

09 February 2025

India | Equity Research | Results update

## Akums Drugs and Pharmaceuticals

Pharma

### On the path to recovery

Akums Drugs and Pharmaceuticals (Akums) in Q3FY25 saw its CDMO business' volumes recovering (+0.6% YoY). Growth in CDMO should pick up in the next few quarters given Akums' healthy order book alongside API prices also settling. EBITDA margins leaped 160bps to 12% as the company curbs losses (down 34% YoY/24% QoQ) in its API business; margins in CDMO were steady at 15.4%. Akums signed an EUR 200mn contract for the supply of oral liquid formulation to a customer in Europe – it shall receive EUR 100mn upfront and the rest based on supplies from CY27–32. We estimate FY24–27 revenue/EBITDA/PAT CAGRs of 15.8%/22.4%/32.0%. Upgrade to **BUY**; unchanged TP of INR 710, valuing the stock at 25x FY27E earnings.

### Mix improvement offsets impact of weak revenue showing

Q3FY25 revenue declined 6.7% YoY (-2.2% QoQ) to INR 10.1bn. Gross margins expanded 370bps YoY (-190bps QoQ) to 40.4% due to improvement in product mix. EBITDA grew 8% YoY (0.1% QoQ) to INR 1.2bn while EBITDA margin expanded 160bps YoY (30bps QoQ) to 12.0%. Depreciation cost surged 41.1% YoY to INR 445mn. Adj. PAT grew 8.9% YoY (-1.3% QoQ) to INR 617mn also aided by lower interest cost (down 58.7% YoY).

### Low API prices continue to hurt CDMO growth

CDMO revenue declined 7.8% YoY (-1.4% QoQ) to INR 7.9bn. Volume growth has started to recover – in Q3 volumes were up 0.6% YoY (-1% in 9MFY25) as against its 11% dip in Q2FY25. CDMO EBITDA stood at INR 1.2bn (quarterly run-rate maintained), up 9.2% YoY. EBITDA margins surged 240bps to 15.4%. We expect a 6.8% CAGR for CDMO division over FY24–27E driven by new orders and stability in API prices. Branded and generic formulations revenue grew 5.4% YoY (4.5% QoQ) to INR 1.8bn, mainly driven by Akumentis and Unosource while the company continues to scale down its trade generic biz. Branded and generic formulations EBITDA fell 17.1% YoY to INR 198mn and EBITDA margins contracted 290bps YoY to 10.8%, partially due to provisioning in trade generics. API revenue declined 27.4% YoY (32.6% QoQ) to INR 401mn, as Akums is consolidating its portfolio in a bid to revive profitability. EBITDA loss in API was curbed at INR 109mn as against loss of INR 165mn in Q3FY24 and loss of INR 143mn in Q2FY25.

### Financial Summary

Y/E March (INR mn)	FY24A	FY25E	FY26E	FY27E
Net Revenue	41,782	41,173	46,151	55,223
EBITDA	4,808	4,941	5,827	7,400
EBITDA Margin (%)	11.5	12.0	12.6	13.4
Net Profit	2,484	2,734	3,542	4,816
EPS (INR)	17.4	17.9	23.1	31.5
EPS % Chg YoY	111.4	2.9	29.6	36.0
P/E (x)	32.3	31.4	24.2	17.8
EV/EBITDA (x)	18.3	16.3	13.4	10.2
RoCE (%)	9.6	10.7	11.5	13.7
RoE (%)	34.8	15.6	11.8	14.1

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#### Market Data

Market Cap (INR)	88bn
Market Cap (USD)	1,009mn
Bloomberg Code	AKUMS IN
Reuters Code	AKUM.BO
52-week Range (INR)	1,176 / 527
Free Float (%)	14.0
ADTV-3M (mn) (USD)	3.2

Price Performance (%)	3m	6m	12m
Absolute	(30.1)	(29.3)	0.0
Relative to Sensex	(28.0)	(27.3)	0.0

ESG Score	2023	2024	Change
ESG score	NA	NA	NA
Environment	NA	NA	NA
Social	NA	NA	NA
Governance	NA	NA	NA

Note - Score ranges from 0 - 100 with a higher score indicating higher ESG disclosures.

Source: SES ESG, I-sec research

#### Previous Reports

21-01-2025: [Initiating Coverage](#)

## Valuation and risks

Akums in Q3 witnessed a recovery in CDMO volumes (+0.6% YoY). The traction is likely to be maintained led by its strong order book, stability in prices and commercialisation of new injectable facility. EBITDA margins expanded 160bps to 12% as it curbs losses at the API biz, reduces exposure towards trade generics and sees stability in CDMO margins. The company is focussing on improving product mix by inching up sales of differentiated products in CDMO. Akums has entered into an EUR 200mn (INR 17.6bn) partnership with a global pharmaceutical company for the manufacture and supply of a range of pharmaceutical formulations for the European market. Akums shall receive an upfront payment of EUR 100mn (INR 8.8bn) to support product development and secure European regulatory approvals for its oral liquid manufacturing facilities. The collaboration also involves the supply of multiple SKUs for oral liquid formulations worth EUR 100mn over CY27–32E (~4% of sales p.a.), which would be marketed by the partner company across various European countries.

We believe, FY26E shall be a year of recovery for Akums led by pricing stability in its CDMO business and reducing sales exposure towards loss making units of API and trade generics. We expect Akums to post revenue/EBITDA/PAT CAGRs of 15.8%/22.4%/32% over FY25–27E with a 140bps jump in EBITDA margin to 13.4% in FY27E.

