

# Alkem Labs: Structural Margin Upside Under Way

February 16, 2026 | CMP: INR 5,402 | Target Price: INR 5,995

**ADD**

Expected Share Price Return: 10.9% | Dividend Yield: 0.0% | Potential Upside: 10.9%

Sector View: Positive

Change in Estimates	✓
Change in Target Price	✓
Change in Recommendation	✓

Company Info	
BB Code	ALKEM IN EQUITY
Face Value (INR)	2.0
52-week High/Low (INR)	5,933 / 4,499
Mkt Cap (Bn)	INR 645.8 / USD 7.2
Shares o/s (Mn)	119.6
3M Avg. Daily Volume	1,18,002

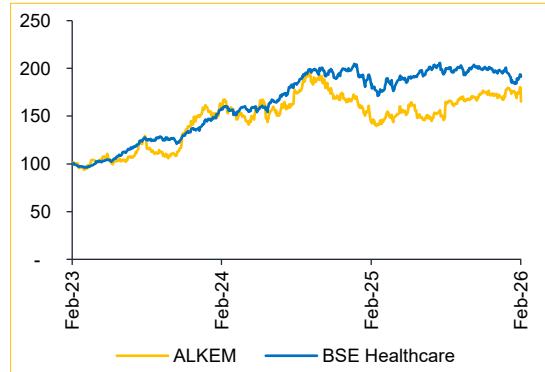
INR Bn	FY26E		FY27E		Dev. (%)	
	New	Old	Dev. (%)	New	Old	
Revenue	145.9	145.4	0.3	164.5	163.1	0.8
EBITDA	32.1	31.7	1.2	37.2	36.0	3.1
EBITDAM %	22.0	21.8	20 bps	22.6	22.1	50 bps
Adj. PAT	25.7	25.2	2.0	27.3	26.5	3.1
Adj. EPS (INR)	215.3	211.0	2.0	228.4	221.6	3.1

Actual vs CIE Estimates			
INR Bn	Q3FY26A	CIE Estimate	Dev. %
Revenue	37.4	37.4	0.0
EBITDA	8.3	8.6	(3.2)
EBITDAM %	22.2	22.9	(74) bps
PAT	6.8	7.1	(4.2)

Key Financials					
INR Bn	FY24	FY25	FY26E	FY27E	FY28E
Revenue	126.7	129.6	145.9	164.5	186.6
YoY (%)	9.2	2.3	12.5	12.8	13.5
EBITDA	22.5	25.1	32.1	37.2	42.9
EBITDAM %	17.7	19.4	22.0	22.6	23.0
Adj PAT	18.0	21.7	25.7	27.3	30.0
EPS (INR)	150.2	181.1	215.3	228.4	251.0
ROE %	17.6	18.5	18.0	16.1	15.0
ROCE %	16.0	15.6	17.4	17.3	17.3
PE (x)	33.9	29.8	25.1	23.7	21.5
EV/EBITDA (x)	29.0	25.5	19.6	17.4	15.0

Shareholding Pattern (%)			
	Dec 2025	Sep 2025	Jun 2025
Promoters	51.20	51.20	53.04
FII's	9.97	9.47	9.11
DII's	21.54	21.93	21.80
Public	17.30	17.39	16.05

Relative Performance (%)			
YTD	3Y	2Y	1Y
BSE Healthcare	91.3	20.8	3.9
ALKEM	65.3	2.0	14.4



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## High-value Launches Propel Operating Leverage

The company has witnessed a recovery in revenue over 9M and we now expect low-teens growth in FY26, **to be driven by its two core regions** - India and the US. Upcoming high-value launches, such as, Semaglutide, Valsartan and Tolvaptan, are expected to support margin expansion from FY27. For FY26, we factor in **EBITDA margin of ~22%**, led by an improving mix with a higher contribution from chronic products.

We have marginally revised our FY26/27E estimate upwards by 2.0%/3.1%, respectively, and continue to value the stock at 25x earnings, resulting in a revised TP of **INR 5,995** (from INR 5,850). In light of the better-than-expected 9M performance in FY26, we upgrade our rating to **ADD**. We also see additional upside potential from a successful ramp-up of the Medtech and CDMO verticals.

