Akums Drugs and Pharmaceuticals

Pharma

Export business poised for strong growth ahead

Akums Drugs and Pharmaceuticals (Akums)'s Q2FY26 performance was marred by pricing pressure in API and cost escalation on overheads of new plants. Volumes for the CDMO business, though, continue to grow (7% growth in Q2) despite flattish volumes for market. Ahead, exports are expected to pick up sharply with supplies to Zambia expected to begin in FY27 (revenue of USD 25mn); and from FY28, it would initiate supplies for the European contract. We trim FY27E/FY28E EPS by ~19%/12% to bake in slower growth in the CDMO segment and lower margins. The stock trades at P/BV of 2x/1.8x FY26E/FY27E, which we believe is attractive considering its dominance in the Indian pharma manufacturing space. Retain **BUY** with a lower SoTP-based TP of INR 565.

Pricing headwinds in CDMO business drag growth

Q2FY26 revenue declined by 1.5% YoY/0.6% QoQ to INR 10.2bn (I-Sec: INR 9.8bn). Gross margins shrank 55bps YoY/141bps QoQ to 41.8% due to change in product mix. EBITDA declined 22% YoY/26.7% QoQ to INR 945mn (I-Sec: INR 1.2bn), while EBITDA margin contracted 245bps YoY/331bps QoQ to 9.3% (I-Sec: 11.9%). Other income rose to INR 324mn, up 140.3% YoY; however, its benefit was restrained by higher interest cost of INR 233mn. Adjusted PAT declined 34.8% YoY/35.7% QoQ to INR 408mn (I-Sec: INR 609mn).

Cost escalation in CDMO and API business hurts margins

CDMO revenue grew 0.7% YoY (-1.1% QoQ) to INR 8bn, mainly due to impact of lower API prices (3.5%). EBITDA stood at INR 843mn, down 31.3% YoY/29.4% QoQ. EBITDA margins contracted 490bps to 10.5%. We expect an 8.9% CAGR in the CDMO division over FY25–28E driven by new orders and stability in API prices. Domestic branded generic business grew at 5.3% YoY to INR 1.2bn. EBITDA margin rose 388bps YoY to 21.6%. International generics segment declined 14.3% YoY to INR 224mn due to low order uptick. EBITDA margin rose 1,070bps YoY to 24.5%. Akums anticipates recovery in H2FY26. Trade generics segment declined by 26.2% YoY to INR 244mn. It incurred EBITDA loss of INR 29mn, as against loss of INR 62mn last year. API revenue declined 25.2% YoY/1.3% QoQ to INR 445mn due to a consolidation of its portfolio to revive profitability. EBITDA losses in API rose to INR 140mn, as against losses of INR 63mn/INR 143mn in Q1FY26/Q2FY25.

Financial Summary

Y/E March (INR mn)	FY25A	FY26E	FY27E	FY28E
Net Revenue	41,182	42,445	47,985	54,224
EBITDA	4,606	4,542	5,710	6,832
EBITDA Margin (%)	11.2	10.7	11.9	12.6
Net Profit	3,254	2,364	3,289	4,283
EPS (INR)	21.3	15.4	21.5	28.0
EPS % Chg YoY	23.9	(26.5)	39.1	30.2
P/E (x)	19.9	27.5	19.8	15.2
EV/EBITDA (x)	12.9	11.1	8.6	6.8
RoCE (%)	12.1	8.3	9.1	10.4
RoE (%)	17.3	7.5	9.5	11.2

Abdulkader Puranwala
abdulkader.puranwala@icicisecurities.com
+91 22 6807 7339
Nisha Shetty
nisha.shetty@icicisecurities.com
Darshil Jain
darshil.jain@icicisecurities.com

Market Data

Market Cap (INR)	67bn
Market Cap (USD)	753mn
Bloomberg Code	AKUMS IN
Reuters Code	AKUM.BO
52-week Range (INR)	706 /405
Free Float (%)	17.0
ADTV-3M (mn) (USD)	1.1

Price Performance (%)	3m	6m	12m
Absolute	(9.8)	(18.4)	(27.1)
Relative to Sensex	(14.8)	(22.3)	(36.1)

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

Earnings Revisions (%)	FY26E	FY27E
Revenue	(3.0)	(3.9)
EBITDA	(17.0)	(11.4)
EPS	(18.9)	(12.4)

Previous Reports

11-08-2025: Q1FY26 results review

28-05-2025: Q4FY25 results review

Valuation and risks

Akums continues to be a dominant player in the Indian pharma manufacturing segment, controlling over 10% volume market share in the IPM. Lower API prices have hurt its revenue growth in the near term, though volumes have picked up for the company in the last couple of quarters (+7% in Q2FY26). The company continues to add capacities in niche areas of injectables, hormones and other products with an aim of improving product mix to boost growth and aid better margins. Besides, Akums has been trying to curtail losses of its API and trade generics segment. Q2FY26 losses of API have surged as it has expensed out high-priced inventory (gross margins down from 12–13% to ~9% in Q2FY26); for H2FY26, the losses are expected to be curtailed. Besides, supplies of rivaroxaban and dapagliflozin combination to Switzerland shall begin from Q3FY26 and would aid margin improvement. In the trade generics segment, the company has decided to curtail supplies of a few products to improvise segmental margins.

