

22 December 2025

India | Equity Research | Company Update

## Akums Drugs and Pharmaceuticals

Pharma

### Striving for a turn around

Slump in price of key APIs has exerted pressure on growth in Akums CDMO segment for the past several quarters, we believe this trend is now starting to reverse as API prices are now stabilizing. CDMO vertical is expected to grow in single digits in H2FY26. Recent export contracts for Zambia (USD 25mn revenue from FY27E) and Europe (Euro 35mn revenue from FY28E) will ensure that the revenues grow at ~14% from FY26-28E and will also boost margins. We raise FY27/28E EPS by ~4%/20%, respectively, factoring in better margins. The stock trades at attractive P/BV of 1.9x/1.6x FY27/28E, considering its dominance in the Indian pharma manufacturing space. Retain **BUY** with higher TP of INR 600 (INR 565 previously).

### API prices show early signs of stability

Akums works on a cost-plus model, wherein the contracts are based on market prices of API and Akums may have to bear the cost of inventory even in cases where inventory prices are higher than the current market price. Our analysis of prices of 30 APIs in the domestic market indicates that prices of almost 15 APIs have either remained flat or improved while the incremental erosion in a few is also not very significant. In Q2FY26, despite unfavourable market conditions (due to cut in GST rate), the company was able to deliver 7% YoY volume growth and it is likely to maintain this run-rate.

### New export orders to boost CDMO growth

Akums CDMO plants were operating at 40% at the end of Q2FY26 and the company is trying to deploy the excess capacity to diversify its presence in exports markets. Akums has entered into a JV with the Government of Zambia to manufacture pharmaceutical products in Zambia. The company would supply drugs worth USD 25mn p.a. in FY27-28 and the run-rate will increase further to USD 45–50mn, once manufacturing at its new plant in Zambia picks up in H2FY28. Supplies for the European contract will start from Q1FY28 and it is likely to record INR 3-3.5bn in annual revenue from these shipments. Operating leverage is likely to ensure that these export orders will be margin accretive to the company. Driven by better traction in base CDMO business and new export orders, its CDMO business is likely to grow at 11.8% CAGR over FY25-28E with EBITDA margin of ~13.6% in FY28E.

### Financial Summary

Y/E March (INR mn)	FY25A	FY26E	FY27E	FY28E
Net Revenue	41,182	42,594	48,148	55,501
EBITDA	4,606	4,728	6,115	8,048
EBITDA Margin (%)	11.2	11.1	12.7	14.5
Net Profit	3,254	2,482	3,425	5,142
EPS (INR)	21.3	16.2	22.4	33.6
EPS % Chg YoY	23.9	(23.7)	38.0	50.1
P/E (x)	20.1	27.3	19.8	13.2
EV/EBITDA (x)	13.5	10.2	7.6	5.4
RoCE (%)	12.1	8.6	9.3	11.9
RoE (%)	17.3	7.8	9.9	13.2

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### Market Data

Market Cap (INR)	70bn
Market Cap (USD)	777mn
Bloomberg Code	AKUMS IN
Reuters Code	AKUM.BO
52-week Range (INR)	679 /405
Free Float (%)	17.0
ADTV-3M (mn) (USD)	0.8

Price Performance (%)	3m	6m	12m
Absolute	(6.8)	(18.3)	(22.6)
Relative to Sensex	(10.9)	(22.2)	(32.3)

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 (%)	FY27E	FY28E
Revenue	0.3	2.4
EBITDA	7.1	17.8
EPS	4.0	19.9

### Previous Reports

15-11-2025: [Q2FY26 results review](#)

11-08-2025: [Q1FY26 results review](#)

## Aggressively chasing margin improvement

Losses in trade generics and API business had dented overall EBITDA by 13% in H1FY26 (cumulative EBITDA loss of INR 287mn or 141bps). Management is trying to curb these losses and it may discontinue trade generic business by the end of Q4FY26 if it is unable to curb losses. However, management has been able to reduce losses in API business and is hopeful of an EBITDA breakeven for this segment in FY27 driven by exports of rivaroxaban, dapagliflozin and other new APIs (filed 10 dossiers in Europe). We believe overall EBITDA margin of Akums could improve by 332bps over FY25-28E driven by curbs in losses of existing businesses, new export orders and operating leverage.