## In-line Quarter; Sequential Softness in Margin and PAT

- Revenue grew 10.7% YoY / declined 6.6% QoQ to INR 37,368 Mn (vs. CIE estimate: INR 37,363 Mn).
- EBITDA grew 9.0% YoY / declined 10.1% QoQ to INR 8,280 Mn; margin contracted 35 bps YoY / 86 bps QoQ to 22.2% (vs. CIE estimate: 22.9%).
- Adjusted PAT increased 8.7% YoY / declined 11.1% QoQ to INR 6,802 Mn (vs. CIE estimate: INR 7,099 Mn).

## Double-digit Growth Supported by US Scale-up and India GLP-1 Launch

The company delivered healthy growth in Q3 and we expect low-teens revenue growth in FY26, primarily driven by India and the US.

- India:** We expect this region to **continue outperforming the IPM**, supported by **strong traction in core brands**, the **launch of Semaglutide** and recovery in trade generics. An improving product mix with a higher share of chronic therapies should further support growth and margin stability.
- US:** We forecast **high-teens' growth in FY26**, driven by **new launches including biosimilars**, alongside steady expansion of the base portfolio. In addition, the US CDMO facility and Medtech vertical are strategically positioned as high-margin, long-term value-accretive growth drivers.

## Product Mix to Drive Sustained Margin Expansion

While Q4 is typically a seasonally weak quarter, we expect FY26 EBITDA margin to sustain at ~22% (in line with 9MFY26 level), implying a **~250 bps expansion over FY25**. This improvement is likely to be **driven by a favourable product mix** and continued scale-up in India revenue. We anticipate a **further 50–100 bps annual margin expansion from FY27**, supported by the ramp-up of new launches and improving contribution from the Medtech and CDMO segments.

Particulars (INR Mn)	Q3FY26	Q3FY25	YoY (%)	Q2FY26	QoQ (%)
Revenue	37,368	33,743	10.7	40,010	(6.6)
Cost of Goods Sold	12,727	12,043	5.7	14,010	(9.2)
Gross Margin (%)	65.9	64.3	163 bps	65.0	96 bps
Operating Expenses	16,361	14,106	31.9	16,792	(4.0)
EBITDA	8,280	7,594	9.0	9,208	(10.1)
EBITDA Margin (%)	22.2	22.5	(35) bps	23.0	(86) bps
Depreciation	950	853	11.4	936	1.5
Interest	421	360	16.8	350	20.2
PBT	7,812	7,311	6.9	8,958	(12.8)
Tax	1,277	903	41.4	1,162	9.8
Adj PAT	6,802	6,258	8.7	7,651	(11.1)
EPS (INR)	56.9	52.3	8.7	64.0	(11.1)
Geographical Mix (INR Mn)	Q3FY26	Q3FY25	YoY (%)	Q2FY26	QoQ (%)
India	24,959	23,649	5.5	27,660	(9.8)
USA	7,533	6,340	18.8	7,649	(1.5)
Other countries	4,624	3,265	41.6	4,241	9.0
Other	252	489	(48.4)	460	(45.2)

Source: ALKEM, Choice Institutional Equities

## Management Call – Highlights

### India Business

- Portfolio mix is steadily improving toward chronic segments, **aiding better realisations and margin stability.**
- **Outperformed the Indian Pharmaceutical Market (IPM) in six therapy areas**, including Anti-infective (1.4x), Vitamins and minerals (2x), Pain (1.4x), Anti-diabetic (1.2x), Respiratory (1.2x), and Derma (1.8x).
- **Ready for day 1 launch of Semaglutide** in India post patent expiry.
- The management reiterated they **will outgrow IPM by 100–150 bps** consistently.

*Ready for day 1 launch of semaglutide in India post patent expiry.*

*India business to continue to outgrow IPM by 100–150 bps.*

*Alkem MedTech is projected to achieve around INR 10 Bn in revenue and 20-22% EBITDA margin in the next three to five years.*

*Acquired a 55% stake in Occlutech with an initial investment of ~INR 1.1 Bn.*

### US Business

- Growth driven by new launches and higher volumes.
- **2 ANDA filings and 7 ANDA approvals received in this quarter.**
- Expects **denosumab biosimilar entry into the US by late 2026**, providing a new growth lever.

