

**ALKEM LABORATORIES LTD.**

**Regd. Office :** ALKEM HOUSE, Senapati Bapat Marg,  
Lower Parel (West), Mumbai - 400 013, Maharashtra, India.

- Phone: +91-22-3982 9999    • Fax: 022-2495 2955
- Email: [contact@alkem.com](mailto:contact@alkem.com)    • Website: [www.alkemlabs.com](http://www.alkemlabs.com)
- CIN: L00305MH1973PLC174201

19<sup>th</sup> November, 2025

To,

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

**Sub: Q2 & H1 FY26 - Earnings Conference Call Transcript**

Dear Sir(s) / Madam,

We enclose herewith the transcript of “Q2 & H1FY26 Earnings Conference Call” which was hosted by the Company on Thursday, 13<sup>th</sup> November, 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  
Q2 & H1FY26 Earnings Conference Call”  
November 13, 2025



**MANAGEMENT:** **MR. VIKAS GUPTA – CHIEF EXECUTIVE OFFICER –  
ALKEM LABORATORIES LIMITED**  
**MR. NITIN AGRAWAL – CHIEF FINANCIAL OFFICER –  
ALKEM LABORATORIES LIMITED**  
**MS. PURVI SHAH – HEAD OF INVESTOR RELATIONS –  
ALKEM LABORATORIES LIMITED**

**MODERATOR:** **MR. TUSHAR MANUDHANE – MOTILAL OSWAL  
FINANCIAL SERVICES LIMITED**

**Moderator:** Ladies and gentlemen, good day, and welcome to the Alkem Labs Q2 FY26 Results, hosted by Motilal Oswal Financial Services Limited. 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 star then zero on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Tushar Manudhane. Thank you, and over to you, sir.

**Tushar Manudhane:** Thanks, Anjali. Good evening, and warm welcome for second quarter FY26 Earnings Call of Alkem Laboratories. From the management side, we have Mr. Vikas Gupta, CEO; Mr. Nitin Agrawal, CFO; and Ms. Purvi Shah, Head of Investor Relations. Over to you, Purvi.

**Purvi Shah:** Good evening, everyone. On behalf of Alkem, we welcome you all to today's quarter 2 FY '26 results call. So earlier today, we released our financial results, press release and results presentation, all of which are available on our website and also have been filed with the stock exchanges. So we hope you've had a chance to review them. Before we begin, please note that this call is being recorded, and the audio transcript will be made available on the exchanges and our website shortly after the call concludes. Also, today's discussion may include certain forward-looking statements, and they should be viewed in the context of the risks and uncertainties associated with our business. So with that, I now hand over the call to our CEO, Dr. Vikas for his opening remarks. Over to you, sir.

**Vikas Gupta:** Thank you so much, Purvi. Very good evening to everyone, and thank you for joining us for our Q2 FY '26 earnings call.

Q2 FY '26 has been another strong quarter for us, marked by robust growth across India, U.S. and key international markets. We also saw healthy traction in new product launches across our markets. The GST revision announced by the government during the quarter is a very positive step, and we adapted swiftly to enter a seamless transition. Our improved gross margins and operating leverage have contributed to a stronger EBITDA profile. As we look ahead, we remain focused on accelerating growth and continue to strengthen our presence in the key markets.

I will now present the key highlights of Q2 FY '26 financial performance. The total revenue from operations touched an all-time high of INR40,010 million with a Y-o-Y growth of 17.2%. India sales were INR27,660 million with a Y-o-Y growth of 12.4%. U.S. sales were INR7,649 million with a Y-o-Y growth of 28%. Non-U.S. sales were INR4,241 million with a Y-o-Y growth of 32.4%. EBITDA grew by 22.3% Y-o-Y to INR9,208 million, resulting in an EBITDA margin of 23%. Net profit after minority interest was INR7,651 million with a Y-o-Y growth of 11.1%. R&D expenses were at INR1,302 million, which is 3.3% of our total revenue. According to IQVIA SSA data for Q2 FY '26 in the Acute segment in domestic market, Alkem became the number one company. We outperformed IPM in 6 therapies out of the total 11. Anti-infectives grew by 1.2x, GI 3.1x, VMN, 2.5x, pain 2.3x and respiratory 1.5x and derma, again, substantially 3.1x of the market. In the anti-diabetes therapy, if we exclude the GLP-1 launches, we have grown 2x faster than the market. Alkem also ranks number two in the IPM if I take the new product launches in the last 12 months.

