

19th August, 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: Q1 FY2026 - Earnings Conference Call Transcript

Dear Sir(s)/Madam,

We enclose herewith the transcript of “Q1 FY2026 Earnings Conference Call” which was hosted by the Company on Tuesday, 12th August, 2025.

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

Kindly take the same on records.

Sincerely,

For **Alkem Laboratories Limited**

Manish Narang

President – Legal, Company Secretary & Compliance Officer

Encl: a/a



“Alkem Laboratories Limited
Q1 FY26 Earnings Conference Call”
August 12, 2025



MANAGEMENT: **DR. 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**



*Alkem Laboratories Limited
August 12, 2025*

Moderator: Ladies and gentlemen, good day, and welcome to the Alkem Lab Q1 FY '26 Earnings Conference Call hosted by Motilal Oswal. 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 Tushar Manudhane from Motilal Oswal. Thank you, and over to you, sir.

Tushar Manudhane: Thanks, Vishakha. Good evening, and warm welcome for First Quarter FY '26 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: Thank you, Tushar. Good evening, everyone. We appreciate you joining us for our Q1 FY '26 results call. Earlier today, we've released our financial results, press release and results presentation, all of which are available on our website and have also been filed with the stock exchanges. We hope you've had a chance to review them.

Before we begin, please note that this call is being recorded, and the transcript will be made available on our website shortly after the call concludes. Also, today's discussion may include certain forward-looking statements, so this should be viewed in the context of the risks and uncertainties associated with our business. 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, Purvi, and thank you, Tushar. Good evening, everyone, and thank you for joining us for our Q1 FY '26 Earnings Call.

Q1 FY '26 marked a strong start to the year with healthy growth across both our domestic as well as international markets. Our performance

was driven by strong top line growth and an improved gross margin, which resulted in a better EBITDA profile. These results reflect the disciplined execution of our strategy, focused investments and a deliberate pivot towards value-accretive products and markets with a sharper focus on EBITDA. We are strategically accelerating our focus on the non-U.S. business segment by strengthening our presence in high potential non-U.S. markets as well and capturing new opportunities that align with our long-term growth ambitions.

I will now present the key highlights of Q1 performance. The total revenue from operations stood at INR33,711 million with Y-o-Y growth of 11.2%. India sales at INR22,656 million with a Y-o-Y growth of 12%. U.S. business grew by 8.8% Y-o-Y to INR6,982 million. Non-U.S. business revenue grew by 9.1% Y-o-Y to INR3,556 million. EBITDA grew by 21.4% Y-o-Y to INR7,391 million, resulting in an EBITDA margin of 21.9%. Net profit after minority interest was INR6,643 million with a Y-o-Y growth of 21.8%. R&D expenses for the quarter were INR1,184 million, that is 3.5% of total revenue from operations. Our domestic revenue contributed 68.3% to the total sales in Q1 FY '26, up from 67.6% in Q1 FY '25.

According to IQVIA data (SSA) data for Q1 FY '26, the company registered a growth of 9.7% Y-o-Y compared to the IPM -outperforming the IPM by 120 basis points, which grew by 8.5%. We have outperformed the IPM across seven key therapies, namely GI, which grew 1.6x, Vitamins and Minerals at 2.3x, Pain grew at 1.4x of the respective market, Anti-Diabetics at 1.4x, Neuro/CNS at 1.2x and Respiratory, 1.4x of the market. We achieved strong overall volume growth of 2.9%, outperforming the IPM volume growth of 1.5% by almost 140 basis points.

This quarter marks the commencement of revenue generation from our Alkem MedTech initiative that we had started, and we are really

confident of scaling up this business. I want to take this opportunity to sincerely thank our teams for their unwavering dedication and commitment to excellence. Their efforts continue to be the driving force behind our progress and resilience. With a strong foundation in place, we are well poised to capitalize on the opportunities that lie ahead. I remain confident in our strategy and optimistic about what the future holds for us. With that, let us now open the floor for questions.

Moderator: Thank you very much. We will now begin the question and answer. The first question is from the line of Kunal Dhamesha from Macquarie.

Kunal Dhamesha: Congratulations on the strong set of numbers. With the Q1 backdrop, given that we have done really well in terms of revenue growth and margins, would you like to update our FY '26 guidance?

Vikas Gupta: Okay. So Kunal, the start has been very good to the year. But I would say, at this stage, it is just 1 quarter of the year that has gone by. So, I find it a little too early to revise the guidance upward, but I can clearly tell you if the year progresses, the way we are seeing for some more time, then definitely, we would overachieve on the guidance that we have given. But at this stage, I will stay with the guidance that we have issued primarily because it has been just 1 quarter that we have done, though there are no one-offs in this. We do not see any reason for the performance to slow down. But still, since it is just 1 quarter of the year, that has happened, I would stay with the guidance. I would say the probability of us whatever guidance we have given, getting there is much higher backed on a strong start on the Q1. So that's my take on the overall guidance at this stage.

