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02nd June, 2025

To,

The Corporate Relationship Department BSE Limited Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai 400 001. <i>Scrip Code: 539523</i>	National Stock Exchange of India Limited Exchange Plaza, Bandra Kurla Complex, Bandra East, Mumbai 400 051. <i>Scrip Symbol: ALKEM</i>
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Sub: Q4 FY2025 - Earnings Conference Call Transcript

Dear Sir(s) / Madam,

We enclose herewith the transcript of “Q4 FY2025 Earnings Conference Call” which was hosted by the Company on Thursday, 29th May, 2025.

The said transcript shall also be made available on the website of the Company.

Kindly take the same on record.

Sincerely,
For **Alkem Laboratories Limited**

Manish Narang
President - Legal, Company Secretary & Compliance Officer

Encl.: a/a



“Alkem Laboratories Limited Q4 FY'25 Earnings Conference Call”

May 29, 2025



MANAGEMENT: **DR. VIKAS GUPTA - CHIEF EXECUTIVE OFFICER,
ALKEM LABORATORIES LIMITED**
**MR. NITIN AGARWAL - CHIEF FINANCIAL OFFICER,
ALKEM LABORATORIES LIMITED**
**MS. PURVI SHAH - HEAD OF INVESTOR RELATIONS,
ALKEM LABORATORIES LIMITED**

MODERATOR: **MR. TUSHAR MANUDHANE - MOTILAL OSWAL
FINANCIAL SERVICES**



*Alkem Laboratories Limited
May 29, 2025*

Moderator: Ladies and gentlemen, good day and welcome to the Alkem Laboratories Limited Q4 FY'25 Earnings Conference Call hosted by Motilal Oswal Financial Services.

As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Tushar Manudhane from Motilal Oswal Financial Services. Thank you and over to you, sir.

Tushar Manudhane: Thanks, Manav. Good evening and warm welcome for 4th Quarter FY'25 earnings call of Alkem Laboratories. From the management side we have Dr. Vikas Gupta, CEO; Mr. Nitin Agarwal, CFO and Ms. Purvi Shah, Head of Investor Relations. Over to you, Purvi.

Purvi Shah: Thank you, Tushar. Good evening, everyone. We appreciate you joining us for our Quarter 4 and Full Year '25 Results Call.

Earlier today, we have released our financial results, press release and investor presentation, all of which are available on our website and the stock exchanges. We hope you have had the chance to review them.

Before we continue, we want to remind everyone that this call is being recorded and the transcripts will be made available on our website afterwards. Additionally, please be aware that today's discussion may include certain forward-looking statements which should be considered in light of the risk our business faces.

Now, I hand over the call to our CEO – Dr. Vikas, for his remarks. Over to you, sir.

Dr. Vikas Gupta: Thank you. Thank you, Purvi. Good evening, everyone and thank you for joining us today for Q4 & FY'25 Earnings Call.

We ended the year on a good note with healthy growth in our India business during Q4 and improve profitability and margins for the full year. Our domestic business continues to gain momentum, reinforcing our confidence in its long-term growth strategy. This performance is driven by strong execution and targeted initiatives across our domestic operations. In the international business, excluding the Americas, we are seeing good traction with several key markets making significant contributions to our growth. As we move forward, we remain focused on strategic growth opportunities and operational excellence to drive sustainable returns.

I will now present the key highlights for Q4 & FY'25 Financial Performance:

For Q4 & FY'25, the total revenue from operations was Rs. 31,438 million with a YOY growth of 7.1%. India sales were Rs. 21,355 million with a YOY growth of 8.1%. International business

sales was Rs. 9,747 million with YOY growth of 7.2%. Net profit was Rs. 3,059 million with a growth of 4.2%. R&D expenses for Q4 were Rs. 1,585 million, close to 5% of our total revenue, compared to Rs. 1,757 million, at 6% of our total revenue from operations.

For FY'25 on an annual basis, the total revenue from operations was Rs. 1,29,645 million with a YOY growth of 2.3%. However, EBITDA increased by 11.9% YOY to Rs. 25,122 million, resulting in an EBITDA margin expansion from 17.7% in FY'24 to 19.4%. Net profit was Rs. 21,655 million with a YY growth of 20.6%. R&D expenses for FY'25 were Rs. 5,620 million, which is 4.3% of our total revenue from operations. The cash in balance at the end of 31st March 2025 is 46.2 billion.

According to IQVIA SSA data, for FY'25, the company registered a volume growth of 2.1% vs. IPMs volume growth of 1.2%, so outperforming the volume growth of IPMs by 90 basis points. Export segment growth has outperformed IPMs in FY'25 by 30 basis points at 6.9%. In anti-infective therapy, our oral solids and liquids portfolio has outperformed the market, growing almost 1.7 times the IPMs. However, we saw certain challenges on the injectable anti-infective portfolio. Alkem has outperformed the market in 6 out of 11 IPM's top-focused therapies over the past year. In the IPM's top 5 therapy segments, Alkem achieved one rank improvement each in anti-diabetic as well as the respiratory therapies. As per the recent prescription data, Alkem is the third largest company in the prescription share and ranked number 1 in ortho and amongst top 3 in gynaec, pediatrics, surgery, dentistry as well as GP specialties.