At CMP, the stock trades at 24.2x/17.8x FY26/FY27E EPS of INR 23.1/INR 31.5, respectively. We upgrade to **BUY** (earlier Add) with an unchanged target price of INR 710, valuing the company at 25x FY27E earnings.

**Key downside risks:** Location concentration of manufacturing plants, Fluctuation in API prices.

## Q3FY25 conference call highlights

### CDMO

- Revenue from CDMO declined by ~8% YoY due to continued decline in API prices.
- Volumes grew 0.6% YoY in Q3 (-1% in 9MFY25) as against a dip of 11% in Q2 and growth of 13% in Q1FY25.
- Blended utilisation across facilities stands at ~40%.
- In Q3, it received 7 approvals (17 in 9MFY25) from DGCI, pipeline remains strong.
- Signed an EUR 200mn contract for the supply of oral liquid formulation to a customer in Europe. It would receive EUR 100mn as upfront consideration; rest over the course of the contract. Commercial supplies to begin from CY27 to CY32.
- It has in-licensed novel products of Triple hair and Caregen in dermatology and metabolic segment. Commercial sales are likely to begin in FY27 and margins shall be in-line with its current CDMO margins.
- New penem and anti-infectives facility at Kotdwar and general injectable facility at Haridwar have started contributing to growth.
- WHO inspected and qualified new injectable facility at Haridwar. Management is confident of improving utilisation in the next six months.
- The company has a good order book for the next six months, which should help it boost volume growth.
- Focus in CDMO biz is also on improving product mix by inching up sales of differentiated products.

- Trade generics had some provisions that were a drag on margins.
- Management is trying to further curtail losses of this segment.
- Akumentis account for 65% of segmental sales, Unosource between 21–22% and rest is trade generics.

#### API

- Decline in revenue was due to consolidation of portfolio, as it is focusing on high margin products.
- Low cepha API selling prices continue to keep the cost of goods high.
- Cephalosporins used to contribute 90% of API sales, which shall be brought down in coming quarters. Cephalosporins API prices have dropped by 25–30% YoY.
- Exports account for high single-digit sales of API division. The company is targeting to improve penetration in countries where it can keep healthy margins.
- Current API capacity utilisation is 30%.

#### Q3FY25 financials

- In 9MFY25, Akums generated CFO of INR 1.62bn and FCF of negative INR 270mn.
- Working capital reduced to INR 10bn at end of Q3FY25.
- Ahead, it shall incur capex of INR 320mn for R&D facility, which should help the company add new capabilities.
- In 9MFY25, it incurred capex of INR 1.9bn and will likely incur growth capex of INR 1.75–2bn ever year.
- Its performance on revenue and margins in Q4 should be in-line with 9MFY25.

### Exhibit 1: Quarterly review

Particulars (INR mn)	Q3FY25	Q3FY24	YoY % Chg	Q2FY25	QoQ % Chg	9MFY25	9MFY24	YoY % Chg
<b>Net Sales</b>	<b>10,104</b>	<b>10,828</b>	<b>(6.7)</b>	<b>10,331</b>	<b>(2.2)</b>	<b>30,626</b>	<b>32,340</b>	<b>(5.3)</b>
Gross Profit	4,080	3,971	2.7	4,371	(6.7)	12,683	12,531	1.2
<b>Gross margins</b>	<b>40.4</b>	<b>36.7</b>	<b>370bps</b>	<b>42.3</b>	<b>-190bps</b>	<b>41.4</b>	<b>38.7</b>	<b>270bps</b>
EBITDA	1,214	1,123	8.0	1,212	0.1	3,667	3,925	(6.6)
<b>EBITDA margins (%)</b>	<b>12.0</b>	<b>10.4</b>	<b>160bps</b>	<b>11.7</b>	<b>30bps</b>	<b>12.0</b>	<b>12.1</b>	<b>-20bps</b>
Other income	146	89	63.3	135	8.1	346	238	45.4
<b>PBITD</b>	<b>1,359</b>	<b>1,212</b>	<b>12.1</b>	<b>1,347</b>	<b>0.9</b>	<b>4,013</b>	<b>4,163</b>	<b>(3.6)</b>
Depreciation	445	315	41.1	349	27.7	1,134	917	23.7
Interest	51	124	(58.7)	119	(56.9)	301	382	(21.4)
Extraordinary income/ (exp.)	(48)	(1,203)		(37)		(123)	1,605	
<b>PBT</b>	<b>911</b>	<b>1,976</b>	<b>(53.9)</b>	<b>916</b>	<b>(0.6)</b>	<b>2,701</b>	<b>1,259</b>	<b>114.6</b>
Tax	247	26	866.8	249	(0.8)	759	856	(11.3)
<b>Reported PAT</b>	<b>663</b>	<b>1,950</b>	<b>(66.0)</b>	<b>667</b>	<b>(0.5)</b>	<b>1,942</b>	<b>403</b>	<b>382.3</b>
Minority Interest	11	13	(12.7)	14	(21.8)	36	30	21.5
<b>Adjusted PAT</b>	<b>617</b>	<b>567</b>	<b>8.9</b>	<b>625</b>	<b>(1.3)</b>	<b>1,817</b>	<b>886</b>	<b>105.0</b>