Kunal Dhamesha: And just slightly more specific. We had guided for our R&D expenses to be around, I think, 5% of the revenue versus that we have done 3.5%. So, is it more lumpiness of the expenses or is there some?

- Vikas Gupta:** Yes. I think it's more about phasing of the expenses. Our overall annual guidance has been within the range of 4.5% to 5%, and I stay put with that. And that is why I'm saying some of the coming quarters, we will - - we may have a higher expense in R&D because if you see our filings trend as well, I think it's loaded more towards -- in Q4, we do the maximum filings. So that is the cycle, which has been following as far as R&D spend is concerned. So, we stay put with that guidance.
- Kunal Dhamesha:** Sure. And last one from my side. Is there any forex gain which has been offset against other expenses in this quarter?
- Nitin Agrawal:** No. So, at overall level, there was forex gain. So, we reported it under other income. If there is a loss, then that is reported under other expenses. So, in this quarter, since there was a forex gain at the consolidated level it is reported in the other income.
- Moderator:** The next question is from the line of Amlan Jyoti Das from Nomura.
- Amlan Jyoti Das:** Sir, my question is regarding the India business. So, I just wanted to understand what is the contribution from the new MedTech business to your India revenues for this quarter?
- Vikas Gupta:** So, see, MedTech business, we've just started. So, our first quarter revenue is around INR2.5 crores, which is very minimal. But we are pretty confident with the way we have started that business. And in the initial months itself, the uptake has been -- the response of customers has been quite positive. So, we are bullish about that strategy and hope to scale it in the coming quarters. But I mean, in terms of the overall contribution to the India business, it's way too small at this stage.
- Amlan Jyoti Das:** Sir, is there any annual run rate that you see for that business in the coming quarters?
- Vikas Gupta:** Yes. So, we'll scale it up quarter-by-quarter. I think maybe we'll...

- Nitin Agrawal:** FY '26, maybe we'll achieve around INR20 crores of revenue.
- Vikas Gupta:** Yes, which would mean that by the time we exit the year, the annual run rate would be much higher. So, on an ARR basis, I think by the end of the year, we should be around INR40 crores, INR50 crores on an annual run rate basis. But yes, I think that is what it is. We will see quarter-by-quarter how it goes. We are pretty bullish about the start that we have got in that business.
- Amlan Jyoti Das:** Understood, sir. So, it will be gradual ramp-up by the year-end it will be INR40 crores, INR50 crores?
- Nitin Agrawal:** Yes.
- Amlan Jyoti Das:** Okay. And sir, my next question is regarding the other expenses. So, it has taken -- it has declined in Q2. So, is it primarily because of the lower R&D expenses or was there any other one-off in this quarter?
- Nitin Agrawal:** Right. It's mostly because of R&D expense because in last year, quarter 1, we had a clinical trial expense on denosumab for our U.S. market, which was around INR35 crores to INR40 crores. So that technical trial has got completed last year itself. And that's the reason that there is a lower R&D expense, which is reflected in lower other expenses as compared -- in terms of percentage of sales.
- Moderator:** The next question is from the line of Sidharth Negandhi from CWC.
- Sidharth Negandhi:** Congrats on a good set of numbers. Just wanted to understand on the India business. What was the growth in the Branded Formulations business versus the Generics business?
- Vikas Gupta:** So, Sidharth, thanks for your compliment. But we have never given these kinds of breakups earlier. If you look at IQVIA data, we are outperforming in our Branded Generic business. So, I think if that is any reflection of our growth then IQVIA, we are reflecting a 9.7% growth

against a market growth of 8.5%. But what I can tell you is our majority business is Branded Generic business only. If you look at the India business, the major part of our revenue is from the Branded Generic business. And if overall business has grown strong, then we have -- that has contributed to the overall growth.

Sidharth Negandhi: And therefore, would it be fair to say that primary, secondary largely remains in line on an annualized basis?

Vikas Gupta: Of course. No. So this has always been the case with India business. You can never -- if there are no such substantial new products, which will lead to pipeline filling where -- for which there will be a gap in primary and secondary sales. So, it has been a stable business, which we are running for a good number of years. So, I think this is all by the secondary business.

Sidharth Negandhi: I was referring to more of the recent part. And accordingly, one can get a sense on what the remainder of the growth would be. That's question?

Moderator: The next question is from the line of Neha Manpuria from Bank of America.