Akums has entered into a JV with the Government of Zambia to manufacture pharmaceutical products in Zambia. As part of the JV, in the initial two years, the company would supply drugs worth USD 25mn from the India facility; the run-rate will likely increase further to USD 45–50mn, once manufacturing at its new plant in Zambia picks up. Commercial supplies for the EUR 200mn contract with a global pharmaceutical company is on track to begin from Apr'27, with order value of ~INR 3bn p.a. At present two of its plants are inspected by European regulatory and another three plants are likely to be inspected. Further, it has cash surplus of INR 16bn (~24% of current mcap), as of Sep'25, which shall be deployed to improve scale through M&A.

We expect Akums to post revenue/EBITDA/PAT CAGRs of 9.6%/14%/10% over FY25–28E with 142bps jump in EBITDA margin to 12.6% in FY28E. At CMP, the stock trades at 20.4x/15.6x FY27E/FY28E EPS of INR 21.5/INR 28, respectively, and P/BV of 2x/1.8x for FY26/FY27 estimates. We maintain **BUY** with a lower SoTP-based target price of INR 565 (INR 655 earlier).

Key downside risks: Location concentration of manufacturing plants; and fluctuation in API prices.

Exhibit 1: SoTP-based valuation

FY27E (INR mn)	Revenue	EBITDA	Multiple (x)	Value
CDMO	38,552	4,472	12x EV/EBITDA	53,799
Akumentis	4,968	624	20x EV/EBITDA	11,233
Unosource	1,426	171	8x EV/EBITDA	1,369
API	2,075	0	1x EV/Sales	2,075
Total	**48,036**	**5,047**	**14.5x EV/EBITDA**	**68,476**
Less Net Debt				-17,986
EV				**86,461**
Number of shares				153
Target Price				**565**

Source: I-Sec research

Q2FY26 conference call highlights

CDMO

- Revenue growth was modest due to lower API prices (works on a cost-plus basis).
- CDMO's volume grew 7% in Q2 – ahead of flattish volumes for market. Growth was driven on the back of better demand for cough syrups.
- Weak API prices – saw an impact of 3.5% in Q2. Price of top-200 APIs have eroded by ~8%; and 50% of it has to be absorbed by the company.
- Current capacity utilisation is 40% and has the potential to go up to 55%.
- EBITDA margins in H2FY26 are likely to be in similar range of ~12%.
- Employee cost has grown a mere ~8% YoY despite the addition of new facilities.
- CDMO gross margins have improved from 37.1% in FY25 to 37.6% n Q2FY26.

Europe

- Supplies of oral liquid formulation for European market would start from Q1FY28.
- It has filed two CEPs (Proxytel and Axetil) in the Cephalosporin space and expects approvals in the next six months. One more would be filed in H2FY26.
- The company has filed 10 dossiers for APIs in Europe. Supplies of rivaroxaban and dapagliflozin to Switzerland would start from by Q3FY26. Post which, supplies of a few more products should begin.
- In discussion with a few more companies for shifting their manufacturing base to Akums plant in India.
- The company has recorded notional interest of INR 380mn in H1FY26 pertaining to EUR 100mn advance received from a customer. It is a non-cash charge and would start reducing on initiation of supplies from FY28.

Zambia JV

- Akums shall hold 51% in the JV and supplies worth USD 25mn would commence in FY27 from Akums' plant in India. The total project cost (manufacturing plant + dossiers) would be USD 45mn; out of which, Akums shall invest ~USD 22-23mn. From FY29, supplies for this project may gradually increase to USD 45-50mn, as the Zambian plant becomes operations.
- Revenues from this project will be included in the CDMO segment of the company.
- Zambian plant shall be a multi-dosage facility across tablets, capsules, topical, liquids, injectables and more.
- Over the next 3-4 years, it aspires to have a market share of 25% in Zambia's pharma market (market size of USD 200mn).

Domestic branded formulations

- Branded formulations segment is expected to grow at 4-5% in H2FY26, in-line with H1FY26.

International branded segment

- Low order uptick due to elections in certain African countries led to tepid performance of this segment in Q2FY26. The company has a strong order book and anticipates good growth in H2FY26.

Trade generics

- The company may decide to discontinue loss-making products by end of FY26 and make provision for related receivables.
- EBITDA profile of the trade generics is expected to improve by end of FY26 led by cost optimisation and discontinuation of certain products.

API

- Continues to focus on high-margin portfolio.
- Cephalosporins accounted for 80% of revenue and general APIs account for 20%.
- In Q2, gross margin of API biz declined from 12-13% to ~9.3%.

Q2FY26 financials

- Margins of CDMO biz were lower due to unfavorable API prices.
- Longer approval timelines and client audits led to slower ramp up in new injectable and oral solids facility impacting margins.
- It has net cash balance of INR 16bn at end-Q2FY26.

Guidance

- Capex for six months was INR 1.07nn and Akums may further incur ~INR 1-1.24bn in H2FY26. Majority of the capex incurred is towards R&D and European contract.
- EBITDA margin in H2FY26 shall be similar to H1FY26 (~11%).
- CDMO capacity is operating at 40% utilization (peak capacity of 55%).
- It is exploring inorganic opportunity with export market or dosage formulations capabilities.
- It expects to receive approval in cephalosporin space in 6 months. This business would have higher gross margin.
- Barring the advance from European client, the company generated operating cash flow of INR 900mn in H1FY26.