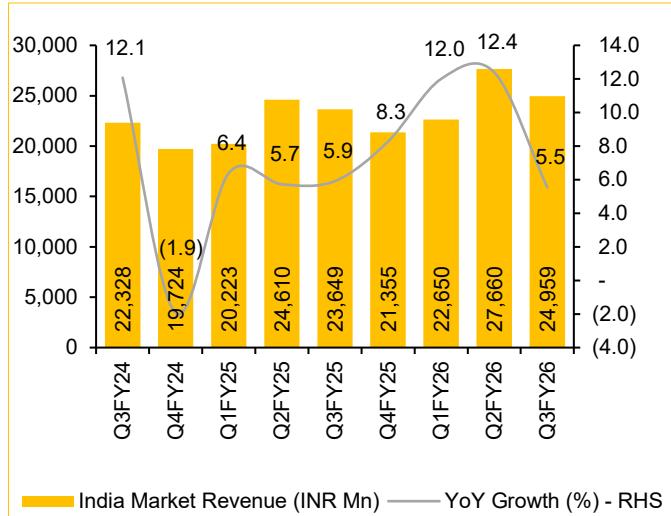
### Rest of the World (RoW) Business

- International markets outside the US delivered steady growth led by branded generics and geographic diversification.
- **Europe entry for denosumab biosimilar is expected within the next few months**, supporting near-term international growth.

### MedTech

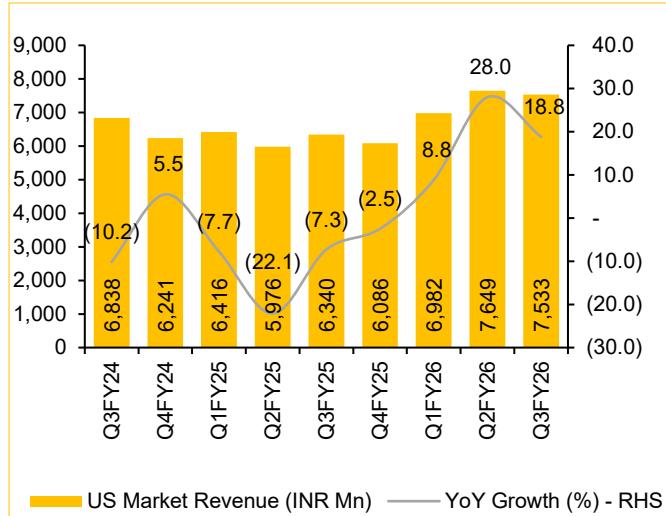
- Alkem MedTech is projected **to achieve around INR 10 Bn in revenue and 20-22% EBITDA margin** in the next three to five years, with 25% EBITDA possible in a longer timeframe.
- Alkem **acquired a 55% stake in Occlutech** with an initial investment of ~INR 1.1 Bn.
- The **acquired Occlutech portfolio is projected to expand at ~14% CAGR** over the next five years, even without factoring in new product launches.
- Occlutech is estimated to have 10% EBITDA margin by 2027, increasing to 23-24% in three years.

## India Market sees a Softened Growth



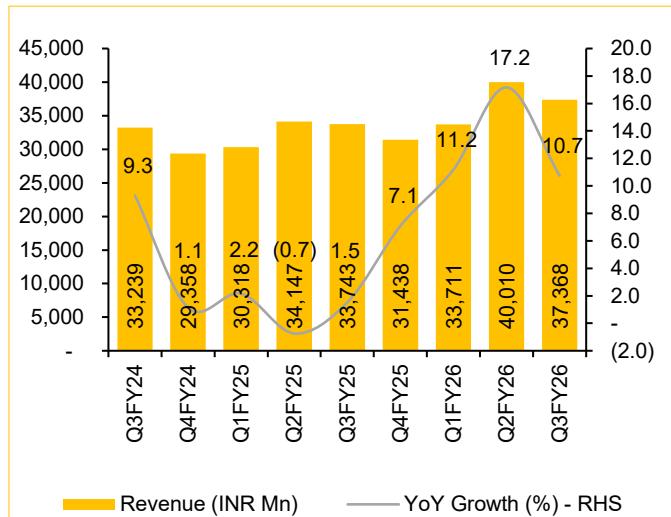
Source: ALKEM, Choice Institutional Equities