Neha Manpuria: My first question is on gross margins, given that U.S. revenue has picked up finally, we still see an improvement in gross margin. And I think the sense was that because U.S. business was low, that was helping gross margin. What drove this gross margin improvement, if I was to look at the entire last year versus first quarter? And from a sustainable basis, what should be the margin that we should -gross margin that we should look at for the full year?

Nitin Agrawal: So yes, first of all, I think there was a positive impact on account of lower API prices, so which was around, say, 0.8%, 0.9%. And the mix has improved because our domestic contribution is higher if you look at the overall growth. So, whenever the domestic business will contribute more to the total sales, that gross margin will improve. There was

negative impact on account of price drop in U.S. So, we still see 3% to 4% price drop in U.S. in quarter 1 also. So, the growth because in margins, because of better mix, has been offset by a drop-in price in U.S. market.

Neha Manpuria: In which case, this -- should this gross margin level be broadly sustainable? I mean obviously factoring in the seasonal change. Should we able to be -- should Alkem be able to maintain the 65% gross margins through the year?

Nitin Agrawal: So, we have given a guidance of around 64%. So, we maintain our guidance of 64% because generally, quarter 1, quarter 2, the contribution of domestic business is higher as compared to quarter 3 and quarter 4. So, at a full year basis, we still maintain a guidance of 64%.

Neha Manpuria: Okay. Understood. My second question is on the MedTech business. What is the -- roughly the cost associated with this business? I just want to understand, at what point does the MedTech business positively start contributing to the EBITDA?

Nitin Agrawal: So, we are targeting MedTech business to breakeven in FY '28. So, at full year basis for FY '26, there can be the estimated, say, loss is around INR40 crores to INR50 crores. And for next year also, it will be in the same range because we'll be spending on marketing and also the operating leverage will take some time to get reflected in the numbers. But in FY '28, we plan to break even in MedTech. But for FY '26, FY '27, there may be losses of INR40 crores to INR50 crores on medtech.

Vikas Gupta: And just to add, these are newer businesses, Neha. So, if they scale up faster, we may have a breakeven even earlier. But at this stage, we are maintaining that guidance. I think we'll see how it goes. Here, the focus is to scale up the business rather than just looking at percentage bottom line.

Neha Manpuria: Understood. My last question is on the margins. While I understand there is some phasing in R&D cost. Usually, our second and third quarter margins, Alkem second and third quarter margins tend to be much better than the first quarter margins. So even if I were to adjust the R&D spend, is there any other reason which keeps us -- is sort of stopping us from increasing the margin guidance versus flattish margins? Because historically, if I were to look at your numbers, second and third quarter tends to be much higher than the first quarter, hence, the question?

Vikas Gupta: Yes. So, see, Q1 has been good for us. We are waiting for -- let Q2 also get over. We will have more clarity on -- if there are any headwinds that we are foreseeing in the near term, which might affect our business. At this stage, we do not have that visibility. And that's why we are staying put with the margin guidance that we have given. But as I mentioned, we are pretty bullish about our business, about our growth story. If these trends continue, then definitely next quarter, we will look at revising it further. Second point on the spends that might come in Q3 and Q4. One is on the R&D spend, which are higher during that time. Second, as we mentioned, the newer initiatives that we have started, especially the U.S. plant on the biotech side, we may have some of the opex that will come up in Q3 and Q4 because that plant will get fully operational by Q3. We will start getting operational from Q3 and may get fully operational by Q4. So, in the light of those expenses that we foresee in Q3 and Q4, because of that, our margins may look -- and that's why we are staying put with the guidance for the overall year. But as I mentioned earlier also, if you exclude that, then on an operational effectiveness basis, we are continuously improving with every passing quarter in terms of our overall EBITDA profile. But it's because of these expenses that we foresee may come in Q3 and Q4 that we are staying put at least, and this is just Q1. So, we are staying put with our guidance. That's it.

- Neha Manpuria:** Got it. Just last question on the CDMO revenue. That starts coming through as well from the second half or it would take some time for the CDMO revenue to start flowing through the P&L?
- Vikas Gupta:** It has started on a very small scale now, as of now also. But that's more from -- that's just the lab -- see the CDMO revenue as I mentioned the facility will get operational say by Q3 and by Q4 we should have the full operations and full revenue flowing in. We do get some marginal revenue even now, but that's a very small-scale lab work that happens on that side, but I think if you are looking at a full scale, how fully operational facility will contribute, that should be around Q4.
- Neha Manpuria:** And the depreciation on all the operating costs will also be in the second half for the new facility that will be up and running?
- Nitin Agrawal:** Right. So, we still incur opex expenses, but most of the capitalization will happen in the beginning of second half.
- Moderator:** The next question is from the line of Chirag from DSP Mutual Fund.
- Chirag:** So, this higher R&D that you're talking about, this is -- I mean, typically last 5, 6 years, you've on an average done INR500 crores, INR550-odd crores kind of R&D spend. Is there something higher that you are budgeting for? And what are they on account of that higher budget?
- Vikas Gupta:** So, you were asking about the absolute cost of R&D?
- Chirag:** Yes.
- Vikas Gupta:** So yes. So, see, like I mentioned, we are also focusing on growing our non-U.S. business. So, there are a lot of filings that we are doing in the non-U.S. markets as well. And the kind of products that we are working on in our R&D, I think it's just mix and some total of all - even in India, we have to do certain clinical trials on certain products that we are undertaking. So, this is why on an overall absolute basis, the cost may