I want to extend my sincere thanks to our teams for their dedication and commitment to excellence in this performance. With our strong foundation, we are well positioned to capitalize on the opportunities that lie ahead and I am confident about a bright future. As we look ahead, our focus remains on positioning the company for sustained growth and creating long-term value for our shareholders.

With that, let's open the floor for questions.

Moderator:

Thank you very much, sir. We will now begin the question-and-answer session. We have our first question from the line of Damayanti Kerai from HSBC. Please go ahead.

Damayanti Kerai:

Hi. Good afternoon and thank you for the opportunity. My question is to Dr. Vikas. In India, in some of the bigger segments, anti-infectives, cardiac, anti-diabetic, etc. in the 4th Quarter number, according to your presentation Alkem's growth were lower than IPM growth. So if you can explain or elaborate what has happened or which segments within these therapies are seeing some weakness, etc., that will be helpful. And with that context, how should we look at India business growth for next year?

Dr. Vikas Gupta:

Okay, thank you, Damayanti. Actually, if you see, our annual performance as I mentioned, all these therapies, we have outperformed. So among the top therapies, you see GI, GI has been our pretty big therapy, we have outperformed the market. If you see anti-diabetic also on an, I would

say on an annualized basis, we have outperformed the market. If you see neuro, CNS, multivitamins, gynec, all these therapies, we have really outperformed the market. On the anti-infective side, like I mentioned, if you deep dive into the data, oral solids and oral liquids, our anti-infective has three components, solid, liquids and injectables. So, oral solids and oral liquids, have outperformed the market. Injectable business sometimes we see certain challenges in the overall data that comes in because this is a mix of B2B as well as retail business. So, I think what is more relevant and the bigger component is of the oral solids and liquids business, there are trajectories going pretty strong. I would say overall, if you see our India business performance for Q4 has been very strong. We have registered good growths overall in the India business and that is expected to continue now. Though initial 1 or 2 quarters, we had certain, you know, challenges, but I think overall our domestic, we have reported 8.1% growth as far as Q4 is concerned. So we are pretty bullish on that and we are actually that's one of our core business, so we are very aggressive as far as that business is concerned. So there is I don't see any reason of concern over there. Cardiac so to say has never been a big therapy for us. So that's a very small business for us. Antidiabetes, respiratory, neuro, derma, these are the bigger businesses for us as far as chronic is concerned. So which is where our growth trajectory is going strong

Damayanti Kerai:

Okay, again coming back to anti-infective, we are already towards the end of May. So how is anti-infective seasonal demand looking up because I think we are already into rain etc.? So compared to last 2 years, it's been slightly muted.

Dr. Vikas Gupta:

One day that it has rained. So guess it will be too early for you guys to really look into it. I think, let this quarter get over. As I said, our focus is more on the basics. So we saw a strong Q4 and we expect similar growth trajectories to continue even in the coming quarters. So that's how I will put it because we are in the middle of the quarter, so it will not be wise or fair on my part to make any prediction for the quarter that's out.

Damayanti Kerai:

Okay, sure. And my second question is, how should we look at EBITDA margins for FY'26?

Dr. Vikas Gupta:

So, like we have given the guidance earlier as well. So I think now we are chasing growth. So EBITDA margins, when we had started last year, our initial estimate was that we will be somewhere close to 18.5-19%. We were able to get it to even better at 19.5%. So we expect the EBITDA margins to remain similar as far as this financial year is concerned. Though we will get operating leverage on our basis, the growth that we will have record in the coming financial year. But we are making certain investments in R&D for certain markets where we want to expand. So that is the reason overall our EBITDA guidance in terms of percentage would be stable at 19.5 for this financial year. That is what we are looking at.

Damayanti Kerai:

That's my last question. If you can update us on the biosimilar CDMO plant in terms of investment and how we are looking at completing the project and supplying stuff?