With a strong foundation firmly in place, we are poised to embrace the opportunities that lie ahead with confidence. I take this opportunity to thank all the teams at Alkem for making this happen. And I wholeheartedly believe in our strategy and remain inspired by the potential the future holds for us. Thank you so much. With that, we can now open the floor for any questions.

**Moderator:** Thank you very much. We will now begin the question and answer session. The first question comes from the line of Neha from Bank of America. Please go ahead.

**Neha:** Thanks for taking my question. Sir, my first question is on the India business. We've shown a pretty strong growth in first half. As we look into second half and probably FY27, do we think Alkem can maintain this growth momentum that we have seen. I mean what should be the assumption for the industry growth and therefore, Alkem's growth in the second half and fiscal '27?

**Vikas Gupta:** So Neha, I have always maintained that we will continue to outperform the market at least by 100 to 150 basis points. This growth is backed by one strong launches plus our key brands doing pretty fast. So I think this trend can continue even in H2. So we gave an overall guidance of a double-digit kind of growth, assuming the market grows at around 8% to 8.5%, which looks like the plausible scenario. So I don't foresee any reason for this growth to slow down even in H2. So we should continue showing a similar trend in H2. Of course, Q4 may be slightly higher than Q3. But overall, on an H2 basis, we are confident of continuing this growth trend.

**Neha:** And you mentioned 100 to 150 basis points outperformance?

**Vikas Gupta:** Of the IPM, at least.

**Neha:** Okay. And my second question is on -- sorry, sir, on FY '27, is it fair to assume that we can maintain this outperformance given the launch and the brand momentum that you're seeing? Would that be a fair assumption as well?

**Vikas Gupta:** Yes, sure. India is our core market. And in India, we have really done a lot of strategic initiatives in the last couple of years, and our growth is really giving us. And we will continue to do whatever is necessary in terms of growing the domestic business with a similar trend. So again, I've always maintained that in India, we would always outperform the market by 100 to 150 basis points. Now we don't know how the market behaves next year. But yes, I mean, we are very confident of our growth as far as domestic market is concerned.

**Neha:** Understood. My second question, sir, on margins. I think we guided to flat margins. Given how first half has been, do you think there's an upside risk to that guidance? Or you still see -- I see that there has been an increase in the other expenses. So the new business investment that you were -- that you had planned, that is yet to come and we still maintain the guidance? Any update on the investments in the new businesses as well as the guidance?

**Vikas Gupta:** Yes. So the new investments that we had spoken about so far have not been fully operationalized. So in H1, we have hardly seen any expense on that front. But in H2, we expect our U.S. CDMO plant is operational now. So we will get -- start getting the opex of that plant from Q3 onwards. So in Q3 and Q4, say, H2 put together, we expect at least INR50 crores to INR60 crores as an

operational expenditure for per quarter. So at least INR100 crores of operational expenditure that might start hitting us in H2. So the overall guidance, I would say, top line, we are confident that we should be surpassing whatever we had discussed. And even from the EBITDA guidance perspective, I see somewhere between 19.5% to 20% should be our EBITDA for the full year. So that's how vis-a-vis the earlier guidance of keeping it at 19.5%. So we are hopeful that we should be looking at that because there is another expense which is going to hit us, not expense. Actually, it's an impact because of GST, we have an impact of -- in H2, INR50 crores to INR60 crores for the benefit that we used to get from the Sikkim facility. So perhaps that will be another impact that will be there for us. So put together, I think our H2 expenses will be higher. But still, I would say we are hopeful of crossing our earlier guidance in spite of these additional expenses coming in H2 from 19.5% to 20% is what we see our EBITDA numbers.

**Neha:** Sorry, sir, one clarification, this INR50 crores to INR60 crores impact from Sikkim facility, this will be on the gross margin line, the benefit that we were getting?