be looking higher. But if you look at percentage-wise, it will be still within 4.5% to 5% of our overall revenue.

Chirag: Understood. And the second question, sir, was on capital allocation. Sir, just given we're sitting on INR5,000 crores of cash, business today is fairly cyclical given the large acute business that we have - fairly seasonal, I would say, not cyclical. But just given that we are sitting on cash, and there is such a large white space in chronic, how do we solve for the seasonality of the business? Is this something actively on your mind? Just how are you thinking about reducing the seasonality of the business? And just given that we have this large opportunity or white space in chronic?

Vikas Gupta: So, Chirag, I think there are 2 aspects to your question. One is on the seasonality, but we've been running this business since long. So, I don't think seasonality bothers me more. I think the bigger opportunity is on the chronic side. And as I've mentioned earlier, it's good to have cash reserves and we are waiting for the right opportunity. As and when we see - we are pretty open to look at any acquisition target, more so in chronic space. If it comes to the table, we would definitely look at getting it at the right, of course, at the right price. So, we are open to that. I mean, more than that, I would say there's no such opportunity that has come our way as yet. We -- you would have seen in the last quarter, we had announced that in the derma space, there was one opportunity, and we had capitalized on that. So as and when wherever there will be an opportunity for us to acquire and grow our chronic business, we would do that. But even otherwise, the growth from our chronic business is also very encouraging, which is the organic part of the story. So organically, we are -- even if you look at Diabetes is the bigger segment, Neurology is another big segment that we are in, Respiratory -- Chronic Respiratory another segment that we are in, Dermatology. I mean if you look at all these segments, we are growing much faster than the market and internal growth is encouraging. While we continue that journey

organically, we are open to any asset that might come for -- on the chronic side, especially to acquire.

Chirag: Understood. Sir, is there a ticket size in your mind or a size of business in your mind, which is an easy one for you or just how should -- just what are your thoughts around -- because there can be multiple things that you might have looked at. But is there a ticket size in your mind or a size of business in your mind that makes sense to you is ideal?

Vikas Gupta: No, I don't think we are limiting ourselves to ticket size, more to say. We have a good amount of cash on the balance sheet. And if there is a need to leverage, provided we feel that we can add -- we can create value both strategically as well as in terms of the financials to our overall business, I don't think the ticket size would be a limiting factor for us. So, we are not -- rather than looking at ticket size. I think the way we look at any opportunity that comes our way is what value we can add to that business, how can that business grow in our hands, strategically, is it of importance to us. I think those are the bigger evaluation points rather than just the ticket size.

Chirag: Understood. And just the last question, sir, if I may. If you look at the full year of FY '26, and would you say that the -- so what would be the India contribution to the overall EBITDA for the business while you -- there is a sales number that we have. But what is the EBITDA contribution of the India business for you in the overall mix?

Vikas Gupta: EBITDA contribution from India business, you mean?

Chirag: Yes, sir.

Vikas Gupta: I don't think we give country level EBITDA breakup. I can talk about the growth numbers from India market. And I think if Q1 trends have to be believed, I've always said that we will continue to grow at least 100, 150 basis points faster than how the market is growing. And I maintain that as a trajectory. But I think at an EBITDA level, to break it up from

country and stuff like that, I don't think I'll be able to give that guidance at this stage.

Chirag: Let me ask the other way around, sir. Is the U.S. business margin in line with the company average today just given the scale where it is?

Vikas Gupta: No, no. It is lesser. We all know U.S. markets has its own pricing pressure. So, U.S. margins are lesser than the company average. But I mean, there are certain -- sometimes, there are certain opportunities, which are high-margin opportunities as well, especially in certain newer products. But overall international business, if you see, rather than looking at U.S. business in isolation, if you look at the overall international business, there we have decent margins. Especially on the non-U.S. side, the margins are much higher. So, if you look at -- I think that is the ideal way to look at it.

Chirag: So, exports as a bucket total, will it be in line with company average margin, sir? U.S. and non-U.S. put together?

Vikas Gupta: Total exports, I would say, within the range of company margins, not way off.