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- Dr. Vikas Gupta:** So the project is running on track. We expect the project to get completed latest by Q2, to become operational by Q2. So I think the required CAPEX that we had planned for the year last year, we have done almost Rs. 500 crores close to that. And I think the project is on track. So we should be able to start seeing some revenue within this year.
- Damayanti Kerai:** Okay. And Rs. 500 crores CAPEX cumulative will be how much? This is, I think last year's number, right? How much you spent?
- Nitin Agrawal:** Cumulative in total, it will be around Rs. 550 crores. Out of that, Rs. 450 was spent last year on CAPEX.
- Damayanti Kerai:** Okay, that's helpful. Thank you. I will get back in the queue.
- Dr. Vikas Gupta:** Sure. Thank you.
- Moderator:** Thank you. We have our next question from the line of Neha Manpuria from Bank of America. Please go ahead.
- Neha Manpuria:** Yes, thanks for taking my question. My first question is on gross margins. It seems after a very long time, we have seen gross margins come off meaningfully. I understand part of this could be mixed, but is there any other one-off that is sitting, or this is purely driven because of the pick-up in the acute business that we have seen?
- Nitin Agrawal:** So, Neha, you are asking for Q4 or full year?
- Neha Manpuria:** Yes, for the Q4.
- Nitin Agrawal:** So, Q4, our margin, gross margin was a bit lower as compared to the corresponding quarter of last year. So, there were 2-3 reasons. One was our production was lower because we were suffering on inventory till last year. So, in the first 9 months of current year, we have built good quantity of inventory for our international business. So we slowed down our production in quarter four and that impacted the gross margin because as per the accounting standard, a few of your overhead get loaded over to inventory and if your production is lower, your inventory change amount reduces which impact your gross margin. Second reason was in last year in the same quarter, we had some settlement fees which we have received for a product called nimodipine. And third is we saw some higher expiry in few of our markets, which also impacted our gross margin.
- Neha Manpuria:** Sir, how should I think about gross margins for the full year going forward? Should it be at on a full year basis? Should it be similar to what we have done in fiscal '25, which is about the 63% or should we see moderation because acute growth which was weak normalizes?
- Nitin Agrawal:** We will be on similar lines. It will be around 63 or a bit maybe 25 basis point better than what we are.

- Neha Manpuria:** Okay, got it. My second question is on the acute business. I think in the opening remarks, you mentioned that we have taken certain targeted interventions in India. Could you give us some colour on what these interventions are and how they've helped improve our growth? And as we think about the growth for next year, will we be able to now maintain this market level growth and just a breakup between trade generics and branded generics for fiscal '25?
- Dr. Vikas Gupta:** So, I think the interventions were largely tactical and strategic, both. So, we have focused on the right specialities, right indications, right geographies. So those are more specifics that we have taken as far as the driving the overall growth for this segment is concerned. When you ask me whether this growth is sustainable or not, I see no reason for this growth to slow down. I see it getting even better in the times to come. Like I said, this is our core business. We are pretty bullish about it. And we were always confident that this is one business where growths are going to be there. So I guess that is what we have seen and it should continue even in times to come. As compared to the overall growth, I would say domestic, we will be say in line with the market growth of 100 basis points, surpassing the market growth. Actually, that is what we are looking at. And I think we are very close to that in this financial year going forward. We see our growth estimates to be at least 100 basis points higher than how the market grows. So that is what Neha, there's anything else?
- Neha Manpuria:** And sir, how should I think about the market growth? When you say market growth, is it like 6 to 7%, 8 to 9%? What, according to you, is the right assessment for market growth?
- Dr. Vikas Gupta:** I think my sense is with the better seasonality that we are expecting in the coming year, we should be within the range of 7% to 8% at least. That has been the trend that the market has seen. So, that is the minimum that we expect at least the market to be. But let's see how the year progresses. If everything goes well, it could be even slightly more than that.
- Neha Manpuria:** Got it. And on trade generic, how was the growth for trade generic for the full year this time around?
- Dr. Vikas Gupta:** Trade generic business, overall if you see, you're asking for next year or the year that...?
- Neha Manpuria:** No, for FY'25 what was the growth and then obviously, you how do we think about because I think there seems to be some moderation even in the trade generic growth that players like yourself and your peers are talking about. So just wanted to get a sense on how we did in '25 and how should we think about that trade generic group forward?
- Dr. Vikas Gupta:** So, trade generic saw mid-single-digit kind of growth, within the range of around 6% to 7%. So that is how it was. The market has become quite competitive. We saw a lot of new entrants also getting into the market. And as it happens when, because trade generic also a large part of business is acute. So when the acute market sort of slows down, even on the trade generic side, we see a similar trend. So, going forward, I think it should be in line with how the IPM would grow. So even on the trade generic side, we are expecting similar kinds of growths that we are

likely to register. The only thing is that we are working on improving margins over there. So if you see last two years we have had on a two years basis we have had an improvement in our overall margins as far as trade generic business is concerned. And they are not very far off now from our overall corporate EBITDA margin. So our intent would be to get as close to our corporate EBITDA margins with the trade generic business, that will be a mix of both topline growth as well as the margin improvement as far as trade business is concerned.

Neha Manpuria: Got it. Thank you so much, sir.

Moderator: Thank you. We have our next question from the line of Abdulkader Puranwala from ICICI Securities. Please go ahead.

