |
| 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          |
| <b>Net Fixed Assets</b>             | <b>22,871</b>   | <b>20,654</b>   | <b>24,086</b>   | <b>23,862</b>   | <b>26,310</b>   | <b>36,529</b>   | <b>44,073</b>   |
| 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           |
| <b>Total Investments</b>            | <b>3,710</b>    | <b>6,218</b>    | <b>4,838</b>    | <b>18,455</b>   | <b>18,455</b>   | <b>18,455</b>   | <b>18,455</b>   |
| <b>Curr. Assets, Loans&amp;Adv.</b> | <b>91,477</b>   | <b>89,770</b>   | <b>1,05,449</b> | <b>1,07,070</b> | <b>1,32,962</b> | <b>1,32,084</b> | <b>1,53,094</b> |
| 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          | 28,503          | 32,608          | 35,931          |
| Cash and Bank Balance               | 25,786          | 25,786          | 15,694          | 15,631          | 29,731          | 15,845          | 25,219          |
| Loans and Advances                  | 16,790          | 16,587          | 40,616          | 37,552          | 41,853          | 46,586          | 51,335          |
| <b>Curr. Liability &amp; Prov.</b>  | <b>25,753</b>   | <b>29,442</b>   | <b>34,572</b>   | <b>39,273</b>   | <b>48,278</b>   | <b>53,306</b>   | <b>57,800</b>   |
| 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          | 17,727          | 19,732          | 21,744          |
| Provisions                          | 6,064           | 7,421           | 4,267           | 4,973           | 10,003          | 10,994          | 11,305          |
| <b>Net Current Assets</b>           | <b>65,725</b>   | <b>60,329</b>   | <b>70,877</b>   | <b>67,797</b>   | <b>84,684</b>   | <b>78,778</b>   | <b>95,294</b>   |
| Deferred Tax assets                 | 13,093          | 13,025          | 15,148          | 17,383          | 17,383          | 17,383          | 17,383          |
| <b>Appl. of Funds</b>               | <b>1,14,939</b> | <b>1,08,125</b> | <b>1,21,177</b> | <b>1,37,638</b> | <b>1,54,340</b> | <b>1,68,127</b> | <b>1,84,080</b> |