Chirag: But lower?

Vikas Gupta: Yes. It depends on product mix, country mix and this thing. If U.S. contribution is higher than marginally lower, if U.S. contribution is lesser and as more and more...

Moderator: The next question is from the line of Rashmi from Dolat Capital.

Rashmi: This quarter, we have seen a good in the U.S. sales. So, what is really driving this? And have you launched valsartan/sacubitril in the U.S. And will this be the new base now in the subsequent quarters also or do you still maintain your mid-single-digit U.S. growth for full year?

Vikas Gupta: Yes. So, Rashmi, I think two, three points that you had asked. On the sacubitril/valsartan, we have launched with everyone else as far as the U.S. business is concerned. On the -- your other part was on the growth from the U.S. market. U.S. market, like I said, has grown. The trends, the pricing trends continue over there. But what had happened is, like I said, we were battling with our supply chain and stock position, at least we are doing a lot better as far as that is concerned. So overall, I think our guidance was about mid-single-digit kind of growth from U.S. markets. I will maintain at least that growth. But looking at the trends, if everything remains favorable, we may even surpass that. But it will be too early. It has been -- like I said, it's just 1 quarter, so I'm not commenting on what's going to happen, especially with the geopolitical scenario and the tariff discussions that are happening. I'm not too sure about how U.S. market will play. But yes, if these trends continue the way we have seen it, we will have a mid-single-digit to a higher single-digit kind of growth from U.S. market.

Rashmi: And in case of tariffs, what will be your strategy going forward in case if it gets executed? Like will you be ready to put the capex in the U.S. for the facility or you would just focus on the non-other U.S. markets?

Vikas Gupta: I think tariff is a very hypothetical question. We all are waiting for what shape it takes. So, I think anything that I comment will be very, very speculative or we will deal with it as and when it comes. My sense is that some part of the costs that will get laid, we will be passing on to the consumer. And wherever -- no, we will try and get more efficient in terms of getting backward integrated or we will look at the other options that might be there in front of us. I think all of that would depend on what kind of tariffs, when it comes, on whether it is product specific, whether it is -- so there are a lot of issues to be seen once that tariff comes, I think we'll be clearer with what strategic interventions we will have to take. Irrespective, our focus on non-U.S. business has gone up. Irrespective of that, our intent to grow the non-U.S. business remains

very strong, and we have started that work. Even in our overall growth it is helping us. We are filing a lot more products in the non-U.S. markets than we were doing in the past. So, I think our focus on non-U.S. markets would continue strong irrespective of whether tariffs come or they don't come.

Rashmi: Okay. And one more question on India business. Given the base was low in your second quarter and third quarter also because last year, the season did not pick up. And this year, we are seeing a good recovery. So, is it fair to assume that probably for the full year, we would be able to do at least 11% to 12% growth, assuming that the overall IPM growth would be in the range of 8% to 9%?

Vikas Gupta: See, I just answered. I think if the IPM growth remains within 8% to 9%, we will be surpassing the IPM growth by at least 100 to 150 basis points. So, for us to grow at 11% to 12%, maybe I'll expect the market to grow at 10% to 10.5% kind of growth. But yes, more than a percentage here or there, I would say our focus on India business is stronger than ever. If it takes to put more investments in India business behind opportunities where we can grow, continuously, we have been looking at that, evaluating that, doing that. And I think -- so India business is our core. India business is something which we do very well. So, I think our focus over there is not deviating. So that will be our core highest focus, which we will continue in times to come as well.

Rashmi: So, you mean 100 to 150 basis points, right?

Vikas Gupta: Yes, higher than the IPM.

Moderator: The next question is from the line of Kunal Dhamesha from Macquarie.

Kunal Dhamesha: A few quick clarifications. The U.S. price erosion of 3% to 4%, is it on a year-on-year basis or a Q-o-Q basis?

Vikas Gupta: Y-o-Y basis.

- Kunal Dhamesha:** Okay. And was there any contribution from Adroit in this quarter?
- Vikas Gupta:** Yes. See, Adroit has been a small company. So, there was around INR15 crores overall revenue that we recorded from Adroit, which is in line with our plan when we had acquired that company, and that's largely domestic play.
- Kunal Dhamesha:** And it got closed in quarter 1 only or in quarter 4?
- Nitin Agrawal:** Yes. We completed the acquisition in quarter 1, mid of April, somewhere around mid of April.
- Kunal Dhamesha:** Sure. And what would be our capex outlook for FY '26 and '27?
- Nitin Agrawal:** Around INR750 crores. This is what we have said before also.
- Kunal Dhamesha:** INR750 crores for FY '26. How about the -- is it just for FY '26?
- Nitin Agrawal:** FY '26, yes.
- Kunal Dhamesha:** Okay. Sure. And one more, I would say, a broader question. When I see the company now versus, let's say, 3 years back, we now have, I would say, 4 distinct engines of growth. One is Branded Generic or the Domestic Market business or the Pharma business, so to say. Then we have biosimilars business, which is basically going to be fire maybe in the coming years. Then biologic CDMO business. And then lastly, the MedTech business. So how is the management bandwidth being allocated to these businesses in terms of maximum importance to minimum importance?
- Vikas Gupta:** See, yes, I mean, amongst the management team, I guess, the Branded business is our highest contributor. So, the maximum time goes over there.