Abdulkader Puranwala: Hi, thanks for the opportunity. So, my first question is with your US presence. So in the past you have talked about a couple of product launches, namely on Entresto. So, any timeline on when that would happen in fiscal '26?

Dr. Vikas Gupta: This matter is under, there is litigation going on between MSN and the Innovator. Right? So we are just keeping an eye on how the market opens up. So the earliest estimate could be somewhere in July, but it will all depend on how the case takes shape. If the market opens up like a few others, we will also be ready for the launch. But let's see how it plays out in the market.

Abdulkader Puranwala: And the second question is with regard to the supply situation. I think in the past we talked about some improvements. Yet in this quarter, we have seen some Quarter 4 decline. So for FY'26, how should we look at the US business in terms of growth?

Dr. Vikas Gupta: You are saying the overall business in the US?

Abdulkader Puranwala: Yes, sir.

Dr. Vikas Gupta: Yes. So if you see the trend as far as US business is concerned, in the initial quarters we had seen heavy degrowth. But if you see, know, the business is getting more stable now. Our sense is with our now supply and inventory levels being good, in the US and, you know, as the year progresses, my guidance has always been a single-digit, mid-single-digit kind of growth from US business. And we expect that to happen in this financial year. Of course, there may be first 1 or 2 quarters where we may just do some catch up as compared to the previous year. But overall, on an annualised basis, our expectation is it could be around a mid-single-digit kind of growth business for us. The price erosion over there continues to happen. So the nature of the market is such. But I think with our supply situation getting better, with certain opportunities also coming our way, we should be hopeful of a mid-single digit kind of growth this year from US business.

Abdulkader Puranwala: That's all, sir. Thank you.

- Moderator:** Thank you. We have our next question from the line of Rashmi Shetty from Dolat Capital. Please go ahead.
- Rashmi Shetty:** Yes, thank you for the opportunity. Just again on the US business, when you said that we will be able to clock at least mid-single digit growth, how many launches are you planning for FY'26? Earlier, you indicated that you will be doing around 1 or 2 high-value launches this year.
- Dr. Vikas Gupta:** So, like I mentioned, Entresto, I answered already on the previous question. So that is one we are hopeful. We look forward to launching at least 5 to 6 new products this year. But of course, not a very, no major big launch that we have, but we are hopeful that put together these launches would help in getting us to the growth number that we have talked about.
- Rashmi Shetty:** Okay. And when you see your working capital days, it has increased in FY'25 versus FY'24. Will it remain at the same level or it is likely to increase as your US supplies and everything will start more?
- Nitin Agrawal:** So, there is a slight increase in the working capital number of days. And I think we are at the optimum level now, and we don't see any major increase in working capital from here onwards.
- Rashmi Shetty:** So it will be more or less stable at these levels?
- Nitin Agrawal:** Yes, you can say that.
- Rashmi Shetty:** Okay and what is the guidance for the R&D for full year? I mean we have done around 4.3% for FY'25 but you earlier commented that investments for R&D is likely to go up. So what is the guidance that you give?
- Dr. Vikas Gupta:** Rashmi, we expected to be within the range of 5%. So that is what we are expecting because there are some filings that we will be doing in certain markets, certain non-US markets as well and for the US, we also plan to file 8 to 9 products. I think we will be around 5%.
- Rashmi Shetty:** And the investments in R&D will go up. It will also increase your SG&A expenses along with that when you're saying that the investments will be there in FY'26 or it will be more or less similar to in FY'25?
- Dr. Vikas Gupta:** SG &A?
- Rashmi Shetty:** Yes.
- Dr. Vikas Gupta:** So I think it will be pretty much, within terms of percentage it will be within the range of what percentages we have had in this year. No major shifts in terms of percentages, but I think largely the percentage increase would be on the R&D side.

- Rashmi Shetty:** Okay. And on the CAPEX part, how much have you spent in FY'25, the total CAPEX and how much are you expecting for FY'26?
- Nitin Agrawal:** We have spent around Rs. 700 crores in FY'25 and it will be in the same range for next year also because there is some amount of CAPEX which we still need to do complete our Enzene project in US.
- Rashmi Shetty:** So out of the Rs. 700 crores which you spent in FY'25, I think Rs. 400 crores to Rs. 450 crores was allocated to Enzene plant, right? So that much work we have spent this year or we have actually spent lower?
- Nitin Agrawal:** So yes, Rs. 400 crore is what we have spent in Enzene in the current year in FY'25. The total amount of capex is Rs. 788 crores for FY'25. Next year estimate is to be around Rs. 700 crores to Rs. 750 crores of CAPEX.
- Rashmi Shetty:** 700 to 750 and out of that Enzene would be how much?
- Nitin Agrawal:** Around Rs. 200 crores will be Enzene.
- Rashmi Shetty:** 200 crores, so the rest would be spent on which plants?
- Nitin Agrawal:** Some will be routine CAPEX, say Rs. 150 crores will be routine, then there will be some amount on R&D, plus we are also looking to build a new plant for our domestic business. So we will start that activity also very soon. So that will also require some amount of CAPEX.
- Rashmi Shetty:** Understood.
- Nitin Agrawal:** Plus, there is a MedTech investment. So, as we have shared last year that we are buying a technology and brand licensing from Exactech for our hip and knee replacement business in the orthopaedic segment. So that outgo will also happen. We have paid less than half of the amount last year, and the balance of around Rs. 70 crores will be paid in the current year.
- Rashmi Shetty:** Okay, and my last question is on tax rate. If you can give tax rate guidance for FY'26 and '27?
- Nitin Agrawal:** FY'26, you are talking about FY'26?
- Rashmi Shetty:** Yes.
- Nitin Agrawal:** FY'26 will be in the range of 13% to 15%.
- Rashmi Shetty:** Okay. Thank you, sir. That's it from my side.
- Moderator:** Thank you. We have our next question from the line of Rahul Jeewani from IIFL Securities. Please go ahead.