Source: I-Sec research, Company data

### Exhibit 2: Segmental revenue

INR mn	Q3FY25	Q3FY24	YoY % Chg	Q2FY25	QoQ % Chg	9MFY25	9MFY24	YoY % Chg
CDMO	7,874	8,542	(7.8)	7,987	(1.4)	23,681	25,348	(6.6)
Branded and generics formulations	1,829	1,735	5.4	1,750	4.5	5,253	5,507	(4.6)
API	401	552	(27.4)	594	(32.6)	1,692	1,486	13.8
<b>Total</b>	<b>10,104</b>	<b>10,829</b>	<b>(6.7)</b>	<b>10,331</b>	<b>(2.2)</b>	<b>30,626</b>	<b>32,342</b>	<b>(5.3)</b>

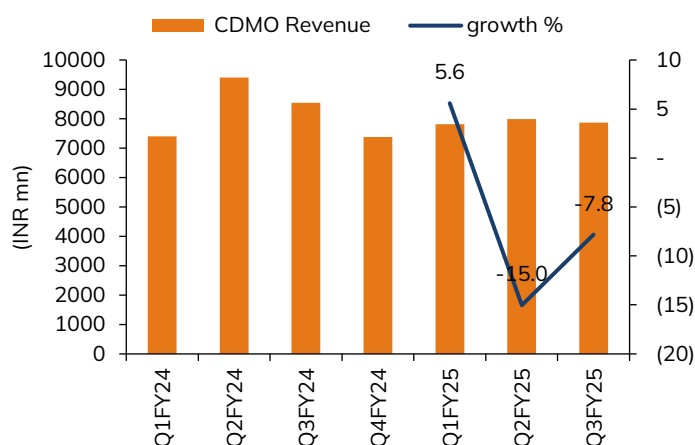
Source: I-Sec research, Company data

## Exhibit 3: Segmental EBITDA

INR mn	Q3FY25	Q3FY24	YoY % Chg	Q2FY25	QoQ % Chg	9MFY25	9MFY24	YoY % Chg
CDMO	1,214	1,111	9.2	1,227	(1.1)	3,653	4,061	(10.1)
margin (%)	15.4	13.0	240bps	15.4	0bps	15.4	16.0	-60bps
Branded and generics formulations	198	239	(17.1)	180	9.9	549	396	38.7
margin (%)	10.8	13.8	-290bps	10.3	50bps	10.4	7.2	330bps
API	(109)	(165)	(33.9)	(143)	(23.8)	(374)	(376)	(0.5)
margin (%)	(27.2)	(29.9)	270bps	(24.1)	-310bps	(22.1)	(25.3)	320bps
<b>Total</b>	<b>1,329</b>	<b>1,212</b>	<b>9.7</b>	<b>1,290</b>	<b>3.0</b>	<b>3,853</b>	<b>4,104</b>	<b>(6.1)</b>