Exhibit 2: Quarterly review

Particulars (INR mn)	Q2FY26	Q2FY25	YoY % Chg	Q1FY26	QoQ % Chg	H1FY26	H1FY25	YoY % Chg
Net Sales	**10,175**	**10,331**	**(1.5)**	**10,240**	**(0.6)**	**20,416**	**20,522**	**(0.5)**
Gross Profit	**4,250**	**4,371**	**(2.8)**	**4,421**	**(3.9)**	**8,671**	**8,602**	**0.8**
Gross margins	41.8	42.3	(55bps)	43.2	(141bps)	42.5	41.9	55bps
EBITDA	**945**	**1,212**	**(22.0)**	**1,290**	**(26.7)**	**2,234**	**2,453**	**(8.9)**
EBITDA margins (%)	9.3	11.7	(245bps)	12.6	(331bps)	10.9	12.0	(101bps)
Other income	324	135	140.3	267	21.1	591	200	195.2
Interest	233	119	95.8	231	0.7	464	249	86.3
Depreciation	379	349	8.6	369	2.6	748	689	8.5
Extraordinary Items	-	37	-	-	-	-	76	-
PBT	**657**	**916**	**(28.3)**	**956**	**(31.3)**	**1,613**	**1,791**	**(9.9)**
Tax	230	249	(7.9)	310	(25.8)	539	512	5.3
Tax Rate (%)	35.0	27.2	776bps	32.4	262bps	33.4	28.6	484bps
Reported PAT	**408**	**652**	**(37.5)**	**635**	**(35.7)**	**1,043**	**1,254**	**(16.8)**
Adjusted PAT	**408**	**625**	**(34.8)**	**635**	**(35.7)**	**1,043**	**1,200**	**(13.1)**
NPM (%)	4.0	6.1	(204bps)	6.2	(219bps)	5.1	5.8	(74bps)

Source: I-Sec research, Company data

Exhibit 3: Segmental revenue

Segmental revenue (INR mn)	Q2FY26	Q2FY25	YoY % Chg	Q1FY26	QoQ % Chg	H1FY26	H1FY25	YoY % Chg
CDMO	8,043	7,987	0.7	8,133	(1.1)	16,177	15,807	2.3
Domestic branded generics	1,219	1,158	5.3	1,075	13.5	2,294	2,197	4.4
International branded generics	224	262	(14.3)	351	(36.0)	575	604	(4.9)
Trade generics	244	330	(26.2)	231	5.3	475	623	(23.7)
API	445	594	(25.2)	450	(1.3)	895	1,291	(30.7)
Total	**10,175**	**10,331**	**(1.5)**	**10,240**	**(0.6)**	**20,416**	**20,522**	**(0.5)**

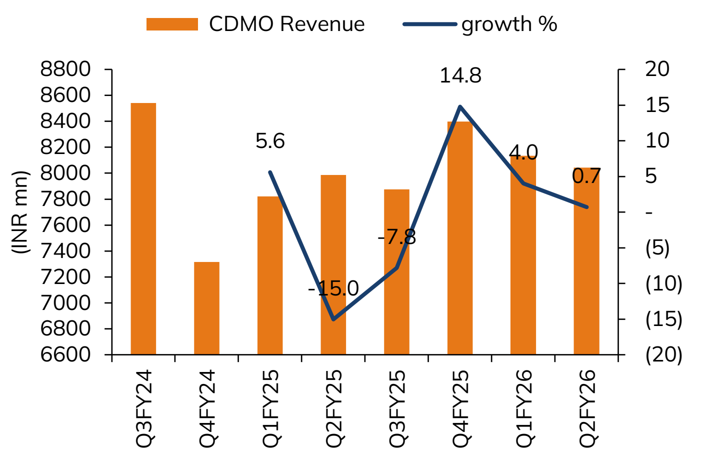
Source: I-Sec research, Company data

Exhibit 4: Segmental EBITDA

(INR mn)	Q2FY26	Q2FY25	YoY % Chg	Q1FY26	QoQ % Chg	H1FY26	H1FY25	YoY % Chg
CDMO	843	1,227	(31.3)	1,195	(29.4)	2,038	2,439	(16.5)
margin (%)	10.5	15.4	(490bps)	14.7	(420bps)	12.6	15.4	(280bps)
Domestic branded generics	264	206	28.2	158	66.5	422	340	24.1
margin (%)	21.6	17.8	390bps	14.7	690bps	18.4	15.5	290bps
International branded generics	55	36	52.2	80	(31.8)	135	110	22.5
margin (%)	24.5	13.8	1070bps	23.0	150bps	23.5	18.3	530bps
Trade generics	(29)	(62)	(53.5)	(55)	(47.5)	(83)	(99)	(16.1)
margin (%)	(11.8)	(18.7)	690bps	(23.7)	1190bps	(17.6)	(16.0)	(160bps)
API	(140)	(143)	(1.8)	(63)	121.6	(204)	(265)	(23.1)
margin (%)	(31.6)	(24.0)	(750bps)	(14.1)	(1750bps)	(22.8)	(20.5)	(220bps)
Total	**993**	**1,264**	**(21.5)**	**1,316**	**(24.5)**	**2,308**	**2,525**	**(8.6)**