## Valuation and risks

Akums continues to be a dominant player in the Indian pharma manufacturing segment, controlling over 10% market share. 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. Akums has entered into a JV (will hold 51% stake) with the government of Zambia to manufacture pharmaceutical products in Zambia. The company will invest USD 22-23mn in this JV, and by FY29 it expects the JV to record revenue of USD 45-50mn. 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 under inspection by the European regulatory and three more plants are likely to be inspected soon. Further, it has a cash surplus of INR 16bn (~23% of current mcap) as of Sep'25 which could be deployed to improvise scale through M&A.

We expect Akums to post revenue/EBITDA/PAT CAGR of 10.5%/20.4%/16.5% over FY25-28E with 332bps jump in EBITDA margin to 14.5% in FY28E. At CMP, the stock trades at 19.8x/13.2x FY27/28E EPS of INR 22.4/INR 33.6 and P/BV of 1.9x/1.6x for FY27/28E, respectively. We maintain **BUY** with a higher SoTP-based target price of INR 600 (INR 565 earlier).

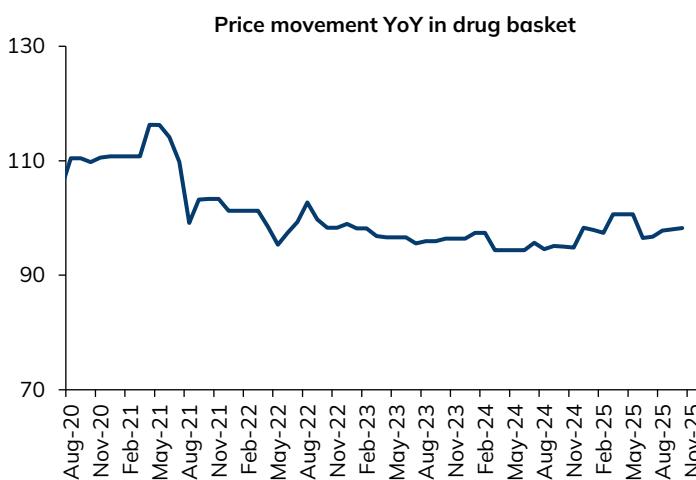
**Key downside risks:** Location concentration of manufacturing plants; fluctuation in API prices.

## Exhibit 1: SoTP-based valuation

FY27E (INR mn)	Revenue	EBITDA	Multiple (x)	Value
CDMO	38,552	4,929	12x EV/EBITDA	58,356
Akumentis	5,060	636	18x EV/EBITDA	11,441
Unosource	1,652	198	8x EV/EBITDA	1,586
API	2,075	0	1x EV/Sales	2,075
<b>Total EV</b>	<b>48,191</b>	<b>5,543</b>	<b>13.3x EV/EBITDA</b>	<b>73,457</b>
Less Net Debt				-18,444
<b>Implied M-Cap</b>				<b>91,900</b>
Number of shares				153
<b>Target Price</b>				<b>600</b>