## US Market Continues Growth Trajectory



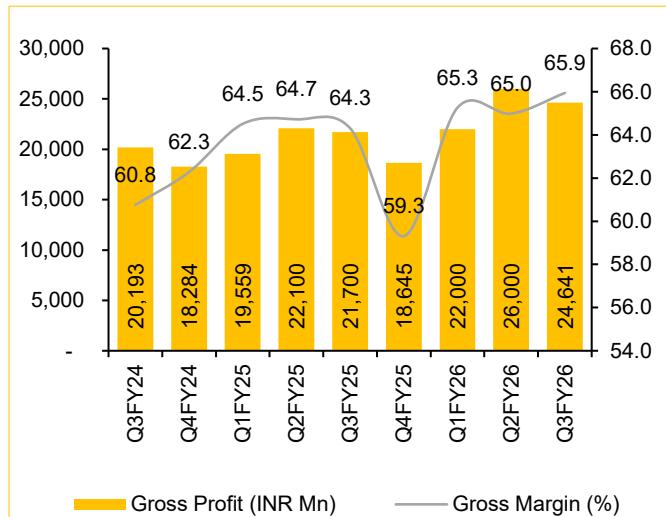
Source: ALKEM, Choice Institutional Equities

## Revenue in line with Estimate



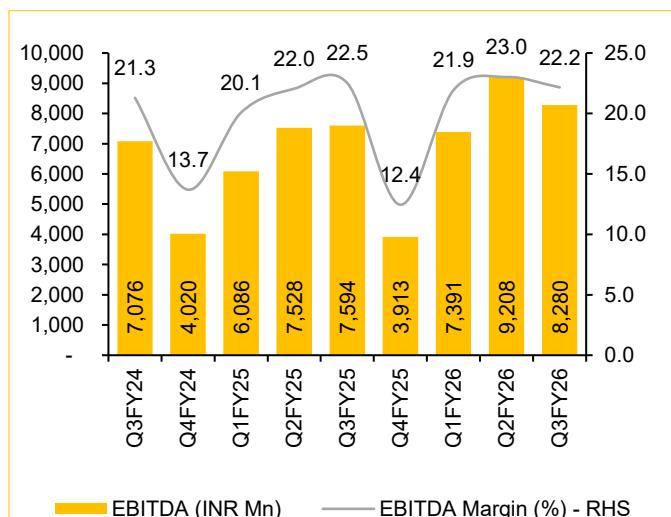
Source: ALKEM, Choice Institutional Equities

## Gross Margin Largely Flat



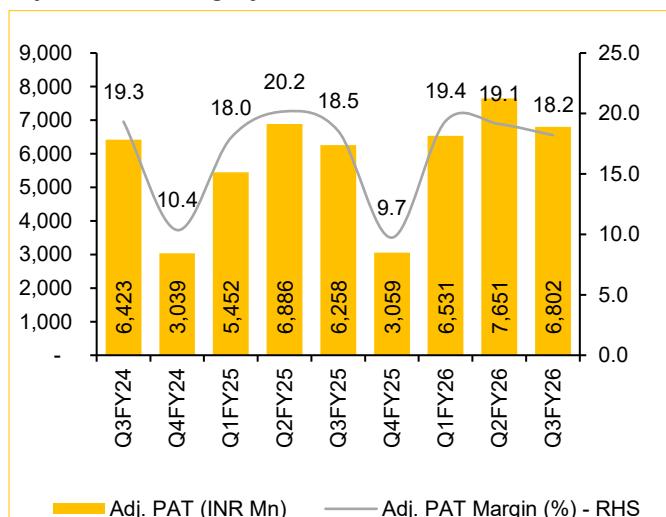
Source: ALKEM, Choice Institutional Equities