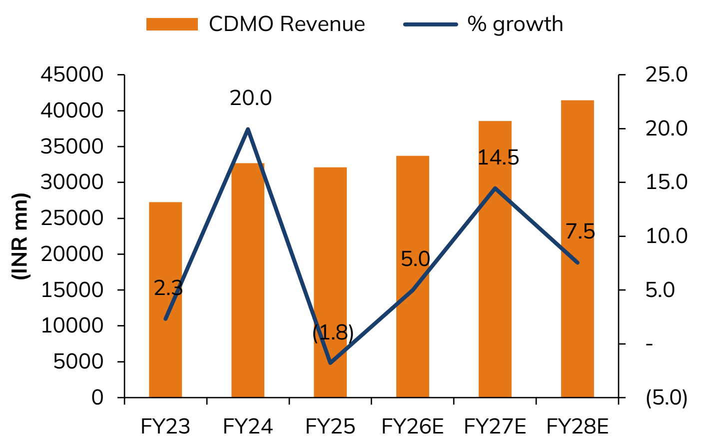
Source: Company data, I-Sec research

Exhibit 5: API pricing pressure led to muted growth in the segment



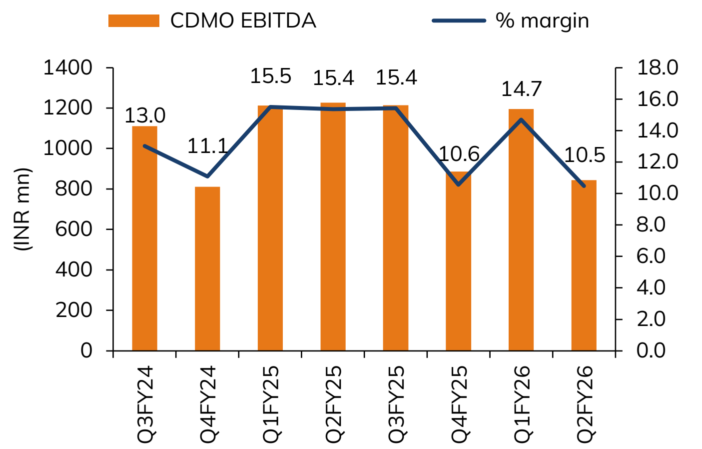
Source: Company data, I-Sec research

Exhibit 6: New projects to revive growth in CDMO business



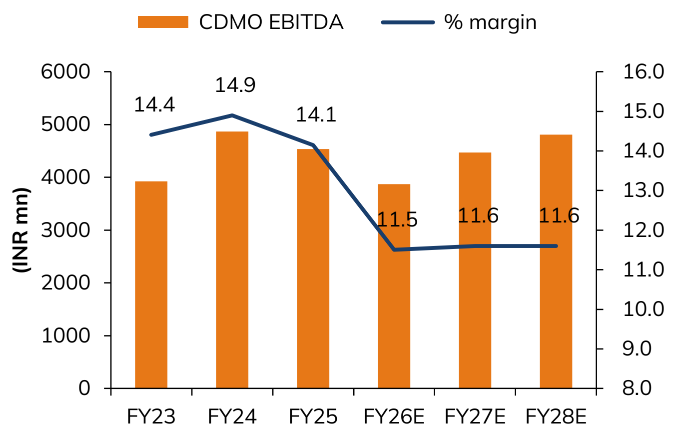
Source: Company data, I-Sec research

Exhibit 7: CDMO margin contracted 490bps at 10.5%



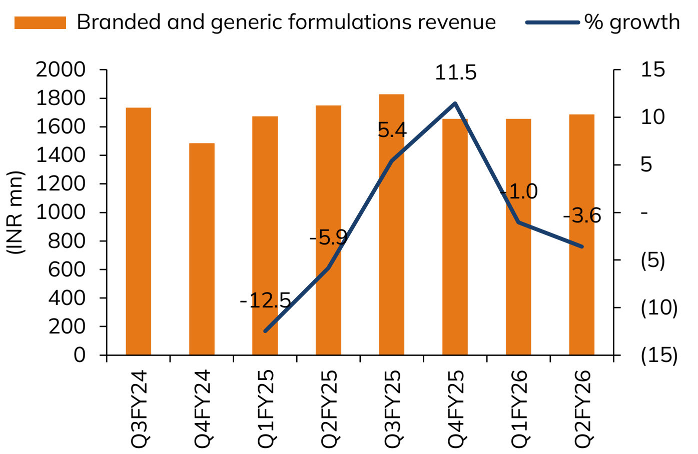
Source: I-Sec research, Company data

Exhibit 8: Margin to moderate over FY25–28E



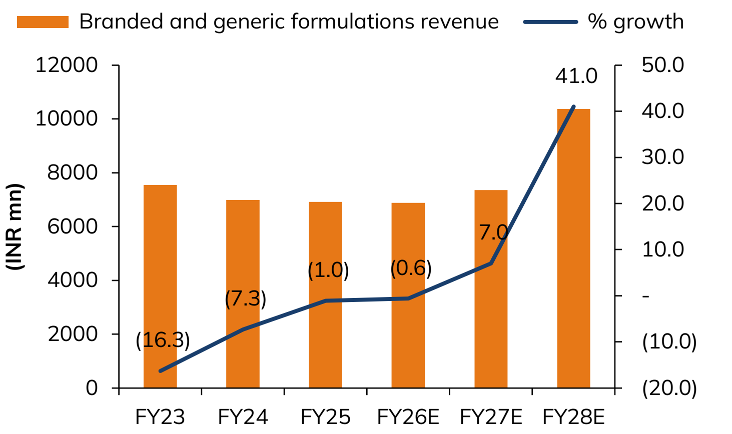
Source: I-Sec research, Company data

Exhibit 9: Branded generics revenue declined 3.6% YoY



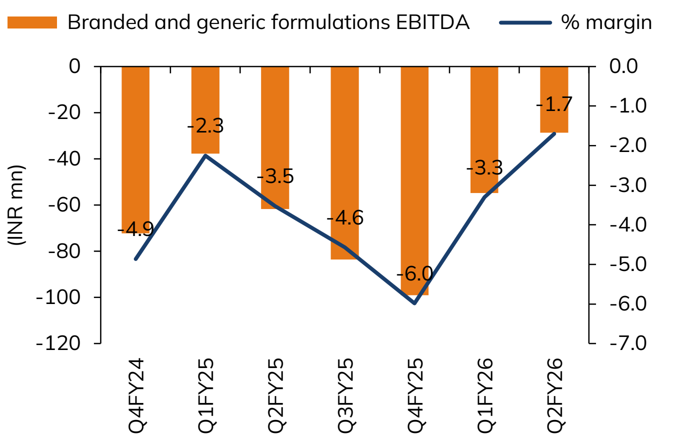
Source: Company data, I-Sec research

Exhibit 10: Surge in exports to drive CAGR of 14.5% over FY25–28E