**Nitin Agrawal:** This is accounted under other operating income. So it will be a part of the revenue.

**Moderator:** The next question comes from the line of Damayanti from HSBC.

**Damayanti:** First, can you update us like on the sales, which came from Medtech and Adroit business in 2Q? And then what kind of spend are currently ongoing for these new businesses?

**Vikas Gupta:** So Medtech, we have just started. So we report -- I think we or we have done almost 900 knee replacements. Though, in terms of the revenue, it will be hardly INR2.5 crores. And in Adroit, I think we are maintaining our run rate of around INR15 crores for the quarter. So that's on Adroit.

**Damayanti:** And in terms of spend, what kind of spend are ongoing for these two segments?

**Nitin Agrawal:** So for the quarter, Medtech opex was around INR8 crores to INR9 crores. So there is an EBITDA loss of around INR5.5 crores in Medtech. And Adroit is at a breakeven. So -- the branded business was already operating so.

**Damayanti:** Sorry, Adroit is a breakeven? Is it cost breakeven?

**Vikas Gupta:** Yes. So it's part of our domestic business. So we...

**Nitin Agrawal:** We never looked at it as separate thing. It's -- it will now be merged with our domestic business. So we'll run it as a part of the middle.

**Damayanti:** Sure. That's helpful. And if you can update us on progress in the Enzene business as well. So you mentioned you had started operations in 3Q. So what kind of ramp-up time line you are looking for this business to achieve cost breakeven? And I understand you earlier mentioned this facility will incur cost of around INR50 crores per quarter, right?

**Vikas Gupta:** Yes. For Enzene U.S. operations, the current average is around INR15 crores to INR20 crores per quarter of revenue. And we expect this to continue till year-end. So we expect to close between INR70 crores to INR80 crores of revenue from Enzene CDMO U.S. business. The opex expense will be around INR50 crores per quarter going forward because we just started this

facility in the month of September. So going forward, Q3 and Q4, we expect opex to be around INR50 crores and revenue to be around INR20 crores for the quarter because we have just started the plant.

**Damayanti:** This INR20 crores revenue is only from the CDMO plant in the U.S. or this is also including the supplies from Pune plant?

**Vikas Gupta:** No, this is only from U.S. CDMO. Yes.

**Damayanti:** Okay. And how much is the contribution from Pune plant right now?

**Vikas Gupta:** Pune, around INR28 crores for the quarter, INR25 crores to INR30 crores for the quarter.

**Damayanti:** And is this plant cost neutral now or you are incurring loss there as well?

**Nitin Agrawal:** Domestic is already breakeven or in fact, EBITDA positive.

**Vikas Gupta:** So in terms of -- if you look at overall Pune operations, so in H1, we are around INR180 crores to INR185 crores of revenue, including the U.S. business, which we do from Pune. And for quarter 2, it was around INR120 crores from Pune operations, including the business done in U.S. from Pune -- and the CDMO business from U.S. plant.

**Damayanti:** Yes. Understood. Okay. Just a question on R&D, my final question. So R&D in 1H is much lesser, right? So earlier, you said 4.5% to 5%. Will you reach there? Or there is some rethought?

**Vikas Gupta:** Most of our filings are in Q4. So I think it's more of a phasing thing, and we expect the R&D to be within 4% to 5% -- and I think we should get them. That has been our trend over the years. So we will catch up. That expense will catch up in H2.

**Moderator:** The next question comes from the line of Bansai Desai from JPMorgan.

**Bansai Desai:** Sir, my first question is on penicillin G. We hear that the government is reportedly considering imposing MIP minimum import price on penicillin G. We would love to hear your thoughts. Any impact that it could have on us? Could this reverse any benefits that we would have seen?

**Vikas Gupta:** So this is speculative, Bansai, at this point in time. And any hypothesis that I build on any speculation won't hold true. So we are waiting for some notification to come. As of now, we are sufficiently covered in terms of our inventories. But yes, I mean, depending on the MIP, whatever price the government will fix, only then we will be able to see whether it is going to be a cost increase or a cost decrease. That call we can take only when the government fixes the MIP. Otherwise, it is speculative. I won't be able to comment on it.