Moderator: Sorry to interrupt you, sir. Mr. Kunal, may I request you to mute yourselves while the management is speaking because there is some voice coming from your line.

Kunal Dhamesha: Yes, definitely.

Vikas Gupta: Yes. So, from a management bandwidth point of time, of course, the branded business takes the maximum time and for the right reasons because that is our biggest contributor. Then I would say, the CDMO business and the biosimilars business, that takes the -that takes even the other chunk of the business, of the management bandwidth. For the MedTech business, we have one of the leaders, Kaustav, who manages the MedTech business. So, I think he dedicates maximum time over there. But from an overall management bandwidth point of view, of course, it's the smallest business. It takes whatever time is due to it, the management gives it, but we have a dedicated person who looks at scaling up that business. So, I think that's how we have divided the time responsibility in us.

Kunal Dhamesha: Sure. And sir, then the capital allocation question between these 4 businesses. How does the -- how do you view the pecking order there in terms of the cash that we have on the balance sheet? Where do you want to deploy more on these four levers?

Vikas Gupta: So again, the largest capital is put behind the Branded business itself. But it's not a very capital-intensive business, so to say. So, there's no -- in terms of -- if your question is more about the capex, et cetera. I think the largest capex at this stage is going behind the biotech and the CDMO opportunity because that business needs that kind of capital. But that doesn't mean that we reduce investments in our core business, which is our largest branded generic business. Whenever there is a need for capital to be deployed on that part of the business, that, of course, remains our biggest priority, and we continue to do that whenever there is a requirement to be done for the largest branded business. But I would

say, at this stage, the maximum capital is getting deployed behind this future opportunity of CDMO -- for this year.

Nitin Agrawal: The picture may change.

Vikas Gupta: It will change in the coming years because this is a plant that we are setting up so it needed that kind of support. That's why we are going with that business, right now.

Kunal Dhamesha: And sir, last one from my side. Between these 4 levers, where do you see the maximum return on capital employed or ROI? I'm sure it's a Branded business, right? But let's say, between the 3 others, where do you see the most accretive to the return on the capital employed?

Vikas Gupta: If you see our ROCE profile, our ROCE has also improved over a period of time in the last 2 to 3 years. So whatever capital we are employing, I think overall, it is in line with the overall ROCE that we have as an organization. But of course, the branded business is a much higher ROCE business. But there, I guess, we have an engine running full steam. So, there is no major requirement in terms of putting up specific capital, so to say. And that's why the ROCE is much higher over there. So, I think all the other areas wherever we are putting up capital, we have the ROCE expectation in line with whatever we do from whatever we have at a corporate level. So, I think it is in line with that. That's how I'll put it.

Moderator: The next question is from the line of Rahul Jeewani from IIFL Securities Limited.

Rahul Jeewani: So, this 12% growth, which we saw in the India portfolio this quarter, can you call out what was the organic growth in the business given that we had some asset acquisitions? So, you called out Adroit contributed INR15 crores. There was Bombay Ortho as well. So, if you can just call out this organic inorganic piece for the India business.

Vikas Gupta: I think those are the only 2 inorganic numbers, which is very small, which is not -- I think, 0.4% to 0.5% is something that would have come from that inorganic piece. Otherwise, the growth is largely organic only.

Rahul Jeewani: Okay. Sure, sir. And sir, in terms of, let's say, you're coming back, the focus is largely on branded business in India, and scaling up the non-U.S. export piece. So, given the focus on these businesses, what is the kind of EBITDA margin trajectory, let's say, you envisage for the overall business 3 to 4 years down the line? So just some clarity there would be helpful?

Vikas Gupta: Rahul, I think I've always maintained, if you look at operationally, we would continue to improve at least, say, a 1% kind of improvement on the overall margin profile every year, right? So, till the time, at least we get into, say, mid-20s kind of level. And so far, we are on track with that aspiration. So, I think you can do your -- you can run your numbers on the basis of this assumption. That is what we have maintained and that is what we are seeing also happening at least over the last 2 years.