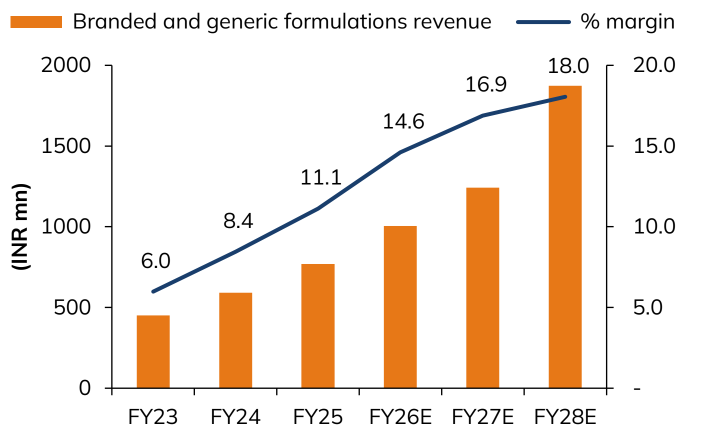
Source: Company data, I-Sec research

Exhibit 11: Consolidation of trade generics continue to pressurise margins



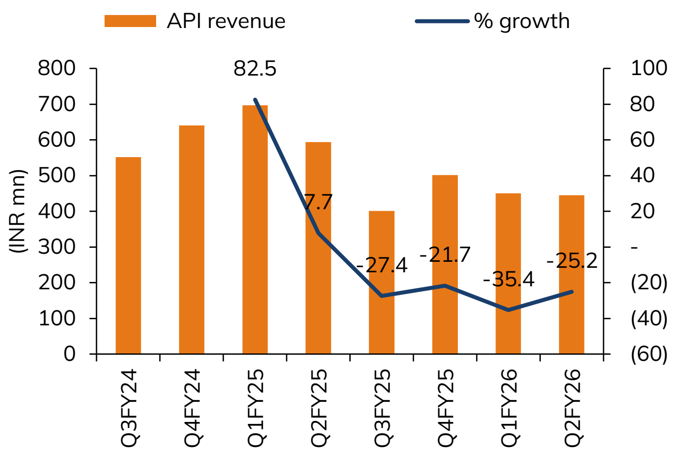
Source: Company data, I-Sec research

Exhibit 12: Margin to expand by ~700bps over FY25–28E



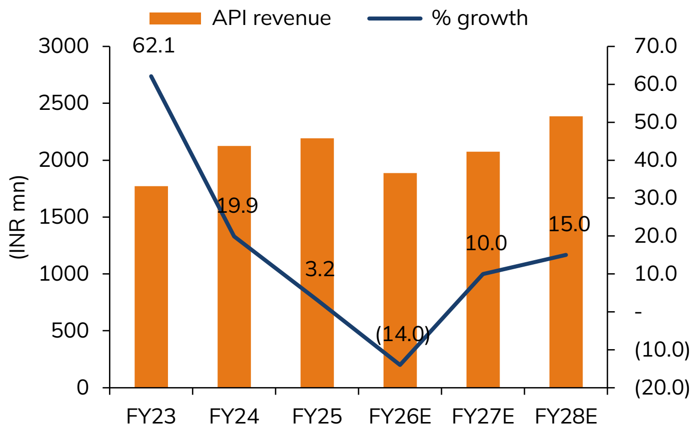
Source: Company data, I-Sec research

Exhibit 13: Portfolio consolidation drags revenue



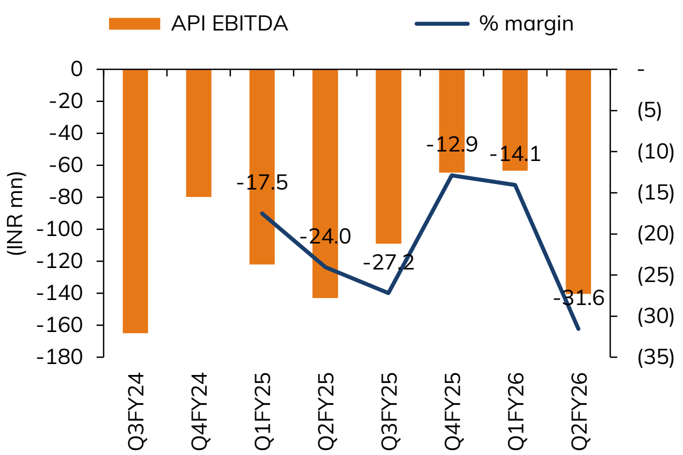
Source: Company data -Sec research

Exhibit 14: API revenue to be muted over FY25–28E



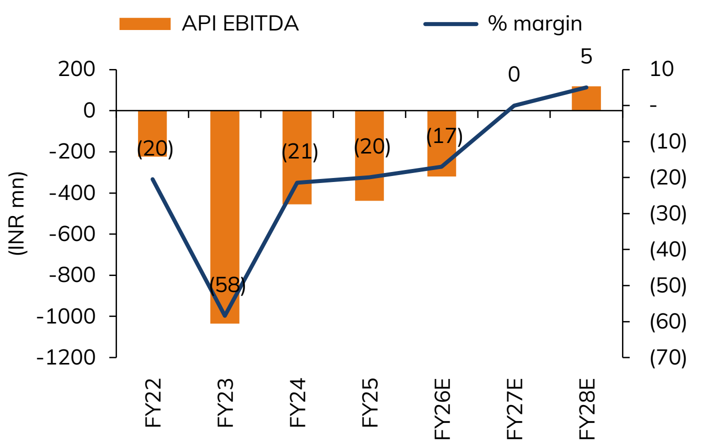
Source: Company data, I-Sec research

Exhibit 15: EBITDA losses in API rose to INR 140mn



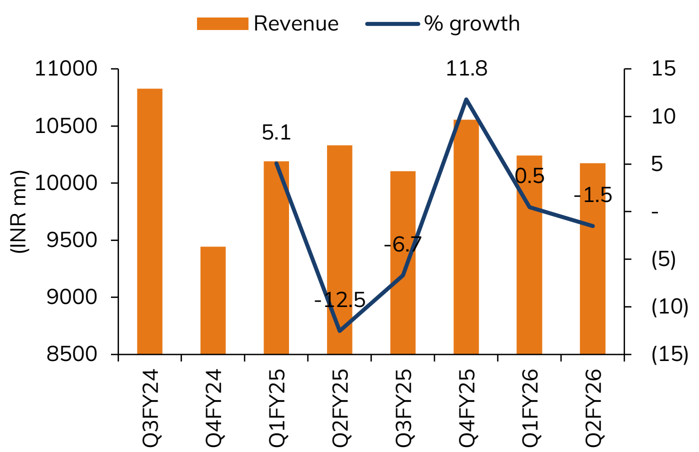
Source: Bloomberg, Company data -Sec research