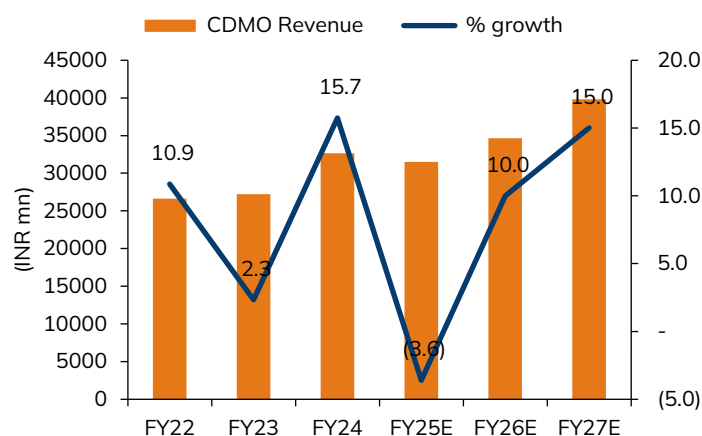
Source: Company data, I-Sec research

## Exhibit 4: Recovery driven by improvement in volumes



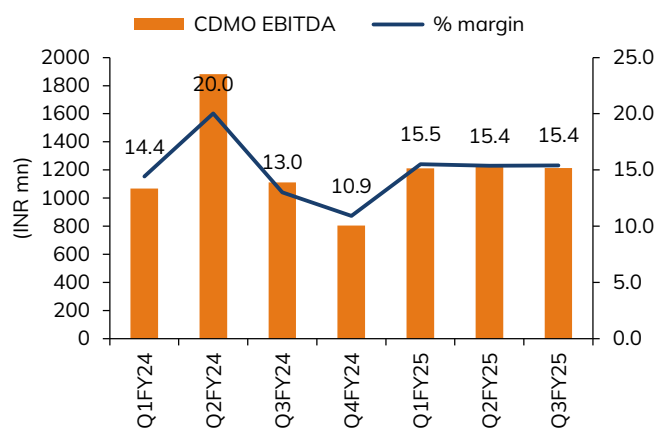
Source: Company data, I-Sec research

## Exhibit 5: New projects to revive growth in CDMO biz



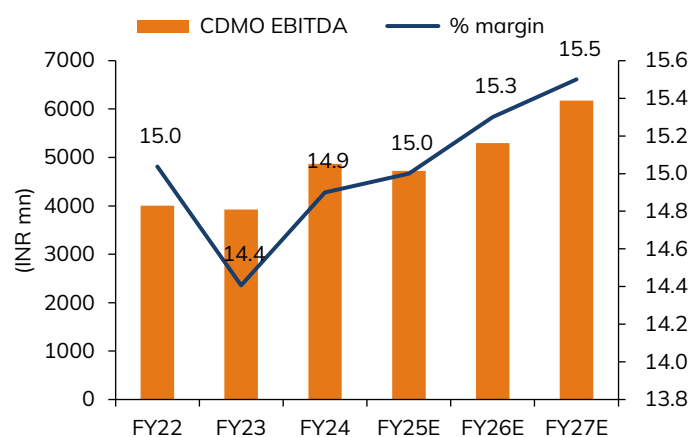
Source: Company data, I-Sec research

## Exhibit 6: CDMO margins expanded 240bps at 15.4%.

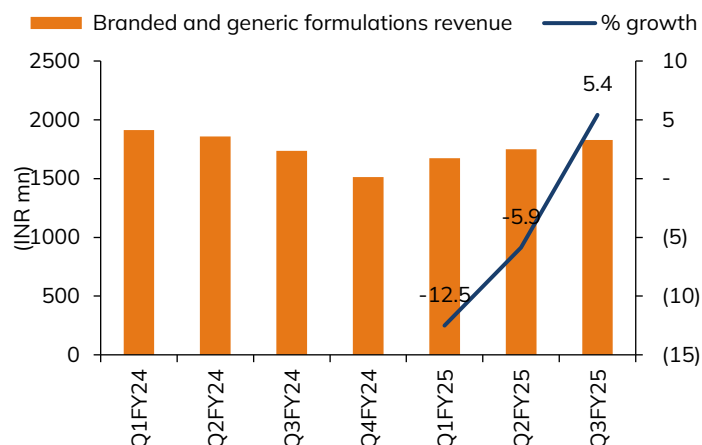


Source: I-Sec research, Company data

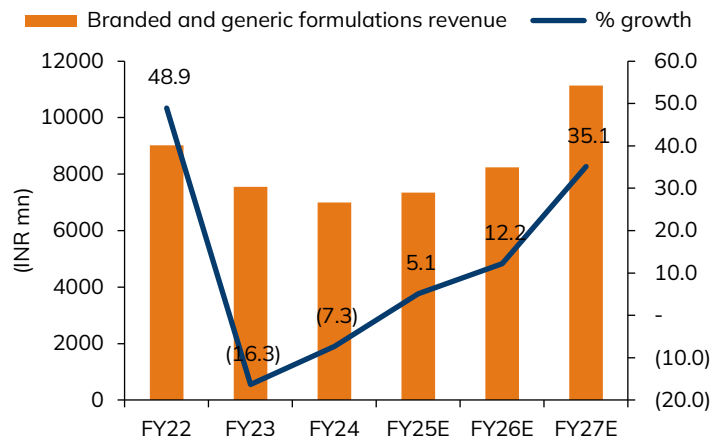
## Exhibit 7: Margins to expand ~60bps over FY24-27E