## EBITDA Growth in line with Revenue



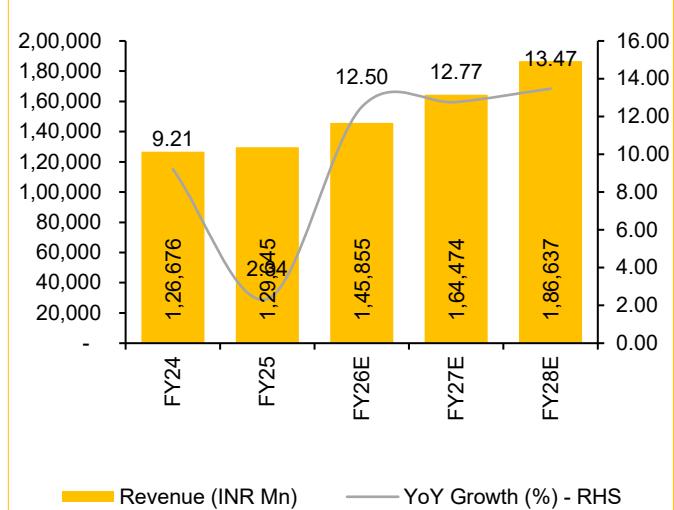
Source: ALKEM, Choice Institutional Equities

## Adj. PAT Growth Slightly below Estimate



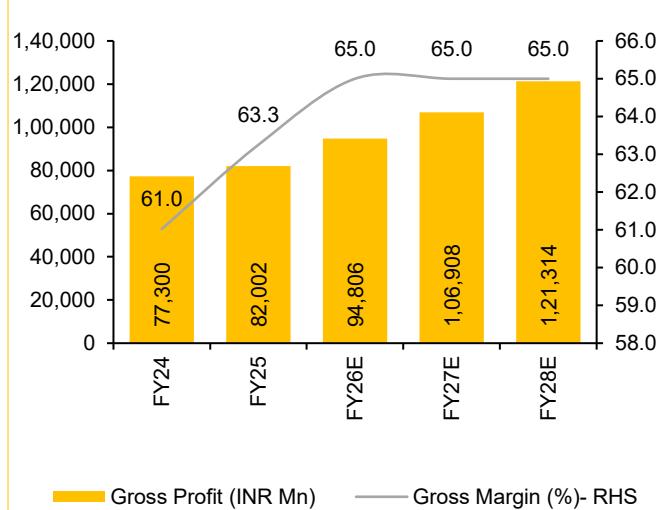
Source: ALKEM, Choice Institutional Equities

## Revenue to Expand at 12.9% CAGR over FY25-28E



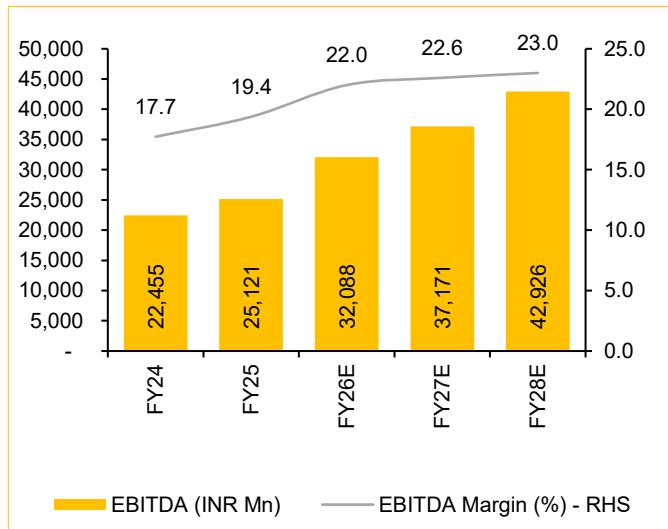
Source: ALKEM, Choice Institutional Equities