- Rahul Jeewani:** Hi, sir. Thanks for taking my question. Sir, on the domestic business, the 8% growth which we saw during the quarter was also partly aided by the fact that we had a low base last year, when last year domestic business had actually declined 2%. So let's say while I understand that the business is slightly seasonal in nature, but what confidence do you have going into FY'26 in terms of outperforming the market growth by 100 basis points?
- Dr. Vikas Gupta:** I have already answered the question. So, you we are pretty confident and if you see, if you deep dive further on our domestic business from where the growth has come. Of course growth is always compared to the last year base and there are certain quarters where you get good growth. There are certain quarters, especially in the businesses that have seasonality where you will see the struggle. So I don't see any reason why there should be any reason for a slowdown going forward unless like I said if market sees certain kind of upswings then we will not be immune to the market trends. But we are seeing the market trends also to be more stable now, and we expect this growth to be delivered. So, unless you have a certain point that you have in mind which you want to clarify, feel free to ask.
- Rahul Jeewani:** No, sir. So what I was largely asking from the point of view that if you look at FY'25, we actually underperform market growth by 100 basis points. So now going forward, we are talking about an outperformance versus market. So does that assumption is premised on a pickup happening in the acute business this year?
- Dr. Vikas Gupta:** So that is one, but if you see even the market outperformance, what happens is, if you see the volume growth, volume growth, even this year we have outperformed the market. The problem has been on a large part of our portfolio like I mentioned is under NLEM. So, when that portfolio didn't get any price growth and the volume growth was also sluggish in that market that is where I think we faced the headwinds. Now with market getting more normalized and our contribution of that portfolio with every passing year coming slightly lesser. So I don't see any reason why our growth should not be in line or see if you compare even last year, the difference was 6.9% to 6.5%. I am talking about the SSA data of the IQVIA, which is a marginal difference in the overall, I would say, market growth. But I think internally we have clocked higher than that even last year, and internally Q4 has been even stronger. So, I am looking at both the data, and that's why I am saying the structural changes that we made during the year are resulting in good growth across the company as far as the domestic business is concerned.
- Rahul Jeewani:** Sure, sir. And sir, on the margins, the guidance of flat margins for FY'26, what kind of an operating loss have we factored in from the newer initiatives like the CDMO business and the MedTech business?
- Dr. Vikas Gupta:** So margins, it's a function of certain operating losses and certain gains that we may also see on the API prices that are getting softened. So that is why our guidance on the overall margins are using about the overall corporate margins, right?
- Rahul Jeewani:** Yes, sir, about the company-level EBITDA margins.

- Nitin Agarwal:** See, I agree that there will be some amount of operating losses because the CDMO business will be starting in Q2 of the current year, and it will take some time to completely utilise the capacity of the US facility, which we are building for CDMO in Enzene. And also, the MedTech business will be, we have started, we have just completed the acquisition of Bombay Ortho, and there will be some time it will take to start building that business and also the Exactech Bombay Ortho business will start from January 26. So altogether, we see there will be a loss of both businesses together. There will be around Rs. 100 crores to Rs. 125 crores of operating losses, which we will incur for these two businesses combined.
- Rahul Jeewani:** So both MedTech and the CDMO business combined Rs. 125 crore EBITDA loss?
- Nitin Agarwal:** Yes.
- Nitin Agarwal:** Enzene US only, Enzene India operations is profitable.
- Rahul Jeewani:** Sure, sir. And the last question from my end before I join back the queue. You talked about tax rate for FY'26. Can you also comment on the tax rate for 27 given that the Sikkim plant offers would come out of tax exemptions?
- Dr. Vikas Gupta:** Ye, I think that we have clarified on the earlier calls as well. This Rs. 100 crores is for FY'26. So once that goes off, then our tax rate comes back to the normal tax rate. But since we have MAT already, so we will be in the highest tax bracket of around 35% or slightly more depending on how we take that view. So that's how it will be post FY'27. So there is no change in that.
- Rahul Jeewani:** So, FY'27, what kind of a tax rate should we model in? Should that be the corporate tax rate of number 25%?
- Dr. Vikas Gupta:** No, because we have already MAT in the credit, so it will have to be higher than that.
- Nitin Agarwal:** See, gradually we will move to a lower tax rate of 25%. But since we have a MAT credit of Rs. 1,450 crores, so we can't now move to the lower tax regime. We will have to be in the 35% tax bracket. Plus, there may be some amount of disallowance under tax, which happens for all companies. So the tax rate will be in the range of 35% to say 37%-38%.
- Rahul Jeewani:** And then it would gradually start coming down?
- Nitin Agarwal:** Once we utilize the MAT credit completely, then we will move to a lower tax rate of 25%.
- Rahul Jeewani:** Okay. Thank you. That's it from my side.
- Moderator:** Thank you. We have our next question from the line of Alok Dalal from Jefferies India. Please go ahead.