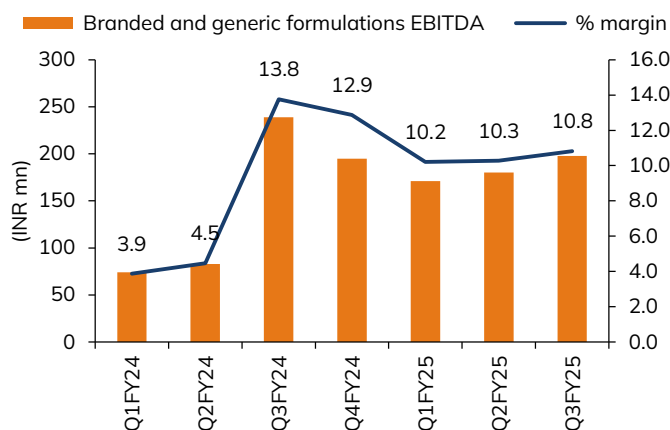
Source: I-Sec research, Company data

**Exhibit 8: Branded generics revenue grew 5.4% YoY**

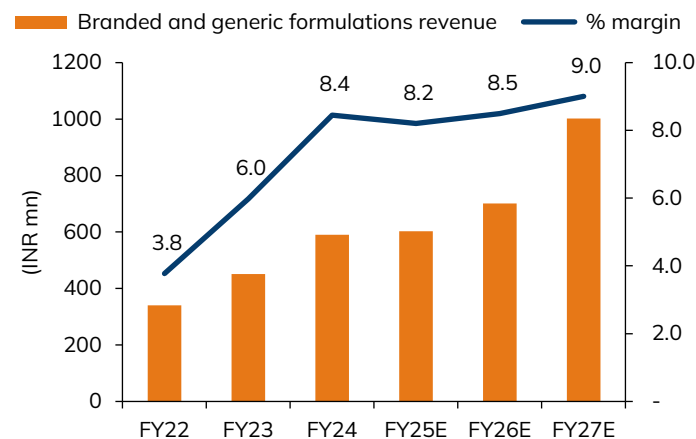
Source: Company data, I-Sec research

**Exhibit 9: Surge in exports and steady growth to drive CAGR of ~17% over FY24-27E**

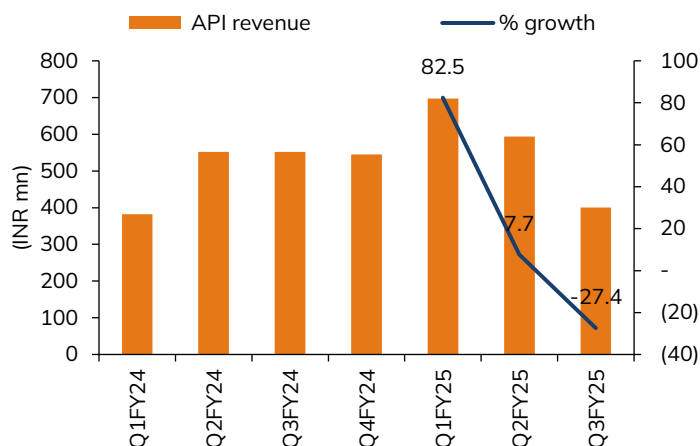
Source: Company data, I-Sec research

**Exhibit 10: Provisions in trade generics dragged margins**

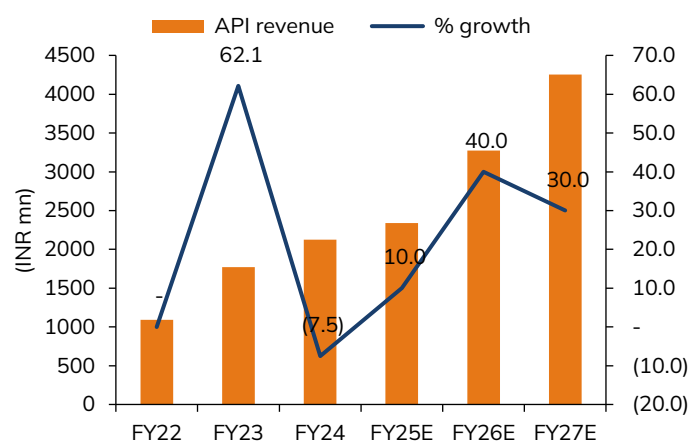
Source: Company data, I-Sec research

**Exhibit 11: Margins to expand by ~60bps over FY24-27E**

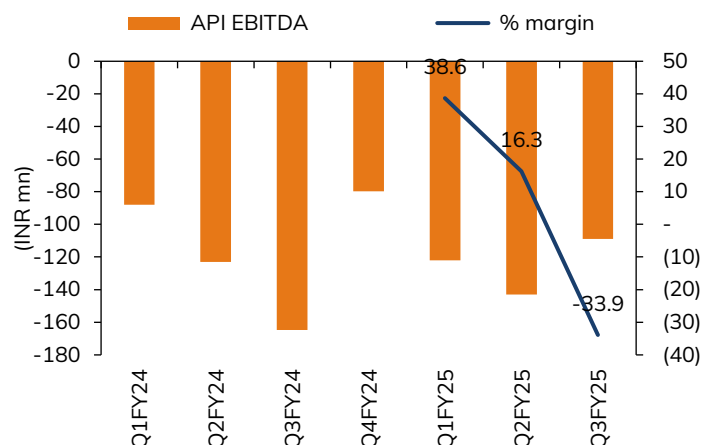
Source: Company data, I-Sec research

**Exhibit 12: Portfolio consolidation drags revenue**

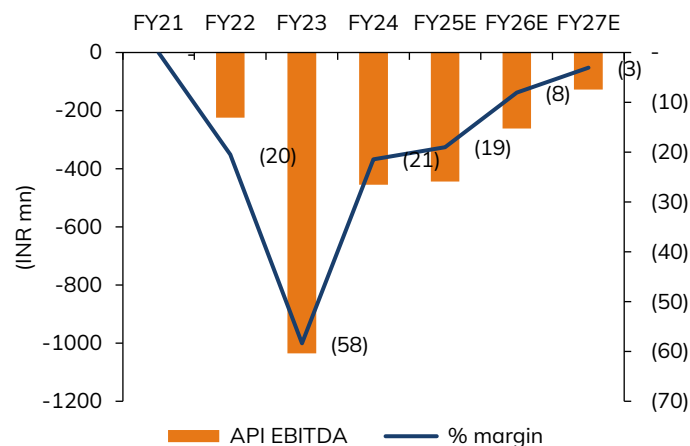
Source: Company data -Sec research

**Exhibit 13: On a low base API revenue to register 26% CAGR over FY24-27E**

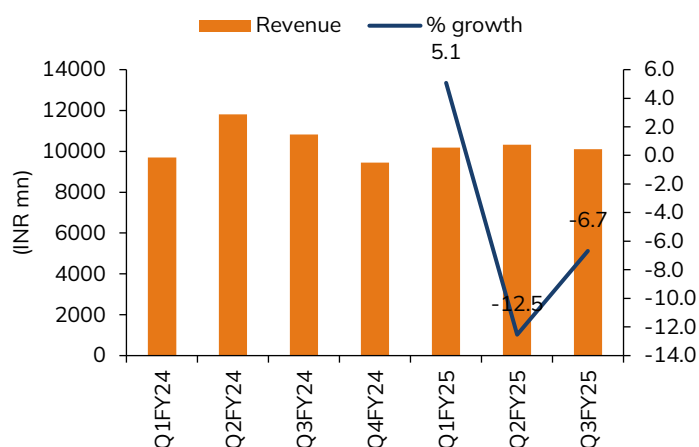
Source: Company data, I-Sec research

**Exhibit 14: EBITDA losses in API were curbed at INR 109mn**

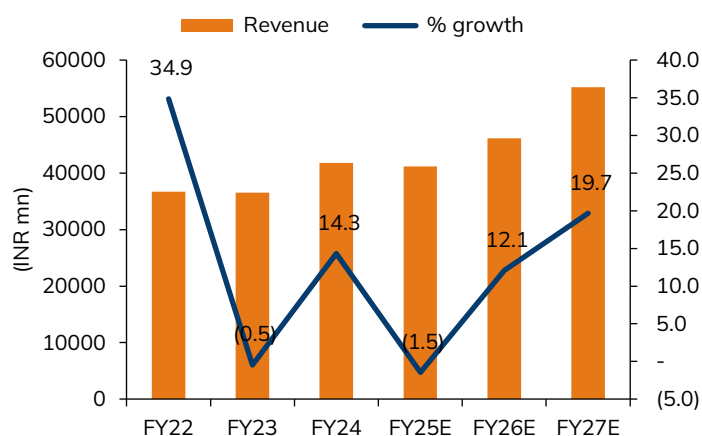
Source: Bloomberg, Company data -Sec research