Exhibit 16: API losses to taper ahead



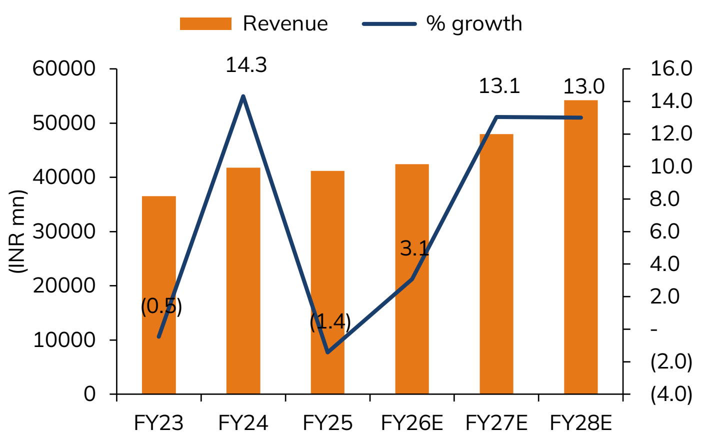
Source: Company data, I-Sec research

Exhibit 17: Slowdown across sectors dragged revenue



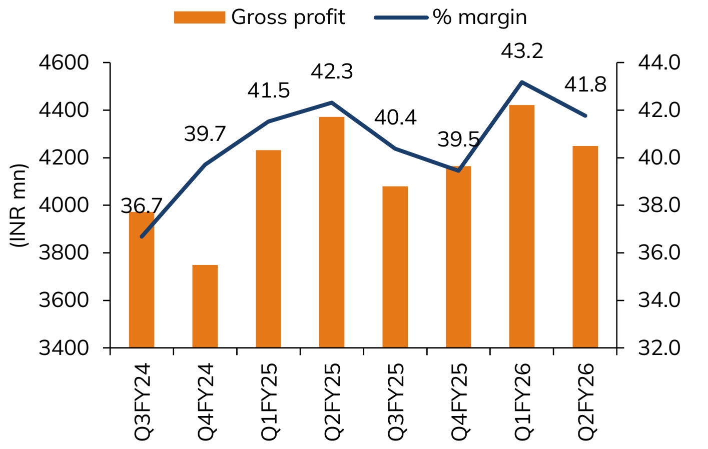
Source: Company data, I-Sec research

Exhibit 18: Revenue to grow at 9.6% CAGR over FY25–28E



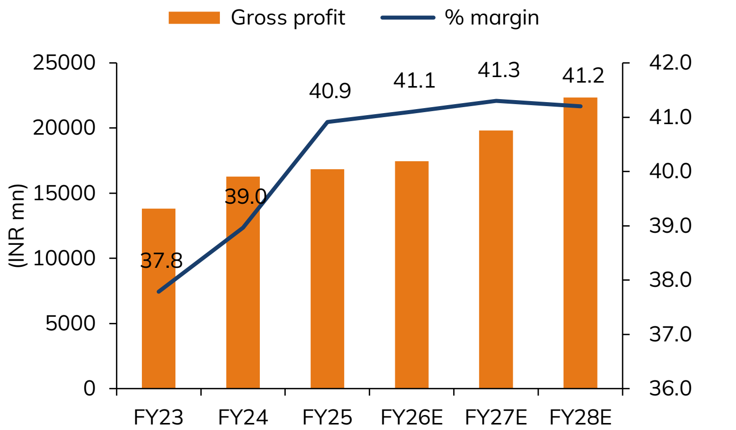
Source: Company data, I-Sec research

Exhibit 19: Gross margin contracted 55bps YoY due to change in product mix



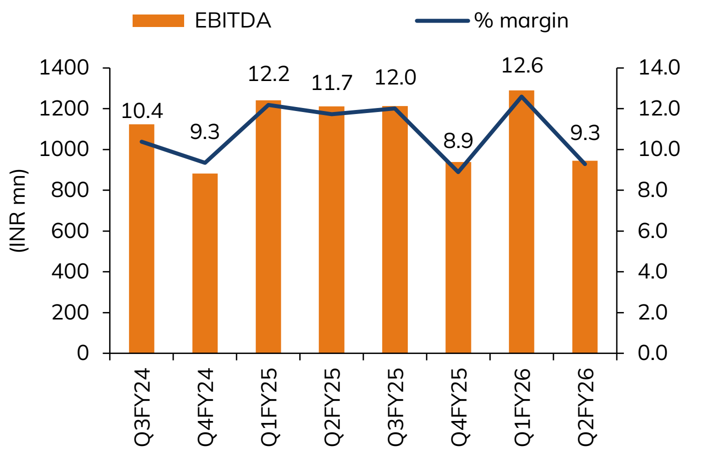
Source: Company data, I-Sec research

Exhibit 20: Gross margin to stabilise at ~41%



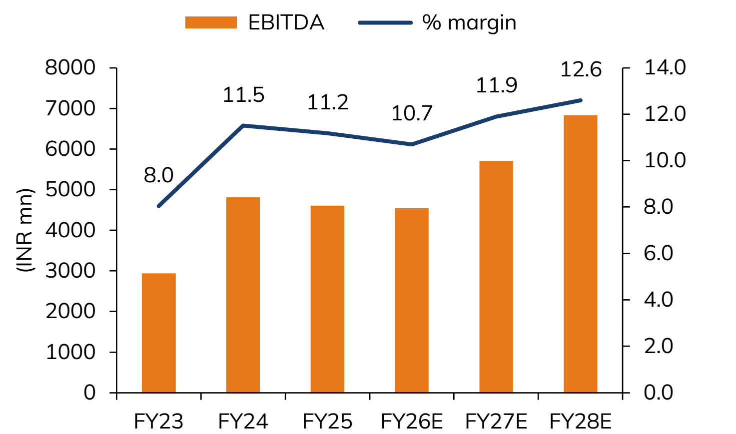
Source: Company data, I-Sec research

Exhibit 21: EBITDA margin contracted 245bps YoY



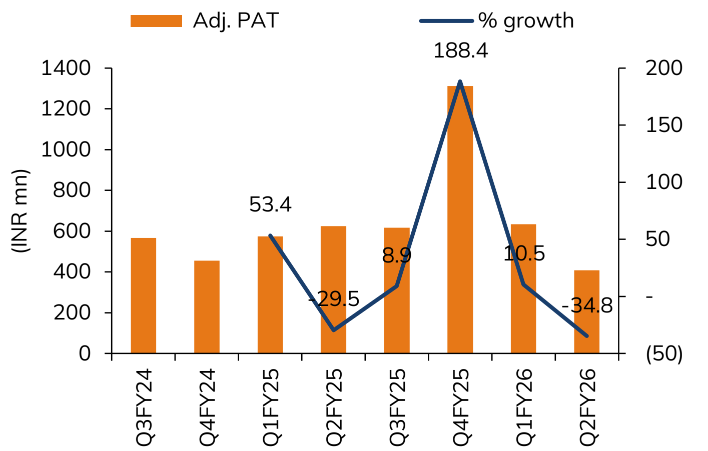