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- Alok Dalal:** Dr. Vikas, when you mention about accelerating growth, can one look at high single digit growth in FY'26 and then the company moving towards double digit growth rate for FY'27?
- Dr. Vikas Gupta:** You're saying on the overall level?
- Alok Dalal:** Yes, overall level.
- Dr. Vikas Gupta:** Yes, because like I said, domestic being our core business, we are looking at outperforming the market. From the US, we are looking at mid-single-digit kind of growth. And rest of the world, we are looking at mid-teens. So, some of what you can put together should be close to what you're saying.
- Alok Dalal:** And when you mentioned about higher investments required for R&D projects, so what kind of projects are these which will entail higher spends for FY'26?
- Dr. Vikas Gupta:** Our focus on ROW markets is increasing and that is what I have mentioned on the previous calls as well and that would require, so far we have not done those kind of filings in some of these markets. So, there will be products which we will be developing for the rest of the world markets as well and we will be doing a lot of filings for these markets. That is one. So I think it's a mix of, and then even on the US portfolio side, we are relooking at our portfolios and doing more, I would say products which will get us better returns, a better NPV in the times to come, which might require a higher spend. So it's going to be a mix of some of these initiatives. And even for the domestic market, we are running certain clinical trials, which we have not done in this financial year. So even from there, from India market perspective as well, we are running certain clinical trials to get the products to the market. So I think it's a sum total of all which will result into this kind of R&D spend.
- Alok Dalal:** Understood. So, the focus is more on complex oral solids or injectables those kind of product ranges going forward?
- Dr. Vikas Gupta:** Yes, there we have just started working on that.
- Alok Dalal:** Okay sir. Thank you for taking my questions.
- Moderator:** Thank you. We have our next question from the line of Abhigyan Srivastav from Marcellus Investment Managers. Please go ahead.
- Abhigyan Srivastav:** Hi, sir, thank you for taking my questions. Sir, for the Enzene business, could you please tell me what the current year revenue and margins are?
- Nitin Agarwal:** Yes, so in FY'25, we closed at around Rs. 290 crores in revenue. This is including sales from Alkem. So few of the products Enzene manufactures for Alkem and then Alkem team finally sell those products. So including that and the third-party sale which Enzene do to other pharma companies, the total sales was around Rs. 290 crores.

- Abhigyan Srivastav:** And do we know the margins yet?
- Nitin Agarwal:** Margins, we have not shared segment-wise ever.
- Abhigyan Srivastav:** Got it. And my next question is, we had done two investments in the last quarter, Adroit Biomed and Bombay Ortho. Could you please tell us what the scale-up plan would be and the revenues that would be associated with these two investments going forward?
- Nitin Agarwal:** Bombay Ortho will gradually build up because this is a manufacturing facility which we have acquired, and they have the capabilities to build and manufacture hip and knee replacements. So this year we are targeting around Rs. 22 crores- Rs. 25 crores of revenue because we have just taken over that business, and we have to build it from scratch in terms of sales. Over the next 5 years, we see this business of hip and knee, including the Exactech business, to cross around Rs. 200 crores.
- Abhigyan Srivastav:** And could you also mention what the plan is for Adroit Biomed?
- Dr. Vikas Gupta:** Okay, so Adroit is, you like I mentioned, is a Derma focused company. And, you know, they have a turnover of close to Rs. 50 crores, and now we intend to scale up those brands. It has some good brands where we saw a lot of potential, and that's why derma chronic overall is a key focus area for us. That's why we went ahead and made investment in that company. So we are pretty bullish about the growth potential of that.
- Nitin Agarwal:** Plus, there are geographical advantages.
- Dr. Vikas Gupta:** Correct. Also, that's a company which has a strong presence in the South and West, whereas our geographical presence is in the North and East, where we think we can cross-leverage, and we can really grow the business in those markets. So it has growth potential.
- Abhigyan Srivastav:** Got it. And, sir, lastly, could you tell us what the MR count and YPM would be for the acute and chronic segments of our domestic business?
- Dr. Vikas Gupta:** I think on an annualized basis, it's now not very different from what it is. Overall, we have around close to 13,000 reps. We have productivity close to 5 lakhs, I would say. And our chronic is now close to 4 lakhs. So this is how our overall productivity metric is.
- Abhigyan Srivastav:** Got it. Thank you, sir.
- Moderator:** Thank you. We have our next question from the line of Banshi Desai from J. P. Morgan. Please go ahead.
- Banshi Desai:** Yes, hi. Thanks for the opportunity. My question is on Enzene US business of ours. So if you can just qualitatively tell us how the discussions are progressing with clients, what is the interest level in general especially in the existing backdrop of reshoring manufacturing in the US. And