**Exhibit 15: API losses to taper further**

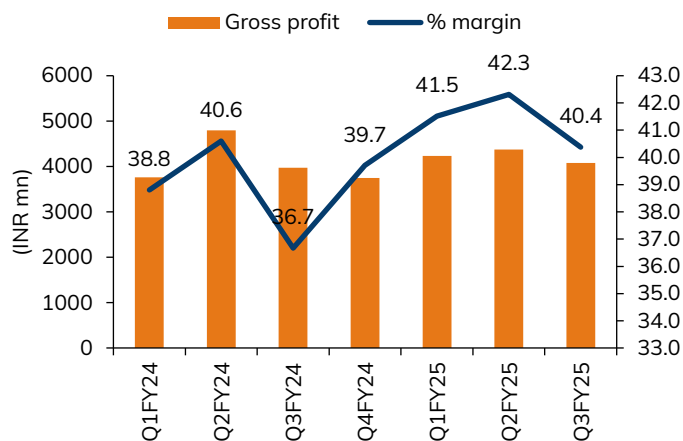
Source: Company data, I-Sec research

**Exhibit 16: CDMO and API biz drag revenue growth**

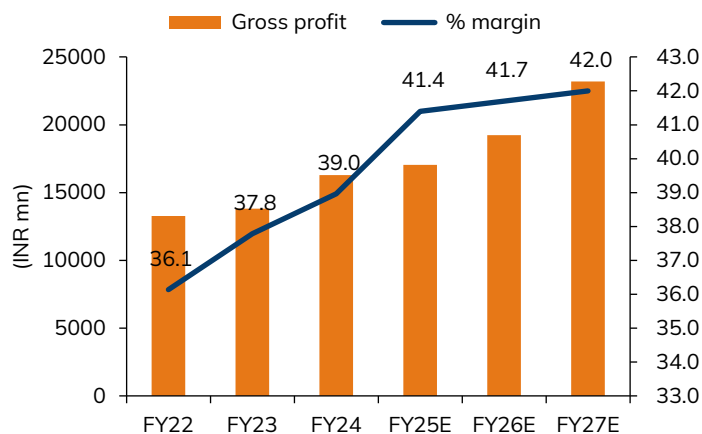
Source: Company data, I-Sec research

**Exhibit 17: Revenue to grow at 9.7% CAGR over FY24–27E**

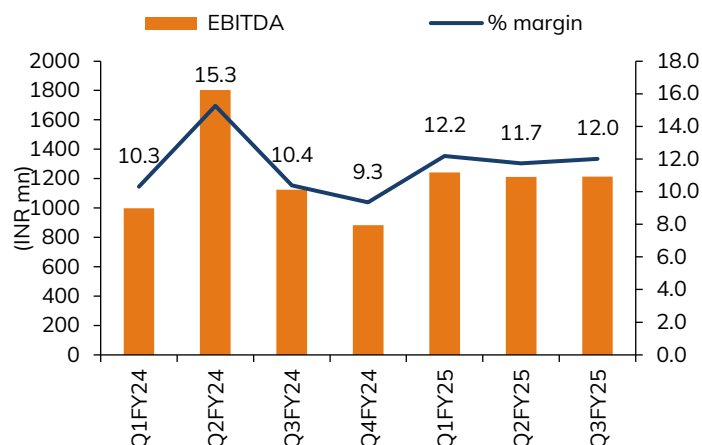
Source: Company data, I-Sec research

**Exhibit 18: Better product mix boost gross margin**

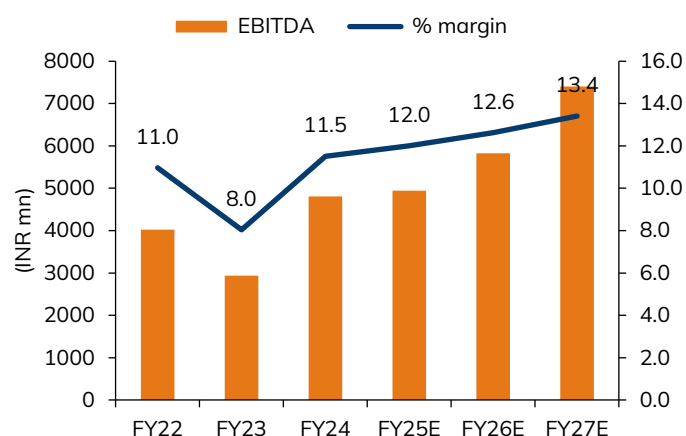
Source: Company data, I-Sec research

**Exhibit 19: Gross margin to stabilise at ~42%**

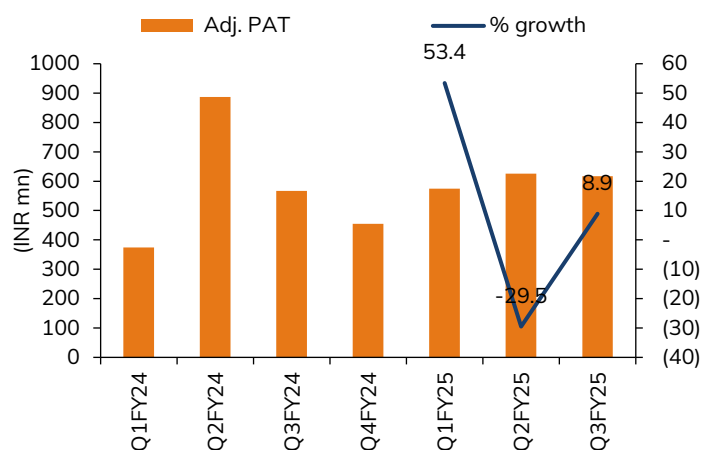
Source: Company data, I-Sec research

**Exhibit 20: EBITDA margin expanded ~160bps YoY**

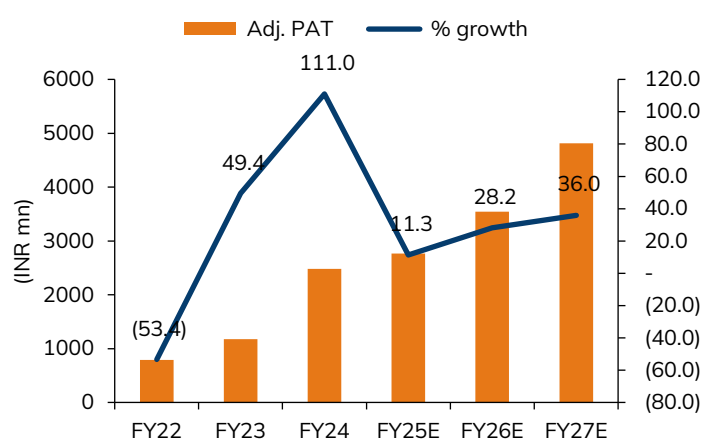
Source: Company data, I-Sec research

**Exhibit 21: EBITDA margin to expand ~190bps over FY24–27E**

Source: Company data, I-Sec research

**Exhibit 22: Adj. Pat grew 8.9% YoY aided by lower interest cost**

Source: Company data, I-Sec research

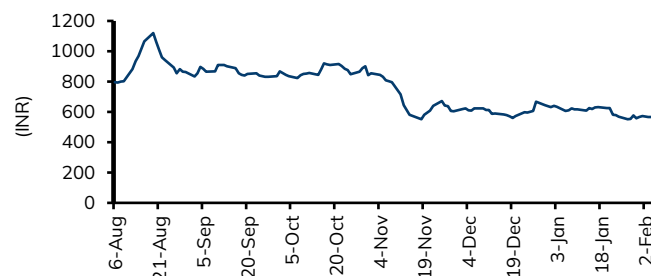
**Exhibit 23: Adj. PAT to grow at ~25% CAGR over FY24–27E**

Source: Company data, I-Sec research

**Exhibit 24: Shareholding pattern**

%	Aug'24	Sep'24	Dec'24
Promoters	75.3	75.3	75.3