**Bansai Desai:** Appreciate, sir. And second is ex of R&D, if we look at the other expenses, they have sharply increased sequentially by almost INR200 crores. So what has driven that?

**Vikas Gupta:** You are talking about the expense?

**Bansai Desai:** Other expense.

- Nitin Agrawal:** Mainly on account of our marketing expenses. So generally, in quarter 2, the marketing expenses are highest if you compare to other quarters. And also, there is a slight increase in R&D expense this quarter.
- Bansi Desai:** And yes. And lastly, sir, just on the non-U.S. growth that has been phenomenal this quarter, 30% plus. Should we expect this momentum to continue?
- Vikas Gupta:** So, see, there are certain markets that have done really well for us, as far as the non-U.S. growth is concerned. I've always said that our non-U.S. expectation also will be a high teens kind of growth. And I foresee for the annual -- I mean, for this financial year, we should be very much there. At this point in time, maybe because of certain opportunities that you were able to get in markets, like Germany and Australia, we have got a very good first half. We are expecting that looking at even the second half projections, we should be easily upwards close to around high teens of 20% kind of growth from the non-U.S. markets.
- Moderator:** The next question comes from the line of Bharat from Equirus Securities Private Limited.
- Bharat:** Congrats on the good set of numbers. So, I just wanted to understand on the other expense part, we have seen a sharp increase sequentially. And even on a year-on-year basis, there is a healthy growth in other expenses. While you mentioned that related U.S. expenses will be kicking in from third and fourth quarter. So why we are seeing these expenses sequentially and as well as year-on-year in second quarter?
- Nitin Agrawal:** So one reason, as I said, is the marketing expense. Generally, our quarter 2 marketing expenses are higher as compared to other quarters. And if you compare with last year, it also we have now 2 new subsidiary, Bombay Ortho and Adroit, which is currently -- in this quarter, it was part of the consolidated results. So that has also resulted in higher other expenses.
- Bharat:** Right. And we had mentioned that in second half, we will be doing almost like INR20 crores per quarter from U.S. Enzene plant. What sort of run rate or annual target we have for the next fiscal for U.S. Enzene?
- Vikas Gupta:** So Bharat, we've always maintained an asset turnover of around 1 from the U.S. plant. And I think it will take us 12 to 18 months to fully get there. So I think this is just first quarter of when we are operationalizing it. So we will try and get to that number maybe at an annual run rate of INR300 crores. INR300 crores -- over next 12 to 18 months, that is how we'll -- but I think maybe after a quarter or two, we should be able to give you a better picture on that front. We are very hopeful of getting there.
- Bharat:** Right. And any comments on GLP-1, how we are positioned for GLP-1 for Indian as well as for other markets in GLP-1?
- Vikas Gupta:** So I think our India application, our CT for diabetes indication is already completed. We presented to the subject expert committee. And we have got approval that's a public information. We are waiting for the MA to be -- formal MA to be received, but our results were presented to the subject expert committee. We are very hopeful that very shortly, we will get the approval for GLP-1.

So we should be on track and amongst the first players to be out there in India when the patent expires. With regards to other markets, we are working on launch -- on launch in other markets as well. But still, the patent goes at different times in different markets. So I think the other markets, we will be able to introduce only a couple of years from now. So it's -- that's the time. And even our U.S. filing will happen maybe -- it takes 2 years to get the approval. So -- but I think it's a part of our plan as far as other markets are also concerned.

**Bharat:** And how we're seeing India market for us next year from GLP-1 perspective? Can we be a meaningful player there?

**Vikas Gupta:** We will be a meaningful player over there. So -- that's what we expect whenever we launch a product, but I'm sure everybody would be inking it's a pretty large opportunity, and I'm sure there is room for meaningful presence for more than one player in that market.

**Moderator:** The next question comes from the line of Harshit Dhoot from Dymonasia Capital. Please go ahead.

**Harshit Dhoot:** Congratulations to the management team for the good set of numbers. A couple of questions from my side, Gupta, sir. First thing, as you highlighted, the domestic growth trend will continue and FY '27 also, we are confident on the domestic growth part. And in FY '27, '28 also our medical devices business revenue will start to -- the run rate will improve. Enzene will start to clock the INR300 crores annual run rate. Then how should we see the margins from the medium-term perspective from FY '27 onwards?