## Gross Margin to Remain Flat



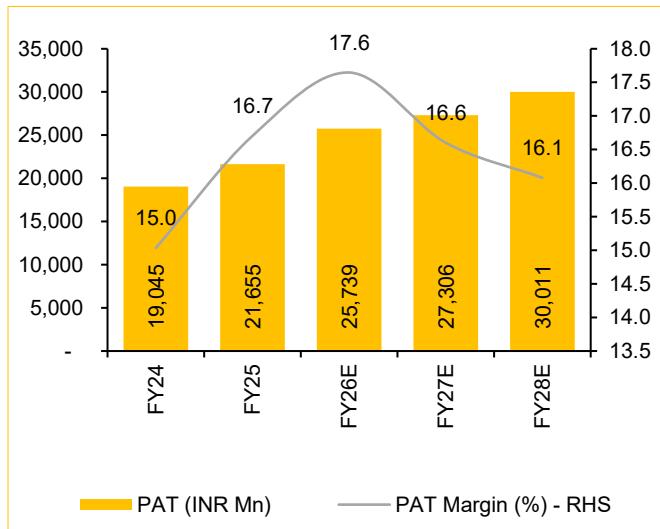
Source: ALKEM, Choice Institutional Equities

## EBITDA Margin Expected to Improve from FY26



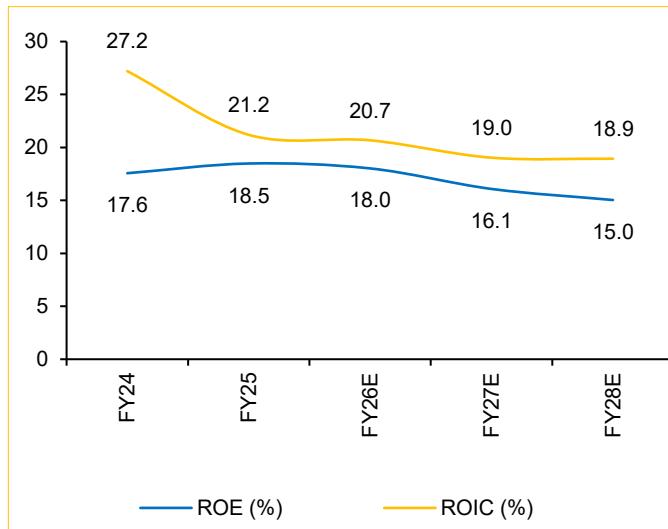
Source: ALKEM, Choice Institutional Equities

## PAT Growth to follow EBITDA Trend



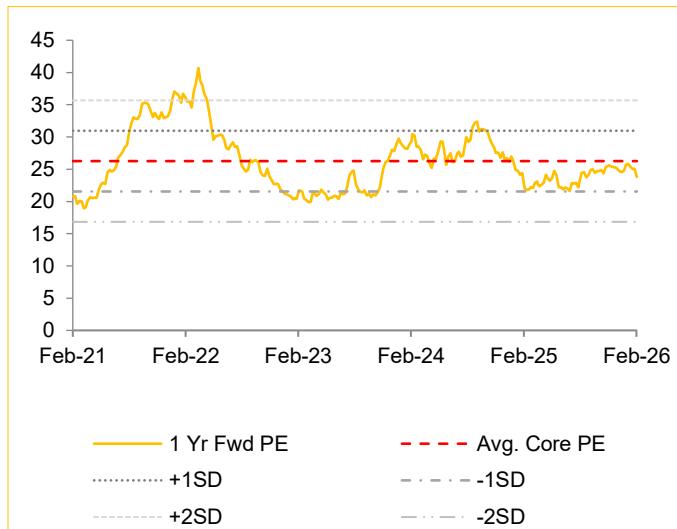
Source: ALKEM, Choice Institutional Equities