Rahul Jeewani: Sure, sir. And this 100-basis point kind of an annual margin expansion, this should continue despite, let's say, whatever initiatives we take in some of these newer businesses like the CDMO or the MedTech business?

Vikas Gupta: No, let me clarify. So, like I said, this is keeping the new opportunities aside. But even if you will look at our -- this year's guidance had been 19.5% within that range, 19% to 20%. That was because operationally, we might improve by a percentage, but there are certain opex that might be consumed by these newer initiatives that we would take. But I think full blown, once these initiatives also start contributing, you will start seeing it in the overall numbers as well. So that's how I'll report it.

Rahul Jeewani: Which would then be from FY '28, given that the drag from these businesses should not be there FY '28 onwards?

- Vikas Gupta:** Yes, I think that's a fair -- that's a fair assumption to assume, yes.
- Moderator:** The next question is from the line of Sandeep from Clindus.
- Sandeep:** Can you provide some insights on when do you plan to submit Enzene's Denosumab biosimilars in the U.S.?
- Vikas Gupta:** Sorry, Sandeep. Your voice is not clear. Can you repeat, please, the question?
- Sandeep:** Can you provide some insights on when do you plan to submit Enzene's Denosumab biosimilars in the U.S.?
- Vikas Gupta:** So, we have already filed the BLA in U.S. as far as denosumab is concerned. The expected time frame is somewhere middle of next year when we are expecting the approval provided the regulatory pathway is complied. So, we will be looking at commercializing it subsequent to that. The patent expiry is around May '26. So, we should -- and I mean, in that range, depending on the litigation outcomes that the innovator has with other players. So, I think we should be commercializing basis that whenever that opportunity opens up.
- Moderator:** The next question is from the line of Gaurav from Antique Stock Broking.
- Gaurav:** Sir, the sequential improvement in the U.S. business that we saw this quarter, does that have any benefit of sacubitril/valsartan?
- Vikas Gupta:** No. Sacubitril/valsartan and got launched in the month of July, towards the last part of July. So that will -- that you will see in Q2.
- Gaurav:** So, this is improvement in base business or some other new launches that happened in Q1 then?
- Vikas Gupta:** So, this is a blend of the base business, some new launches as well as some of a small portion from CDMO revenue as well.

- Gaurav:** And this would see a ramp-up with the new launch in Q2 as well? Would that be right?
- Vikas Gupta:** Yes, we should be -- so we should see the sacubitril/valsartan getting -- revenue getting recognized in Q2, which would add overall. But of course, there is -- in U.S. business, you keep losing contracts, you keep getting contracts. So, I think in base business, whatever trends are continuing of erosion, that may continue, but there are some new products that may get added. So that's a part and parcel of the game. Yes.
- Gaurav:** Got it. Staying on the U.S., for Denu we would have filed for both Prolia and Xgeva, right? And this front-end commercialization, we would be investing in the assets and it will be through Alkem's front-end only, right?
- Vikas Gupta:** So, we will choose the go-to market closer to our approval. Once we have that approval, we are evaluating, is it better to go on our own? Or should we find the right partner? But I think we'll update you closer to the marketing tool.
- Gaurav:** But we would have filed for both, the ortho indication as well as the onco?
- Vikas Gupta:** We will just get back on this specific, just Purvi will revert to you on that.
- Gaurav:** Sure. Just on the staff cost this quarter, we saw almost a 15% year-on-year increase. Would this be the new base? Or is there any one offs here? Would it be just annual hikes, team expansion? Could you shed some light on this?
- Vikas Gupta:** Yes, it's a function of, one, the annual increments that we have to give. Second, since the performance in India business is also very good, there is a higher incentive payout that is there. So, if -- rather than looking at just percentage growth, if you look at the percentage to revenue, I think

that is fairly -- I would say, similar to what it was in the previous year. So, on a -- in a good quarter, there is a higher incentive payout to the team. So that adds to the overall increase in the manpower cost.

Nitin Agrawal: The overall -- the manpower growth, which you saw in quarter 1, so in balance quarters, there will be lower growth as compared to quarter 1.

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

Tushar Manudhane: Sir, just one question with respect to the additional operational costs, with respect to the CDMO facility, probably which would come up Q4 onwards. But what quantum should we consider?

Nitin Agrawal: On an average, once the facility will be up and running, you can -- the estimate is around INR50 crores per quarter in INR terms for the U.S. CDMO facility.

Tushar Manudhane: And for MedTech business, sir, how much is the opex probably in this quarter or subsequently, how much sort of stabilizes?

Nitin Agrawal: So, once it will stabilize, the opex will be in the range of, you can say, per quarter, it will be around, say, INR25 crores to INR30 crores.

Tushar Manudhane: And what would trigger additional opex for both the segments actually?

Nitin Agrawal: Sorry, I didn't get the last.