**Vikas Gupta:** Yes, I've always maintained that year-on-year, we should look at least a 1% improvement in our overall margins. And I think we are pretty much on track for that. Even if you look at this year, I think that is how it has played out. If I remove the investments behind growth that we have had to do. So I will maintain the similar trend, and we are very hopeful that that's how it should continue.

**Harshit Dhoot:** Okay. So in this year, despite having investments, we are expecting around 50 bps margin expansion and from FY '27 onwards, 1 percentage point margin expansion. This is a fair understanding?

**Vikas Gupta:** I spoke about 19.5% to 20% now let the year close down, and we will know. And then, of course, over and above that, from subsequent years, we should look at least a 1% improvement in our overall margin.

**Harshit Dhoot:** Okay. And other question, sir, how are we seeing the season in 3Q? Seeing the IPM data of October month, it seems that the season is still continuing. So any comments on that would be very useful, sir?

**Vikas Gupta:** Season as in for the...

**Harshit Dhoot:** Anti-infective season generally, which we witnessed in 2Q. So is it still continuing in 3Q as well?



- Vikas Gupta:** See, I mean, seasonality is a part of -- part and parcel of our business. So I mean, we have not seen any -- I don't see any major reason as to why this growth trend shouldn't continue. So I mean I have no -- I mean, speculation here whether the season will continue or not, we'll get to peak. I mean that's something nobody can predict. But I can tell you our business is pretty going as per our expectation and going pretty strong. So that is something that I can just assure you.
- Moderator:** The next question comes from the line of Madhav from FIL. Please go ahead.
- Madhav:** In the ex U.S. export business, could you give us a sense around the constant currency growth versus how much was from -- the constant currency growth in the ex U.S. markets for this quarter?
- Vikas Gupta:** Constant currency growth. In the ex U.S. market, you're saying? Or see, overall, I think we have had a currency gain of close to 4% to 4.5% in the range of 4% to 4.5%.
- Madhav:** Okay. So basically, 32% reported, we should assume 28% was constant currency growth then?
- Vikas Gupta:** Yes, you can assume that, yes.
- Madhav:** Okay. Got it. Okay. Understood. And then just one more clarification on the margin guidance, like you said, 100 basis points expansion FY '27 onwards, that includes the impact of some of the investments which you're making in the MedTech and the CDMO business or that's except for that?
- Vikas Gupta:** Yes, correct. So whatever investments we have planned as of now, it includes that. But say, as the business progresses and if we come across, say, some opportunities where we feel that we should not shy away from making those investments. It's only in that case that we will come back to you. But whatever investments we have planned for now and make for now, that's what I -- that is how I think it will play out.
- Madhav:** Yes. Just to clarify, the increase in opex, which we expect that's part of the guidance already, right, like the 100 basis points expansion?
- Vikas Gupta:** Yes.
- Moderator:** The next question comes from the line of Kartik from Bajaj Allianz.
- Kartik:** My question is about the four launches that we have done in the last quarter in the U.S. If you can elaborate what kind of launches are these? And what is the market size or how much is the competition in these four launches?
- Vikas Gupta:** I think the most meaningful launch in U.S. has been sacubitril/valsartan that we have done in Q2. And that has really done well for us. So -- and that has contributed to the growth in the U.S. market that we have seen this year. And we are -- though, of course, it's a highly competitive market. Let's see how it goes in the subsequent quarters, but I think that should help us to grow the U.S. business this year to the tune of at least maybe a double digit from an earlier expectation of close to 5% growth that mid-single-digit kind of growth that we were expecting from U.S., we are hopeful that we should be closing the year close to a double-digit kind of growth. So I

think that's the most meaningful launch that I'll talk about. Balance launches are there, but not so -- at this stage, not so significant that I need to call out the numbers.

**Kartik:** And my second question is about the GST. Did you experience any impact from the GST either in the top line or the bottom line? And how much?