Institutional investors	14.9	14.9	13.4
MFs and other	3.1	5.2	5.5
FIs/ Banks	2.7	0.3	0.3
Insurance Cos.	1.4	1.7	0.7
FIIIs	7.7	7.7	6.9
Others	9.8	9.8	11.3

Source: Bloomberg, I-Sec research

**Exhibit 25: Price chart**

Source: Bloomberg, I-Sec research



## Financial Summary

### Exhibit 26: Profit & Loss

(INR mn, year ending March)

	FY24A	FY25E	FY26E	FY27E
<b>Net Sales</b>	<b>41,782</b>	<b>41,173</b>	<b>46,151</b>	<b>55,223</b>
Operating Expenses	11,472	12,105	13,418	15,794
<b>EBITDA</b>	<b>4,808</b>	<b>4,941</b>	<b>5,827</b>	<b>7,400</b>
EBITDA Margin (%)	11.5	12.0	12.6	13.4
Depreciation & Amortization	1,256	1,401	1,617	1,772
EBIT	3,551	3,539	4,209	5,628
Interest expenditure	506	357	100	105
Other Non-operating Income	340	527	633	759
<b>Recurring PBT</b>	<b>(453)</b>	<b>3,702</b>	<b>4,742</b>	<b>6,282</b>
<b>Profit / (Loss) from Associates</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Less: Taxes	(461)	926	1,138	1,382
PAT	8	2,777	3,604	4,900
Less: Minority Interest	19	47	62	84
Extraordinaries (Net)	(260)	(46)	-	-
<b>Net Income (Reported)</b>	<b>(11)</b>	<b>2,729</b>	<b>3,542</b>	<b>4,816</b>
<b>Net Income (Adjusted)</b>	<b>2,484</b>	<b>2,734</b>	<b>3,542</b>	<b>4,816</b>