## ROE and ROIC



Source: ALKEM, Choice Institutional Equities

## 1-year Forward PE Band



Source: ALKEM, Choice Institutional Equities

## Income Statement (INR Mn)

Particulars	FY24	FY25	FY26E	FY27E	FY28E
Revenue	1,26,676	1,29,645	1,45,855	1,64,474	1,86,637
Gross Profit	77,300	82,002	94,806	1,06,908	1,21,314
EBITDA	22,455	25,121	32,088	37,171	42,926
Depreciation	2,993	3,572	3,593	4,113	4,633
EBIT	19,462	21,550	28,495	33,058	38,293
Other Income	3,108	4,937	5,543	5,757	6,532
Interest Expense	1,124	1,217	1,243	1,243	1,243
PBT	20,231	25,270	32,795	37,572	43,583
PAT	17,958	21,655	25,739	27,306	30,011
EPS (INR)	150.2	181.1	215.3	228.4	251.0

## Ratio Analysis

	FY24	FY25	FY26E	FY27E	FY28E
<b>Growth Ratios (%)</b>					
Revenue	9.2	2.3	12.5	12.8	13.5
Gross Profit	15.5	6.1	15.6	12.8	13.5
EBITDA	39.5	11.9	27.7	15.8	15.5
PAT	82.4	20.6	18.9	6.1	9.9
<b>Margins (%)</b>					
Gross Profit Margin	61.0	63.3	65.0	65.0	65.0
EBITDA Margin	17.7	19.4	22.0	22.6	23.0
PBT Margin	16.0	19.5	22.5	22.8	23.4
Tax Rate	10.5	12.0	20.0	26.0	30.0
PAT Margin	14.3	17.1	18.0	16.9	16.3
<b>Profitability (%)</b>					
ROE	17.6	18.5	18.0	16.1	15.0
ROIC	27.2	21.2	20.7	19.1	19.0
ROCE	16.0	15.6	17.4	17.3	17.3
<b>Financial Leverage (x)</b>					
OCF/EBITDA	0.9	0.8	0.7	0.5	0.5
OCF/Net Profit	1.1	0.9	0.8	0.7	0.8
Debt to Equity	0.1	0.1	0.1	0.1	0.1
Interest Coverage	17.3	17.7	22.9	26.6	30.8
<b>Working Capital</b>					
Inventory Days	197	224	224	224	224
Debtor Days	65	69	70	70	70
Payable Days	129	141	140	130	130
Cash Conversion Cycle	132	152	154	164	164
<b>Valuation Metrics</b>					
No of Shares (Mn)	119.6	119.6	119.6	119.6	119.6
EPS (INR)	150.2	181.1	215.3	228.4	251.0
BVPS (INR)	896.2	1,040.0	1,255.3	1,483.7	1,734.8
Market Cap (INR Bn)	645.8	645.8	645.8	645.8	645.8
PE (x)	33.9	29.8	25.1	23.7	21.5
P/BV (x)	6.0	5.2	4.3	3.6	3.1
EV/EBITDA (x)	29.0	25.5	19.6	17.4	15.0
EV/Sales (x)	5.1	4.9	4.3	3.9	3.5

Source: ALKEM, Choice Institutional Equities

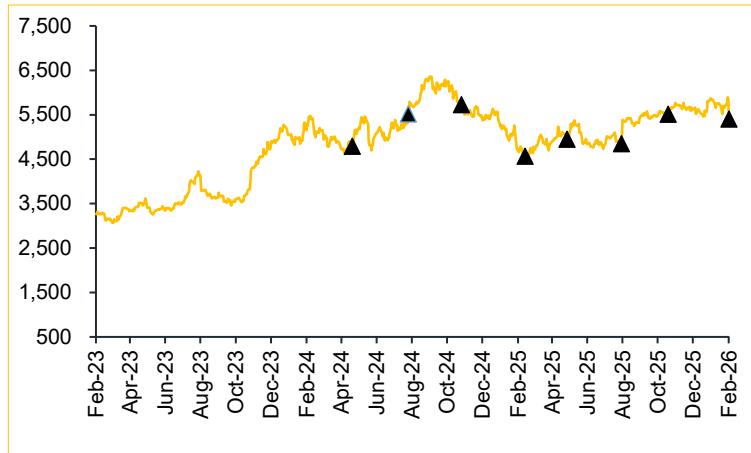
## Balance Sheet (INR Mn)