Source: Company data, I-Sec research

Exhibit 22: EBITDA margin to expand ~140bps over FY25–28E



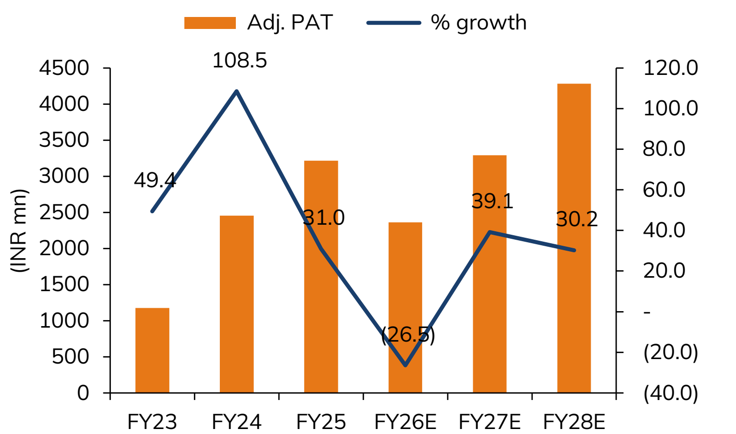
Source: Company data, I-Sec research

Exhibit 23: Adj. PAT declined 34.8% YoY



Source: Company data, I-Sec research

Exhibit 24: Adj. PAT to grow at 10% CAGR over FY25–28E



Source: Company data, I-Sec research

Exhibit 25: Shareholding pattern

%	Mar'25	Jun'25	Sep'25
Promoters	75.3	75.3	75.3
Institutional investors	13.2	13.0	13.0
MFs and other	6.1	6.7	6.4
FIs/ Banks	0.0	0.0	0.0
Insurance Cos.	0.7	0.6	0.6
FIIs	6.4	5.7	4.5
Others	11.5	11.7	13.2

Source: Bloomberg, I-Sec research

Exhibit 26: Price chart

Source: Bloomberg, I-Sec research

Financial Summary

Exhibit 27: Profit & Loss

(INR mn, year ending March)