secondly, you mentioned that it will take some time for you to completely utilize this capacity. if you could give us some indication of what that could be. I mean, is it 2-3 years or could it be more than that?

Nitin Agarwal: So gradually, see, this year our projection is to earn around Rs. 100 crores from CDMO business. And as we said that we will be starting sales from Quarter 2. And the ratio between, say CAPEX and revenue for this kind of business is generally 1:1. So over the next three years, we plan to receive around Rs. 450 crores to Rs. 500 crores of sales from the CDMO business at full capacity utilization. And we have an order book. We can't disclose the numbers or the client's name. We started building our, say, business development team and also building the order from last one year. So we have a decent amount of orders already.

Bansi Desai: And in your assessment, would you believe you would need to further enhance your CAPEX based on the visibility that you have?

Nitin Agarwal: Not for the current capacity, yes. But if we utilise our capacity fully, then maybe after two years or three years. But that will all depend upon how the business shapes up in the next 2 to 3 years.

Bansi Desai: Alright. Thank you.

Moderator: Thank you. We have our next question from the line of Saion Mukherjee from Nomura Securities. Please go ahead.

Saion Mukherjee: Yes, thank you. You mentioned about the order book at Enzene. Can you disclose how many customers you're dealing with? Is this order book very concentrated with few customers or it's spread out across multiple customers?

Nitin Agarwal: Saion, we have not disclosed because these are very confidential information. We have signed agreements on confidentiality. So it's difficult to share with you about our customer database. But what I can share with you is that it's not fully concentrated. It's more than 3 to 4 customers with whom we are working.

Saion Mukherjee: Okay. And just one clarification on your comment on R&D expenditure. When you mentioned complex oral solid and injectables, is this with respect to the US market?

Dr. Vikas Gupta: Yes. So, Saion, I meant about the US market, we're just starting to work on that portfolio as well, which will need higher R&D spend as well. But that's not the only thing. In addition to that, I did mention about you know certain other markets in India market where we will, we are running certain clinical trials as well. So put together, it's going to amount to a higher R&D spend.

Saion Mukherjee: So Dr. Vikas, one thought is that in the US market the uncertainty levels at this point is very high. So there is talk of tariffs, local manufacturing. At this point of high uncertainty, why are we taking this decision of going into injectable and oral solids as a new area at this point in time?

- Dr. Vikas Gupta:** So we will be cautious and it's all subject to the way market shapes up. But we will have to start and continue working on certain opportunities. See, if you see the uncertainty, I mean that way a large part of the world has certain geopolitical scenarios across the globe has been such that those uncertainties will prevail for some more time. Whatever may be the case, I think the US will still need a generic portfolio. We have seen the tariff the situation has been more even on the innovator portfolio side. So I think that will decide on the pricing strategy as to exactly how we would have to price the product, and if we are working on these products now, some of these products would see the light of the day 3 to 4 years from now, after we really worked. And we will have a more clearer picture at that time. But we don't want to put any project on hold for the simple reason. I mean, even more important that if US business we have to grow, we need to have a differentiated portfolio. So I think portfolio becomes even more important in this uncertain scenario because the certainty, the degree of certainty, would be higher for these products rather than a one-year generic product. That's our view.
- Saion Mukherjee:** And for injectable, you would basically be using CMO to manufacture some of the plans --
- Dr. Vikas Gupta:** Yes, at this stage our plan is using CMOs.
- Saion Mukherjee:** Okay and finally on the domestic growth rate you mentioned about market probably growing at 7%-8%, so it seems that there has a decisive slowdown in the broader market what is in your assessment driving this slowdown which has been going on for quite some time now?
- Dr. Vikas Gupta:** I think it's about a large part of the portfolio is the NLEM portfolio, even on the market side. About 20+ per cent of the portfolio is under price control. And the inflation scenario is such that the price growth allowed on that portfolio is actually nothing. Even last year we saw, so that takes off, if 20% of the portfolio doesn't see a 10% price increase, so 0.4% to 0.5% of the price lever of growth, gets away straight away. So it's a function of that, but from the volume growth side, we saw 1% kind of volume growth in the last year, which we expect should be around 1.5% to 2% at least in this financial year. So as long as that is there, I think the industry growth on a higher base with an increasing base should be around 8%, but if we see more inflation, going forward, then the growth might even go up. But if the inflation scenario remains similar, then I think the industry might even stabilise at 7% to 8% kind of growth. These are just individual viewpoints, please don't hold me to this.
- Saion Mukherjee:** That's okay, but 1%-1.5% volume growth that you mentioned, so chronic would be growing much faster, right? So, basically, does it mean that there is actually no volume growth in acute?
- Dr. Vikas Gupta:** No, it's not that. If you break down that portfolio segment-wise, I think most of the segments have seen certain growth. See, acute, as I said on the previous calls as well, I guess for the last 2-3 years, we were coming off a huge COVID base that we had seen 2-3 years ago. So whenever you see that kind of spike in one particular year, over a period of time, it takes a while for it to stabilize. And we saw trends in Q4 of the pre-COVID growth sort of coming back. We expect that to continue because even if you see previous years' data, then acute would have grown less