**Vikas Gupta:** See GST has been a very welcome move by government, and we clearly believe and appreciate and are very thankful that government has taken that move. I think it's a positive move because the medicines become more affordable. It brings in -- it makes it accessible for more number of patients. So as a company, we are always supportive of such changes. Yes, there were some transient industry-wide disruption that happened with regards to supply chain and with regards to certain costs. So, there are -- one is a onetime impact that we have had because of our arrangement with the trade that we had to do, which is to the tune of around INR10 crores to INR12 crores within that range. And second is the benefit that we used to get from Sikkim. So I think that's a substantial impact, which is going to hit us in -- from now on. So I think that impact in H2 alone is close to around INR50 crores to INR60 crores. So that is the other impact that we have. But we still believe it's a positive move, and we're really appreciative of that.

**Kartik:** Congratulations on the good set of numbers.

**Vikas Gupta:** Thanks Kartik.

**Moderator:** The next question comes from the line of Saion Mukherjee from Nomura Securities.

**Saion Mukherjee:** Sir, I just had one clarification on the U.S. CDMO revenues. So you're saying is it -- like currently, you're not booking any revenues and from next quarter, it would be like INR20 crores a quarter. Is that what it is or you're already booking INR20 crores?

**Vikas Gupta:** Saion, we have already booked around INR40 crores to INR45 crores of revenue from CDMO business in U.S. And going forward for the next 2 quarters, again, we see around INR20 crores per quarter of revenue. And as we shared in call just a few minutes back that the overall opportunity for us is around INR300 crores from the current production capacity, which we have built, which we estimate to achieve in next 12 to 18 months.

**Saion Mukherjee:** And sir, so -- but the operating cost of INR50 crores, nothing of that is coming -- revenues are booked, but costs are not there in the quarter, like INR50 crores per quarter that you're mentioning?

**Vikas Gupta:** So we just started operations in September. So there was some prework which was done for which the revenue was realized. But I think the opex cost was mostly capitalized till September. So from next quarter or from this quarter itself, October to December quarter, there will be an opex cost of around INR50 crores per quarter from U.S.

**Saion Mukherjee:** Right. And sir, so when you reach that, let's say, 12 to 18 months, INR300 crores turnover, then what's the next step? Are we going to make additional investments? So if you can just take us a slightly medium-term prospect of the CDMO plant in the U.S?

- Vikas Gupta:** Saion, we see a good opportunity in that business. And at this stage, because we've just made the plant operational, first, we would like to maximize the output of this plant. But say, 3 to 6 months down the line, if we see an opportunity and if that warrants us to make and scale up that business and make further investments, we won't shy away. We'll take that call at that stage. But at this stage, we are looking at because in medium term, we are pretty hopeful that, that could be a meaningful business for us, the way the opportunity looks like. But of course, we will wait for this plant has just got operational. So we will see how it's going and how the order book is looking like. And if there is a need to expand, then we will expand.
- Saion Mukherjee:** Is it possible to share how many projects you are working on? I mean, currently?
- Vikas Gupta:** We don't give the project level details Saion.
- Moderator:** The next question comes from the line of Neha Manpuria from Bank of America.
- Neha Manpuria:** Sir, on the U.S. business, I see that we have a tentative approval for tolavaptan. Is that not a near-term launch for us or just launch slated for fiscal '27?
- Vikas Gupta:** No. So in tolavaptan, you are talking about the Jynarque approval, so that is slated for FY '27-28. So we'll be launching it at that time because currently, I mean, we have that -- we have an ongoing litigation with the innovator. So we will take that call at this stage. It's a little far away.
- Neha Manpuria:** Understood. And for Mirabegron, it would be based on the litigation outcome for the existing generic players itself?
- Vikas Gupta:** So like I said earlier, I think we have a settlement agreement with the innovator. We will launch only after the patent expires.
- Moderator:** The next question comes from the line of Ankeet Pandya from Baroda BNP Paribas.
- Ankeet Pandya:** So just 2 questions. So firstly, on the gross margin. So like in Q1 also with the strong domestic business growth, we have seen 65% gross 65.3% gross margin. And in the current quarter, with India business and along with all the geographies, we have been seeing double-digit growth, but gross margins are still at 65%. So is there anything to read between that? Anything that missing out?
- Nitin Agrawal:** So, the gross margin is a factor of 2, 3 things. One is your API prices. So definitely, we saw a decline in API prices in quarter 2 as compared to quarter 1 as compared to the corresponding quarter of last year. But our international business growth was higher than domestic in quarter 2. And whenever international business will grow at a higher rate than domestic, there will be impact on gross margin because our gross margin for domestic business is better than international. So that's one of the reasons that you don't see a great improvement in gross margin quarter-on-quarter.
- Ankeet Pandya:** Okay. So I think 63.5%, 64% gross margin is something that we can look forward for the second half and for the full year?
- Nitin Agrawal:** Yes, 64% to 65%, you can. Yes.