Vikas Gupta: Is your question, would we need more opex in times to come?

Tushar Manudhane: No, of course, as the business grows, we'll need it. But let's say, for the foreseeable future for next 2 to 3 years?

Nitin Agrawal: So, when I say, say, INR50 crores for Enzene CDMO facility and say INR25 crores for our MedTech, this is considering 100% utilization of our current capacity, which we have built for both these facilities.

Tushar Manudhane: Understood. This is per quarter, just to be...

Nitin Agrawal: Yes.

Moderator: The next question is from the line of Gagan Thareja from ASK Investment Managers.

Gagan Thareja: Okay. Sir, the first question is, if one splits your domestic sales in NLEM and non-NLEM buckets, given that the WPI-linked price increase in NLEM was around 1.8% this year. Is it a reasonable inference that the non-NLEM piece would have grown by 15% plus?

Vikas Gupta: I do not have the data handy. You can check it from the IQVIA data. But we have never given product level or segment specific. The thing what I can tell you is our NLEM percentage, the portfolio that we have is around 30%. And there is volume growth. Price growth is just one piece. Even if you look at the volume growth, we are growing much faster in terms of volumes even on this portfolio as compared to market. So, I think that's the way we look at.

Gagan Thareja: But if you do the math and take a 5% increase in the NLEM piece, which is one-third of your portfolio, arithmetically, the balance of your portfolio should grow by 15% to give you...

Vikas Gupta: So where did you get this 5% number?

Gagan Thareja: No, I'm saying, 1.8% WPI, the rest comes from volume is what I'm basically assuming.

Vikas Gupta: So, volume growth is pretty product-specific and this thing. So, I think -- I do not know what we are trying to get at. But I'm sure, of course, the non-NLEM portfolio, in general, even in the market is seeing a higher growth. So similar trends we would have internally.

- Gagan Thareja:** Okay. All right. And is it possible to give some idea of how the Enzene revenues and profits would have worked for the first quarter year-on-year basis?
- Nitin Agrawal:** So, in first quarter, total level, the Enzene revenue was around INR90 crores. This is including CDMO business in U.S. And the EBITDA, I think the first quarter was -- including both the units, the Pune unit and the U.S. unit. So, there was a breakeven including both the units.
- Gagan Thareja:** And what would the corresponding figures for last year have been?
- Nitin Agrawal:** Last year -- we need to check. We will revert to you on this. Purvi will revert on this for last year.
- Gagan Thareja:** Okay. All right. And what would the effective tax rate for the year be? And going ahead, what would -- how would it evolve?
- Nitin Agrawal:** So full year will be in the same range as you saw in quarter 1. So, there will not be any material change. I think in the beginning of the year, we have given a guidance of 13% to 15%. So, we maintain our guidance, 13% to 15% of tax rate.
- Gagan Thareja:** All right. And final one from my side, sir. You mentioned that the base business operating margins will improve by 100 basis points annually. It will, obviously, to a certain extent, be offset by the opex from the new businesses. But on balance, that would still lead to a certain amount of operating margin improvement until the time the base business breaks even. Is it possible to give some broadband of perhaps basis point number over which you believe the net operating margin improvement could come in?
- Vikas Gupta:** So, I think, Gagan, like I mentioned some time back, we will look at improving within the range of 100 basis points. Now, it depends on how our new initiatives get scaled up. Sometimes -- so I think whatever gets offset, our estimate is that, that for this year will get offset by the

operational expenditures on both sides. That's why our guidance of around 19.5% initially, which was there, which as of now, I'm staying put, and we'll wait for 1 or 2 more quarters to really revise it upwards, if at all. So -- but I think irrespective, rather than chasing a number over there, we are pretty confident of the initiatives that we have taken internally, the kind of focus that we have brought in on our core businesses. And their growth will continue to add to the overall expansion, margin expansion as well. So, I would refrain from putting a number to it, but I mean, this is the guidance that I'll stand put with.

Gagan Thareja: Okay. All right. Thank you and wish you all the best.

Moderator: The next question is from the line of Dr. Neha Kharodia from Abakkus.

Neha Kharodia: Thanks for the opportunity and congratulations on the great set of numbers. Sir, I got two questions.

Vikas Gupta: Thank you Neha.

Moderator: The line from the participant has been dropped. Ladies and gentlemen, as there are no further questions I now hand the conference over to the management for closing comments.

Purvi Shah: So, thank you all for joining today's call and your questions and the engagement. If you have any follow-up queries, need any clarification, please feel free to reach out to us directly. So, thank you once again.

Moderator: Thank you. Ladies and gentlemen, on behalf of Motilal Oswal and Alkem Labs that concludes this conference. Thank you for joining us, and you may now disconnect your lines.