## Financials and Valuations

### Ratios

| Y/E March                     | FY22         | FY23         | FY24         | FY25         | FY26E        | FY27E        | FY28E        |
|-------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| <b>Basic (INR)</b>            |              |              |              |              |              |              |              |
| EPS                           | <b>138.1</b> | <b>106.0</b> | <b>159.7</b> | <b>181.1</b> | <b>207.7</b> | <b>180.5</b> | <b>198.6</b> |
| Cash EPS                      | 163.6        | 132.0        | 184.7        | 211.0        | 232.6        | 212.4        | 232.6        |
| BV/Share                      | 723          | 757          | 863          | 1,002        | 1,142        | 1,258        | 1,391        |
| DPS                           | 59.0         | 50.0         | 40.0         | 45.0         | 50.0         | 55.0         | 55.0         |
| Payout (%)                    | 50.7         | 72.0         | 31.6         | 29.4         | 29.8         | 36.1         | 32.8         |
| <b>Valuation (x)</b>          |              |              |              |              |              |              |              |
| P/E                           | 39.1         | 50.9         | 33.8         | 29.8         | 26.0         | 29.9         | 27.2         |
| Cash P/E                      | 33.0         | 40.9         | 29.2         | 25.6         | 22.66        | 25.4         | 23.2         |
| P/BV                          | 7.5          | 7.1          | 6.3          | 5.4          | 4.7          | 4.3          | 3.9          |
| EV/Sales                      | 6.1          | 5.5          | 5.1          | 5.0          | 4.4          | 4.0          | 3.6          |
| EV/EBITDA                     | 31.5         | 37.7         | 28.7         | 25.6         | 21.1         | 20.1         | 17.6         |
| 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        | 152.6        | -83.4        | 122.2        |
| <b>Return Ratios (%)</b>      |              |              |              |              |              |              |              |
| RoE                           | 20.6         | 14.3         | 19.7         | 19.4         | 18.8         | 15.0         | 15.0         |
| RoCE                          | 17.1         | 11.3         | 18.3         | 18.6         | 18.3         | 14.8         | 14.8         |
| RoIC                          | 21.6         | 13.6         | 20.3         | 19.2         | 21.6         | 17.1         | 17.3         |
| <b>Working Capital Ratios</b> |              |              |              |              |              |              |              |
| Fixed Asset Turnover (x)      | 3.0          | 3.1          | 2.9          | 2.8          | 2.7          | 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          |
| <b>Leverage Ratio (x)</b>     |              |              |              |              |              |              |              |
| Current Ratio                 | 3.6          | 3.0          | 3.1          | 2.7          | 2.8          | 2.5          | 2.6          |
| Interest Cover Ratio          | 33.4         | 12.8         | 17.3         | 17.7         | 18.3         | 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          | INRm FY28E    |
|----------------------------------|----------------|----------------|----------------|----------------|---------------|----------------|---------------|
| OP/(Loss) before Tax             | 18,443         | 13,048         | 20,231         | 25,270         | 28,919        | 32,970         | 35,462        |
| 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        | -4,718         | -3,461        |
| Direct Taxes Paid                | -3,969         | -2,734         | -4,069         | -3,110         | -4,179        | -10,550        | -10,816       |
| (Inc)/Dec in WC                  | -5,450         | 3,268          | -516           | 3,017          | -3,186        | -7,979         | -7,142        |
| <b>CF from Operations</b>        | <b>11,361</b>  | <b>17,759</b>  | <b>19,763</b>  | <b>25,028</b>  | <b>21,748</b> | <b>13,531</b>  | <b>18,107</b> |
| <b>CF from Operating incl EO</b> | <b>11,110</b>  | <b>16,825</b>  | <b>19,482</b>  | <b>25,028</b>  | <b>21,748</b> | <b>13,531</b>  | <b>18,107</b> |
| (Inc)/Dec in FA                  | -3,280         | -2,297         | -1,868         | -7,262         | -3,502        | -23,502        | -3,502        |
| <b>Free Cash Flow</b>            | <b>7,830</b>   | <b>14,528</b>  | <b>17,614</b>  | <b>17,767</b>  | <b>18,246</b> | <b>-9,971</b>  | <b>14,605</b> |
| (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         | 5,782          | 4,459         |
| <b>CF from Investments</b>       | <b>-14,351</b> | <b>1,128</b>   | <b>-10,085</b> | <b>-15,942</b> | <b>1,381</b>  | <b>-17,720</b> | <b>957</b>    |
| 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        |
| <b>CF from Fin. Activity</b>     | <b>3,796</b>   | <b>-16,388</b> | <b>-19,489</b> | <b>-9,149</b>  | <b>-9,029</b> | <b>-9,697</b>  | <b>-9,690</b> |
| <b>Inc/Dec of Cash</b>           | <b>555</b>     | <b>1,565</b>   | <b>-10,093</b> | <b>-62</b>     | <b>14,099</b> | <b>-13,885</b> | <b>9,373</b>  |
| Opening Balance                  | 1,705          | 2,297          | 3,862          | -6,231         | -6,293        | 7,807          | -6,079        |
| <b>Closing Cash and Cash Eq.</b> | <b>2,297</b>   | <b>3,862</b>   | <b>-6,231</b>  | <b>-6,293</b>  | <b>7,807</b>  | <b>-6,079</b>  | <b>3,295</b>  |
| Bank Balances                    | 23,489         | 21,924         | 21,924         | 21,924         | 21,924        | 21,924         | 21,924        |
| <b>Total Cash and Cash Eq.</b>   | <b>25,786</b>  | <b>25,786</b>  | <b>15,694</b>  | <b>15,631</b>  | <b>29,731</b> | <b>15,845</b>  | <b>25,219</b> |

Investment in securities market are subject to market risks. Read all the related documents carefully before investing.

## NOTES

| Explanation of Investment Rating |  |
|----------------------------------|--|
| Investment Rating                | Expected return (over 12-month)  |
| BUY                              | >=15%  |
| 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 |

\*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall be within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

#### Disclosures

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