- Ankeet Pandya:** Okay. Sir, and just lastly on your U.S. business. So given that like you also highlighted that the sacubitril is a very competitive space. So how has been the pricing erosion in that? And like what can we expect for the next quarter in that product?
- Vikas Gupta:** See price erosion in a new launch in U.S. is a market phenomenon, right? This is only first quarter of players entering. So the question is whether price erosion will happen, price erosion will happen. But when it starts tracking, whether it is 3 months from now, 6 months from now, we'll wait and see. But I'm sure in any new launches, when more and more players come in that market, the price erosion starts happening in U.S. market. There is one level of price erosion that has already happened, and we will see how the market evolves. But I think we will be fairly competitive in that sense.
- Moderator:** The next question comes from the line of Vaishnavi Shetty from Dolat Capital.
- Rashmi Shetty:** This is Rashmi Shetty. So just again on the U.S. part. When you say that this quarter basically benefited from the valsartan, sacubitril and CDMO. If I remove that part of quarter-on-quarter, is the base stable or we have seen some erosion on a quarter-on-quarter basis?
- Vikas Gupta:** See, if we remove the new launches, the general trend has been very flattish for the U.S. business. So, we have volume growth, but there is some price erosion that happens, which is the nature of that market. So the growth is largely driven by the new launches.
- Rashmi Shetty:** Okay. And how many launches have we done in first half?
- Vikas Gupta:** I think we have done 4 launches but the meaningful ones are valsartan.
- Rashmi Shetty:** Got it. And how many are we planning for second half?
- Vikas Gupta:** I think at this stage, we have at least three or four more.
- Rashmi Shetty:** So, when you say that for this full year, we will be doing double-digit growth. Would it feel like high teens growth or a lower double-digit growth in the U.S. market?
- Vikas Gupta:** I think it's getting close to a low double-digit kind of growth. So somewhere between 10% to 11% is what I expect. It should be close.
- Rashmi Shetty:** Assuming that the erosion will hit in sacubitril also?
- Vikas Gupta:** In the subsequent quarters when the price erosion happens in these new launches. So that's how we are looking at it.
- Rashmi Shetty:** Okay. And one more question on other intangible effects, when I just compare in your balance sheet from 31st March '25 to the current second half, it has gone up significantly up. So if you can specify the reason for that?
- Nitin Agrawal:** So we acquired 2 companies in April '25, one was Bombay Ortho and other one was Adroit. So other intangible assets also includes the trademark and the technology -- technical know-how, which we got from the company when we acquired them and we have capitalized the trademark

and technical know-how from these 2 companies, and that is the reason the other intangible assets have gone up. And also, there is some amount -- some impact on the depreciation and amortization amount.

**Rashmi Shetty:** Okay. And some impact is also there in the goodwill, right?

**Nitin Agrawal:** Yes.

**Vaishnavi Shetty:** Some part?

**Nitin Agrawal:** Yes.

**Moderator:** The next question comes from the line of Abdulkader from ICICI Securities.

**Abdulkader:** Abdul from ICICI Securities. Sir, just one question on the overheads. And how should we see the ramp-up at your -- in the new CDMO plant? So I understand you've been guiding about INR50 crores of operating overheads. But then by when is the plant expected to break even?

**Vikas Gupta:** 12 to 18 months. It has just started operational in this quarter. And then 12 to 18 months, we should be reaching the breakeven.

