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India | Equity Research | Company Update

Akums Drugs and Pharmaceuticals

Pharma

Aiming for profitable growth ahead

We recently hosted Akums' management for a roadshow. Akums has been able to maintain its CDMO and overall EBITDA margin at 15.5%/12.0% despite its sub-par revenue growth in 9MFY25. Further efforts towards curbing losses in API division and new export order (starting CY27) could drive operating leverage and boost margins in coming years. The impact of low API prices is behind, and if prices remain steady in the next couple of quarters, then volume growth could bounce back. Additionally, in FY26, better traction from hormones and new injectable plant may improve overall product mix of CDMO biz and drive value growth and margins. Losses in API biz are likely to curtail further and the biz could break even by the end of FY27. While trimming exposure in trade generics may impact growth, its sub-par margins could ensure no major dent in EBITDA. Retain **BUY**.

Fresh capacity and mix improvement to drive growth in CDMO biz

Akums' CDMO growth in 9MFY25 was impacted by a decline in API prices benefit, which the company passes on to its customers. However, the company has been able to maintain segmental margin of 15.5% in 9MFY25. Management is confident of volume growth bouncing back on the low base of last year and an overall upward trend in outsourcing. Besides, in FY26, better contribution from its hormonal and injectable plan could improve the product mix and help the company post 10-12% growth.

Trimming losses in API division a key priority

API revenue declined 27.4% YoY (32.6%) in Q3FY25 as the company had started to consolidate its portfolio in a bid to revive profitability. It is now focusing on driving growth in value-accretive products and exports may pick up further in quarters ahead. Management targets an EBITDA breakeven of this division by the end of FY27.

Exports to lead growth in branded generics

The company has received EUR 100mn as advance for the new European CDMO contract. Commercial supplies will begin from CY27 and the company is likely to ship orders worth USD 20mn over CY27-32. This order is expected to be margin accretive for the company. India branded generics (Akumentis) is expected to grow in line with market growth rate ahead while it is trimming exposure in the low-margin trade generic segment.

Financial Summary

Y/E March (INR mn)	FY24A	FY25E	FY26E	FY27E
Net Revenue	41,782	40,918	45,835	54,011
EBITDA	4,808	4,910	5,821	7,346
EBITDA Margin (%)	11.5	12.0	12.7	13.6
Net Profit	2,484	2,711	3,538	4,774
EPS (INR)	17.4	17.7	23.1	31.2
EPS % Chg YoY	111.4	2.0	30.5	34.9
P/E (x)	29.4	28.8	22.1	16.4
EV/EBITDA (x)	16.7	14.9	12.1	9.2
RoCE (%)	9.6	10.6	11.5	13.6
RoE (%)	34.8	15.5	11.8	14.0

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Market Data

Market Cap (INR)	80bn
Market Cap (USD)	922mn
Bloomberg Code	AKUMS IN
Reuters Code	AKUM.BO
52-week Range (INR)	1,176 /433
Free Float (%)	14.0
ADTV-3M (mn) (USD)	2.6

Price Performance (%)	3m	6m	12m
Absolute	(13.4)	(43.5)	0.0
Relative to Sensex	(3.3)	(32.5)	0.0

ESG Score	2022	2023	Change
ESG score	52.6	65.8	13.2
Environment	28.6	41.8	13.2
Social	35.0	69.7	34.7
Governance	75.8	77.4	1.6

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

Source: SES ESG, I-sec research

Earnings Revisions (%)	FY26E	FY27E
Revenue	(0.7)	(2.2)
EBITDA	(0.1)	(0.7)
EPS	(0.1)	(0.9)

Previous Reports

09-02-2025: [Q3FY25 results review](#)

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

Valuation and risks

FY26 could 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. Akums in Q3 witnessed a recovery in CDMO volumes (LTM growth at 1.6% YoY). The traction is likely to be maintained led by its strong orderbook, stability in prices and commercialisation of new injectable and hormones facility. The company is focusing on improving product mix by inching up sales of differentiated products in CDMO. Akums has entered into a EUR 200mn (INR 17.6bn) partnership with a global pharmaceutical company for manufacturing and supplying 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 over CY27–32, which would be marketed by the partner company across various European countries. Mix improvement in CDMO segment, curbs in losses in API biz and exposure towards trade generics may help the company deliver a 160bps expansion in margins over FY25–27E.

We expect Akums to post revenue/EBITDA/PAT CAGR of 14.9%/ 22.3%/32% over FY25–27E with 160bps jump in EBITDA margin to 13.6% in FY27E. At CMP, the stock trades at 22.1x/16.4x FY26E/27E EPS of INR 23.1/INR 31.2, respectively. We retain **BUY** with an unchanged target price of INR 710, valuing the company at 23x FY27E earnings.