Particulars	FY24	FY25	FY26E	FY27E	FY28E
Net Worth	1,07,144	1,24,336	1,50,075	1,77,381	2,07,392
Borrowings	14,184	13,809	13,809	13,809	13,809
Trade Payables	17,481	18,394	19,581	20,503	23,266
Other Non-current Liabilities	6,367	7,142	3,602	3,602	3,602
Other Current Liabilities	10,573	13,231	8,229	8,227	8,225
<b>Total Net Worth &amp; Liabilities</b>	<b>1,55,749</b>	<b>1,76,911</b>	<b>1,95,295</b>	<b>2,23,521</b>	<b>2,56,293</b>
Net Block	21,615	20,639	23,546	25,933	27,800
Capital WIP	1,484	4,766	6,766	8,766	10,766
Goodwill & Intangible Assets	7,215	8,599	8,599	8,599	8,599
Investments	4,838	18,455	18,455	18,455	18,455
Trade Receivables	22,528	24,663	27,972	31,543	35,793
Cash & Cash Equivalents	15,794	15,631	23,240	37,664	55,713
Other Non-current Assets	17,972	24,017	25,817	27,662	29,507
Other Current Assets	64,304	60,142	60,901	64,900	69,660
<b>Total Assets</b>	<b>1,55,749</b>	<b>1,76,911</b>	<b>1,95,295</b>	<b>2,23,521</b>	<b>2,56,293</b>

Cash Flows (INR Mn)	FY24	FY25	FY26E	FY27E	FY28E
Cash Flows from Operations	19,480	19,128	21,191	19,512	23,136
Cash Flows from Investing	(10,085)	(12,987)	(9,970)	(8,500)	(8,500)
Cash Flows from Financing	(11,450)	(8,110)	(1,293)	(1,293)	(1,293)

DuPont Analysis	FY24	FY25	FY26E	FY27E	FY28E
Tax Burden (%)	89.5	87.7	80.0	74.0	70.0
Interest Burden (%)	104.0	117.3	115.1	113.7	113.8
EBIT Margin (%)	15.4	16.6	19.5	20.1	20.5
Asset Turnover (x)	0.8	0.7	0.7	0.7	0.7
Equity Multiplier (x)	1.5	1.5	1.3	1.3	1.3
<b>ROE (%)</b>	<b>17.6</b>	<b>18.5</b>	<b>18.0</b>	<b>16.1</b>	<b>15.0</b>

## Historical Price Chart: ALKEM



Date	Rating	Target Price
May 30, 2024	BUY	5,676
August 12, 2024	BUY	6,234
November 14, 2024	HOLD	6,252
February 10, 2025	SELL	4,186
May 30, 2025	SELL	4,108
August 13, 2025	SELL	4,750
November 17, 2025	REDUCE	5,850
February 16, 2026	ADD	5,995

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<b>Large Cap*</b>	
BUY	The security is expected to generate upside of 15% or more over the next 12 months
ADD	The security is expected to show upside returns from 5% to less than 15% over the next 12 months
REDUCE	The security is expected to show upside or downside returns by 5% to -5% over the next 12 months
SELL	The security is expected to show downside of 5% or more over the next 12 months
<b>Mid &amp; Small Cap*</b>	
BUY	The security is expected to generate upside of 20% or more over the next 12 months
ADD	The security is expected to show upside returns from 5% to less than 20% over the next 12 months
REDUCE	The security is expected to show upside or downside returns by 5% to -10% over the next 12 months
SELL	The security is expected to show downside of 10% or more over the next 12 months
<b>Other Ratings</b>	
NOT RATED (NR)	The stock has no recommendation from the Analyst
UNDER REVIEW (UR)	The stock is under review by the Analyst and rating may change
<b>Sector View</b>	
POSITIVE (P)	Fundamentals of the sector look attractive over the next 12 months
NEUTRAL (N)	Fundamentals of the sector are expected to be in stasis over the next 12 months
CAUTIOUS (C)	Fundamentals of the sector are expected to be challenging over the next 12 months

\*Large Cap: More Than INR 20,000 Cr Market Cap

\*Mid &amp; Small Cap: Less Than INR 20,000 Cr Market Cap

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