**Abdulkader:** Okay. And sir, what would be the time line, the same for your Medtech ventures?

**Nitin Agrawal:** See, Medtech operationally, if you look at we will break even from the current operations, but we would like to also invest and go for other markets through this product. So there will be some expenses on product filings and also on getting, say, other countries' approval for the factory. So I think FY '28 is when we will break even. But the amount will be not very significant from Medtech in terms of opex losses.

**Abdulkader:** Got it. And sir, one final one, if I may. On the M&A front, -- so I mean, in terms of our key priority markets, I mean, in India, are we continuously now still looking for acquiring some brands on the domestic formulation side. or Medtech is something where the focus is now shifting it across to?

**Vikas Gupta:** No, it's not like that. I think India is our core market. And I've always said that we are continuously on the lookout now we have good cash on our balance sheet as well. So whenever there is a right opportunity at the right value where we feel that we can create more value, we'll go for it. So -- so that's our take.

**Abdulkader:** Got it, sir. Thank you and wish you all the best.

**Vikas Gupta:** Thank you.

**Moderator:** The next question comes from the line of Tushar Manudhane from Motilal Oswal.

**Tushar Manudhane:** Sir, just on the Enzene side, what to be taken as a gross margin Enzene U.S. or maybe Enzene combined U.S. as well as Pune site?

- Vikas Gupta:** The CDMO business, if I say the CDMO business is generally a higher margin than our overall corporate margin. So that's how I can say, so it's a high gross margin business generally. So I don't think margins are a consideration in that business. And that's why we are very confident about that opportunity. I think the way to the EBITDA margin because you don't incur much of material cost when you do CDMO.
- Tushar Manudhane:** This is more because of the CDMO work at the product development level, or this should be more like a commercial level.
- Vikas Gupta:** For development, yes. For the U.S., as of now.
- Nitin Agrawal:** For product development.
- Tushar Manudhane:** So when we are thinking of reaching INR300 crores sales as that is largely to be coming from development mode.
- Vikas Gupta:** This is all development work. It's not a commercial scale manufacturing.
- Tushar Manudhane:** Understood, sir. And just one clarification on the GST impact of INR50 crores to INR60 crores you are highlighting, that is per quarter or for second .
- Vikas Gupta:** So that is for H2, at a quarter level, it's around INR25 to INR30 crores.
- Tushar Manudhane:** And lastly, now how much to take ETR, or effective tax rate for FY '27, FY '28?
- Nitin Agrawal:** FY '27 will be 35% to 38%, you can say, because we'll be coming out of MAT after March '26.
- Tushar Manudhane:** And anything which is probably not any losses, which will not be considered and which is why this 35% to 38%.
- Vikas Gupta:** There is always some amount of expenses which get disallowed under income tax. So that is why the range is more than 35%. But yes, we have more than INR1,500 crores of MAT credit on our balances. So for the next, say, 1 or 2 years, we will not have any cash outflow much. It will be under MAT only, the cash outflow. But yes, the ETR will increase significantly compared to what we have.
- Tushar Manudhane:** And just lastly, so additional opex with respect to CDMO plant, INR50 crores to INR60 crores per quarter in terms of expenses. GST impact for the second half completely, and on the Medtech side, additional opex?
- Nitin Agrawal:** So Medtech, see current opex is in the range of INR10 crores to INR12 crores only. So going forward, I don't see any major significant increase, maybe in the range of sales, it may increase further by INR7 to INR8 crores max, but just to give you in terms of guidance, I think there is a lot of queries related to the other expense and other expense, there is a significant increase from quarter 1 to quarter 2. The other expense will be for quarter 3 and quarter 4 will be in the range of, say, INR900 crores, INR905 crores. So you can -- everything, including Enzene and Medtech, our other expenses will be around INR900 crores for quarter 3 and quarter 4.

- Moderator:** Thank you. As there are no further questions, I would now like to hand the conference over to management for closing comments.
- Purvi Shah:** Thank you all for joining today's call and for your questions. If you still have any follow-up queries and need any clarification, please feel free to reach out to us directly. Thank you.
- Nitin Agrawal:** Thank you.
- Vikas Gupta:** Thank you, everyone.
- Moderator:** This brings the conference call to an end. On behalf of Motilal Oswal and Alkem Labs, we thank you for joining us, and you may now disconnect your lines. Thank you.