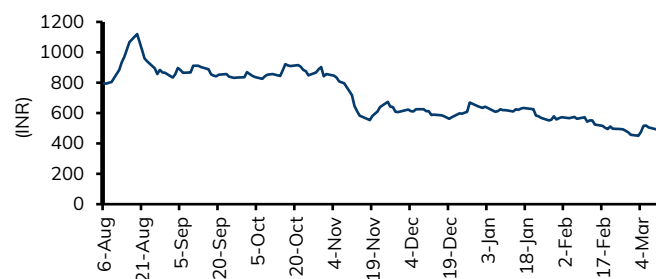
Key downside risks: Volatility in API prices, delay in cost curbs in API division and regulatory hurdles.

Exhibit 1: 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 2: Price chart



Source: Bloomberg, I-Sec research

Financial Summary

Exhibit 3: Profit & Loss

(INR mn, year ending March)

	FY24A	FY25E	FY26E	FY27E
Net Sales	41,782	40,918	45,835	54,011
Operating Expenses	11,472	12,030	13,292	15,177
EBITDA	4,808	4,910	5,821	7,346
EBITDA Margin (%)	11.5	12.0	12.7	13.6
Depreciation & Amortization	1,256	1,401	1,617	1,772
EBIT	3,551	3,509	4,204	5,573
Interest expenditure	506	357	100	105
Other Non-operating Income	340	527	633	759
Recurring PBT	(453)	3,672	4,737	6,228
Profit / (Loss) from Associates	-	-	-	-
Less: Taxes	(461)	918	1,137	1,370
PAT	8	2,754	3,600	4,858
Less: Minority Interest	19	47	62	84
Extraordinaries (Net)	(260)	(46)	-	-
Net Income (Reported)	(11)	2,706	3,538	4,774
Net Income (Adjusted)	2,484	2,711	3,538	4,774

Source Company data, I-Sec research

Exhibit 4: Balance sheet

(INR mn, year ending March)

	FY24A	FY25E	FY26E	FY27E
Total Current Assets	19,409	20,537	24,353	29,812
of which cash & cash eqv.	2,771	5,061	7,934	10,464
Total Current Liabilities & Provisions	7,973	7,821	8,684	10,120
Net Current Assets	11,436	12,715	15,669	19,692
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	1,780	1,846	1,956
Deferred Tax Assets	100	98	98	98
Total Assets	27,191	29,555	33,157	38,018
Liabilities				
Borrowings	4,916	-	-	-
Deferred Tax Liability	122	122	122	122
provisions	310	310	310	310
other Liabilities	13,959	17	19	22
Equity Share Capital	286	306	306	306
Reserves & Surplus	6,809	27,964	31,502	36,276
Total Net Worth	7,095	28,270	31,808	36,582
Minority Interest	110	157	219	303
Total Liabilities	27,191	29,555	33,157	38,018

Source Company data, I-Sec research

Exhibit 5: Cashflow statement

(INR mn, year ending March)

	FY24A	FY25E	FY26E	FY27E
Operating Cashflow	4,983	3,408	4,540	4,376
Working Capital Changes	499	(492)	(144)	(1,600)
Capital Commitments	(3,304)	(1,973)	(1,567)	(1,740)
Free Cashflow	2,118	908	2,341	1,876
Other investing cashflow	(440)	527	633	759
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)
Chg. in Cash & Bank balance	598	2,963	2,873	2,530
Closing cash & balance	2,098	5,061	7,934	10,464

Source Company data, I-Sec research

Exhibit 6: Key ratios

(Year ending March)

	FY24A	FY25E	FY26E	FY27E
Per Share Data (INR)				
Reported EPS	17.4	17.7	23.1	31.2
Adjusted EPS (Diluted)	17.4	17.7	23.1	31.2
Cash EPS	26.1	26.9	33.7	42.8
Dividend per share (DPS)	-	-	-	-
Book Value per share (BV)	49.6	184.6	207.8	238.9
Dividend Payout (%)	-	-	-	-
Growth (%)				
Net Sales	14.3	(2.1)	12.0	17.8
EBITDA	63.5	2.1	18.6	26.2
EPS (INR)	111.4	2.0	30.5	34.9
Valuation Ratios (x)				
P/E	29.4	28.8	22.1	16.4
P/CEPS	19.5	19.0	15.2	11.9
P/BV	10.3	2.8	2.5	2.1
EV / EBITDA	16.7	14.9	12.1	9.2
P / Sales	1.9	1.9	1.7	1.4
Dividend Yield (%)	-	-	-	-
Operating Ratios				
Gross Profit Margins (%)	39.0	41.4	41.7	41.7
EBITDA Margins (%)	11.5	12.0	12.7	13.6
Effective Tax Rate (%)	11.4	24.7	24.0	22.0
Net Profit Margins (%)	5.9	6.6	7.7	8.8
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)
Profitability Ratios				
RoCE (%)	9.6	10.6	11.5	13.6
RoE (%)	34.8	15.5	11.8	14.0
RoIC (%)	10.5	12.3	14.5	18.4
Fixed Asset Turnover (x)	4.1	3.7	3.7	4.0
Inventory Turnover Days	59	51	50	52
Receivables Days	78	68	69	71
Payables Days	50	46	49	50

Source Company data, I-Sec research

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