	FY25A	FY26E	FY27E	FY28E
Net Sales	41,182	42,445	47,985	54,224
Operating Expenses	**36,575**	**37,904**	**42,275**	**47,391**
EBITDA	4,606	4,542	5,710	6,832
EBITDA Margin (%)	**11.2**	**10.7**	**11.9**	**12.6**
Depreciation & Amortization	1,534	1,617	1,772	1,927
EBIT	3,072	2,925	3,938	4,905
Interest expenditure	346	1,000	1,000	1,000
Other Non-operating Income	521	1,237	1,349	1,537
Recurring PBT	3,286	3,162	4,287	5,442
Profit / (Loss) from Associates	-	-	-	-
Less: Taxes	**15**	**759**	**943**	**1,088**
PAT	3,271	2,403	3,344	4,354
Less: Minority Interest	56	39	54	71
Extraordinaries (Net)	167	-	-	-
Net Income (Reported)	3,382	2,364	3,289	4,283
Net Income (Adjusted)	**3,254**	**2,364**	**3,289**	**4,283**

Source Company data, I-Sec research

Exhibit 28: Balance sheet

(INR mn, year ending March)

	FY25A	FY26E	FY27E	FY28E
Total Current Assets	22,746	33,152	36,813	41,773
of which cash & cash eqv.	5,765	16,498	17,986	20,498
Total Current Liabilities & Provisions	8,801	9,051	10,148	11,383
Net Current Assets	**13,945**	**24,101**	**26,665**	**30,390**
Investments	1	1	1	1
Net Fixed Assets	12,287	13,980	14,655	15,195
ROU Assets	1,615	1,812	1,892	1,955
Capital Work-in-Progress	1,628	310	290	270
Total Intangible Assets	72	103	116	125
Other assets	2,662	2,680	2,758	2,846
Deferred Tax Assets	123	123	123	123
Total Assets	**32,334**	**43,111**	**46,500**	**50,906**
Liabilities				
Borrowings	**137**	**-**	**-**	**-**
Deferred Tax Liability	**186**	**186**	**186**	**186**
provisions	359	359	359	359
other Liabilities	342	353	399	451
Equity Share Capital	306	306	306	306
Reserves & Surplus	30,164	32,528	35,817	40,100
Total Net Worth	**30,470**	**32,834**	**36,123**	**40,406**
Minority Interest	166	205	260	331
Total Liabilities	**32,334**	**43,111**	**46,500**	**50,906**

Source Company data, I-Sec research

Exhibit 29: Cashflow statement

(INR mn, year ending March)

	FY25A	FY26E	FY27E	FY28E
Operating Cashflow	**4,652**	**4,353**	**3,658**	**4,495**
Working Capital Changes	335	571	(1,109)	(1,249)
Capital Commitments	(2,388)	(983)	(1,171)	(982)
Free Cashflow	**2,014**	**2,133**	**1,138**	**1,975**
Other investing cashflow	**(2,841)**	**1,237**	**1,349**	**1,537**
Cashflow from Investing Activities	(5,479)	(983)	(1,171)	(982)
Issue of Share Capital	6,374	-	-	-
Interest Cost	(283)	(1,000)	(1,000)	(1,000)
Inc (Dec) in Borrowings	(4,779)	(137)	-	-
Dividend paid	-	-	-	-
Others	(584)	8,500	0	0
Cash flow from Financing Activities	728	7,363	(1,000)	(1,000)
Chg. in Cash & Bank balance	**(99)**	**10,734**	**1,487**	**2,512**
Closing cash & balance	5,765	16,498	17,986	20,498

Source Company data, I-Sec research

Exhibit 30: Key ratios

(Year ending March)

	FY25A	FY26E	FY27E	FY28E
Per Share Data (INR)				
Reported EPS	22.1	15.4	21.5	28.0
Adjusted EPS (Diluted)	21.3	15.4	21.5	28.0
Cash EPS	31.3	26.0	33.1	40.6
Dividend per share (DPS)	-	-	-	-
Book Value per share (BV)	199.0	214.5	235.9	263.9
Dividend Payout (%)	-	-	-	-
Growth (%)				
Net Sales	(1.4)	3.1	13.1	13.0
EBITDA	(4.2)	(1.4)	25.7	19.6
EPS (INR)	23.9	(26.5)	39.1	30.2
Valuation Ratios (x)				
P/E	19.9	27.5	19.8	15.2
P/CEPS	13.6	16.3	12.8	10.5
P/BV	2.1	2.0	1.8	1.6
EV / EBITDA	12.9	11.1	8.6	6.8
P / Sales	1.6	1.5	1.4	1.2
Dividend Yield (%)	-	-	-	-
Operating Ratios				
Gross Profit Margins (%)	40.9	41.1	41.3	41.2
EBITDA Margins (%)	11.2	10.7	11.9	12.6
Effective Tax Rate (%)	0.4	24.0	22.0	20.0
Net Profit Margins (%)	7.9	5.6	6.9	7.9
NWC / Total Assets (%)	-	-	-	-
Net Debt / Equity (x)	(0.2)	(0.5)	(0.5)	(0.5)
Net Debt / EBITDA (x)	(1.2)	(3.6)	(3.1)	(3.0)
Profitability Ratios				
RoCE (%)	12.1	8.3	9.1	10.4
RoE (%)	17.3	7.5	9.5	11.2
RoIC (%)	14.1	11.7	14.8	17.3
Fixed Asset Turnover (x)	3.6	3.2	3.4	3.6
Inventory Turnover Days	60	58	60	60
Receivables Days	68	66	69	69
Payables Days	57	58	60	60

Source Company data, I-Sec research

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