as compared to chronic in terms of the volume growth. So I think that was a pre-COVID trend, which will continue even in times to come. So chronic, we see a higher volume growth as well because certain large markets and important markets, we saw drugs going off patent. So when the drugs go off patent, there is a huge price crash and unit growth is massive. So I think that is also contributing to some extent on the volume growth of the chronic side. So I think those are certain deeper analysis when you do of these markets. So I think those are certain observations that we have had. But overall, I think this looks pretty stable now.

Saion Mukherjee: Okay, thanks. And I just have one question if I can ask. Can I go ahead with one more question?

Dr. Vikas Gupta: Sure, please.

Saion Mukherjee: Yes, just one question for Nitin. Nitin, your guidance for tax rate for FY'27, which is like 35%-37%, if you can just explain that a little bit more and also I wanted to check the cash tax, right? It's currently probably at around 20% odd. Will that remain the same even in 27, if you can just talk about the cash tax as well?

Nitin Agarwal: Saion, so since we have a MAT credit of around Rs. 1,450 crores on our balance sheet. So we will not be able to move to a lower tax regime, but once we completely use the MAT credit, we will move to a lower tax rating of 25% including surcharge. But for the next few years we are starting from FY'27, we will be in the highest bracket of 35% tax rate, but as soon as we utilize the entire MAT credit, we will opt to go to the lower tax regime.

Saion Mukherjee: And the cash tax, I mean the cash outflow impact, how much will that be?

Nitin Agarwal: Cash outflow will be lower because we will be using the MAT credit. But definitely we can't go below 18%. We will have to keep paying 18%. So out of 35% to 37%, which I said, the cash outflow will be only 17% to 18%.

Saion Mukherjee: Understood. Thank you.

Moderator: Thank you. We have our next question from the line of Akash Dobhada from Investec Capital Services. Please go ahead.

Akash Dobhada: Thank you for the opportunity. Just one question. On the Semaglutide front, what is the clinical trial status in India? Do we expect to be in the first wave of launch in India and other markets? And also are we going to outsource API or manufacture in-house?

Dr. Vikas Gupta: Too many questions. Let me address it one by one, Akash. We will be among the first wave of launches as far as Sema is concerned. Our clinical trials is going on, the details would be there on the CTRI website, there in public domain. So you can look at that. What was the other part of your question? Are we manufacturing API ourselves? Is that the question?

Akash Dobhada: Yes.



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Dr. Vikas Gupta: API, we are sourcing from outside. And I think we expect the market to open up early FY'27, which is when we will be there in the market.

Akash Dobhada: Okay, thank you.

Moderator: Thank you. We have our next question from the line of Gaurav from Antique Stock Broking. Please go ahead.

Gaurav: Yes, thank you. Good evening, sir. On the US, I believe we have approval for Mirabegron. Any indication on when we can see a launch from our...

Dr. Vikas Gupta: I think I had addressed it on the earlier calls as well. We are in settlement with the innovator. So unless all the litigation anywhere across the world get over, we will not be able to launch the product because we have already settled it with the innovator, and we are bound by that agreement.

Gaurav: Okay, sir, thank you.

Moderator: Thank you. As there are no further questions, I will now hand the conference over to the management for closing comments.

Dr. Vikas Gupta: So, thank you so much, everyone, for joining. And we really look forward to future interactions.

Purvi Shah: Yes. Thank you all for participating in today's call and contributing to this meaningful discussion. If there are any questions that still remain unanswered, please feel free to reach out to us. Thank you, and have a nice evening. Thank you.

Moderator: Thank you. On behalf of Motilal Oswal Financial Services that concludes this conference. Thank you for joining us and you may now disconnect your lines.