Source Company data, I-Sec research

### Exhibit 27: Balance sheet

(INR mn, year ending March)

	FY24A	FY25E	FY26E	FY27E
Total Current Assets	19,409	20,686	24,527	30,193
of which cash & cash eqv.	2,771	5,113	7,995	10,411
Total Current Liabilities & Provisions	7,973	7,866	8,740	10,333
<b>Net Current Assets</b>	<b>11,436</b>	<b>12,820</b>	<b>15,787</b>	<b>19,860</b>
Investments	1	1	1	1
Net Fixed Assets	10,649	11,549	13,261	13,945
ROU Assets	1,172	1,451	1,623	1,692
Capital Work-in-Progress	1,954	1,834	494	454
Total Intangible Assets	87	127	165	180
Other assets	1,791	1,783	1,850	1,972
Deferred Tax Assets	100	99	99	99
<b>Total Assets</b>	<b>27,191</b>	<b>29,664</b>	<b>33,280</b>	<b>38,203</b>
<b>Liabilities</b>				
<b>Borrowings</b>	<b>4,916</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Deferred Tax Liability</b>	<b>122</b>	<b>122</b>	<b>122</b>	<b>122</b>
provisions	310	310	310	310
other Liabilities	13,959	102	115	137
Equity Share Capital	286	306	306	306
Reserves & Surplus	6,809	27,987	31,529	36,346
<b>Total Net Worth</b>	<b>7,095</b>	<b>28,293</b>	<b>31,836</b>	<b>36,652</b>
Minority Interest	110	157	219	303
<b>Total Liabilities</b>	<b>27,191</b>	<b>29,664</b>	<b>33,280</b>	<b>38,203</b>

Source Company data, I-Sec research

### Exhibit 28: Cashflow statement

(INR mn, year ending March)

	FY24A	FY25E	FY26E	FY27E
<b>Operating Cashflow</b>	<b>4,983</b>	<b>3,461</b>	<b>4,548</b>	<b>4,261</b>
Working Capital Changes	499	(462)	(140)	(1,756)
Capital Commitments	(3,304)	(1,973)	(1,567)	(1,740)
<b>Free Cashflow</b>	<b>2,118</b>	<b>960</b>	<b>2,348</b>	<b>1,762</b>
<b>Other investing cashflow</b>	<b>(440)</b>	<b>527</b>	<b>633</b>	<b>759</b>
Cashflow from Investing Activities	(3,304)	(1,973)	(1,567)	(1,740)
Issue of Share Capital	-	6,800	-	-
Interest Cost	(434)	(357)	(100)	(105)
Inc (Dec) in Borrowings	(646)	(4,916)	-	-
Dividend paid	-	-	-	-
Others	-	-	-	-
Cash flow from Financing Activities	(1,080)	1,527	(100)	(105)
<b>Chg. in Cash &amp; Bank balance</b>	<b>598</b>	<b>3,015</b>	<b>2,881</b>	<b>2,416</b>
Closing cash & balance	2,098	5,113	7,995	10,411

Source Company data, I-Sec research

### Exhibit 29: Key ratios

(Year ending March)

	FY24A	FY25E	FY26E	FY27E
<b>Per Share Data (INR)</b>				
Reported EPS	17.4	17.9	23.1	31.5
Adjusted EPS (Diluted)	17.4	17.9	23.1	31.5
Cash EPS	26.1	27.0	33.7	43.0
Dividend per share (DPS)	-	-	-	-
Book Value per share (BV)	49.6	184.8	207.9	239.4
Dividend Payout (%)	-	-	-	-
<b>Growth (%)</b>				
Net Sales	14.3	(1.5)	12.1	19.7
EBITDA	63.5	2.8	17.9	27.0
EPS (INR)	111.4	2.9	29.6	36.0
<b>Valuation Ratios (x)</b>				
P/E	32.3	31.4	24.2	17.8
P/CEPS	21.5	20.8	16.6	13.0
P/BV	11.3	3.0	2.7	2.3
EV / EBITDA	18.3	16.3	13.4	10.2
P / Sales	2.1	2.1	1.9	1.6
Dividend Yield (%)	-	-	-	-
<b>Operating Ratios</b>				
Gross Profit Margins (%)	39.0	41.4	41.7	42.0
EBITDA Margins (%)	11.5	12.0	12.6	13.4
Effective Tax Rate (%)	11.4	24.7	24.0	22.0
Net Profit Margins (%)	5.9	6.6	7.7	8.7
NWC / Total Assets (%)	-	-	-	-
Net Debt / Equity (x)	0.3	(0.2)	(0.2)	(0.3)
Net Debt / EBITDA (x)	0.4	(1.0)	(1.4)	(1.4)
<b>Profitability Ratios</b>				
RoCE (%)	9.6	10.7	11.5	13.7
RoE (%)	34.8	15.6	11.8	14.1
RoC (%)	10.5	12.4	14.5	18.5
Fixed Asset Turnover (x)	4.1	3.7	3.7	4.1
Inventory Turnover Days	59	51	50	52
Receivables Days	78	69	69	71
Payables Days	50	46	49	51

Source Company data, I-Sec research



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