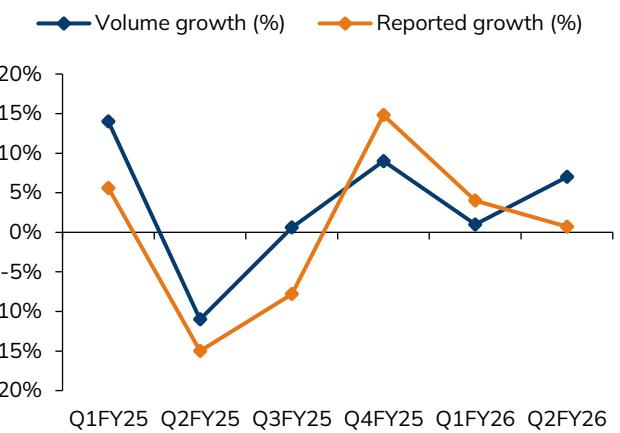
Source: I-Sec research

### Exhibit 2: Drug prices are starting to stabilize



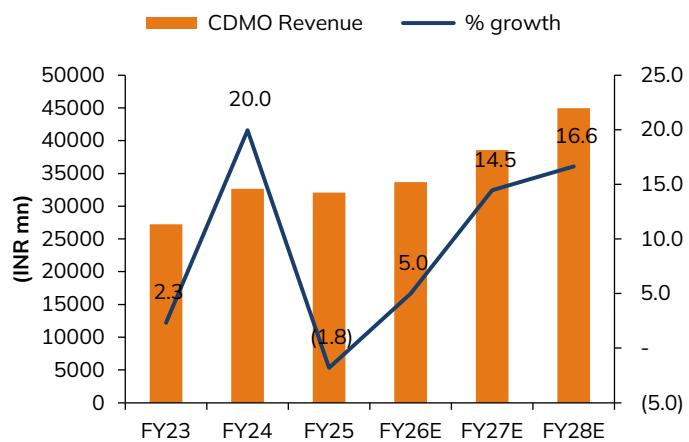
Source: Chemicals weekly, I-Sec research

### Exhibit 3: Volumes for the CDMO business have grown at a decent pace through pricing drags overall growth



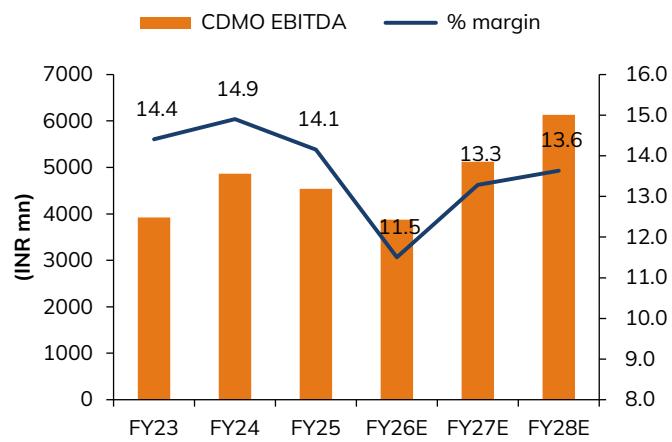
Source: Company data, I-Sec research

### Exhibit 4: New projects to revive growth in CDMO business



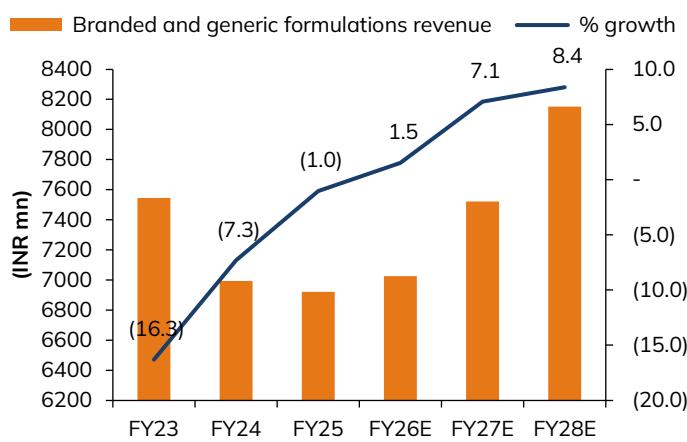
Source: Company data, I-Sec research

### Exhibit 5: CDMO margin likely to be flat over FY25–28E



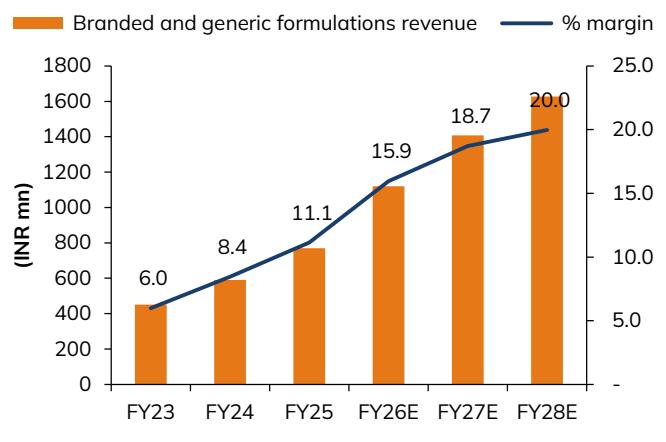
Source: I-Sec research, Company data

### Exhibit 6: Exports and Akumentis to boost growth

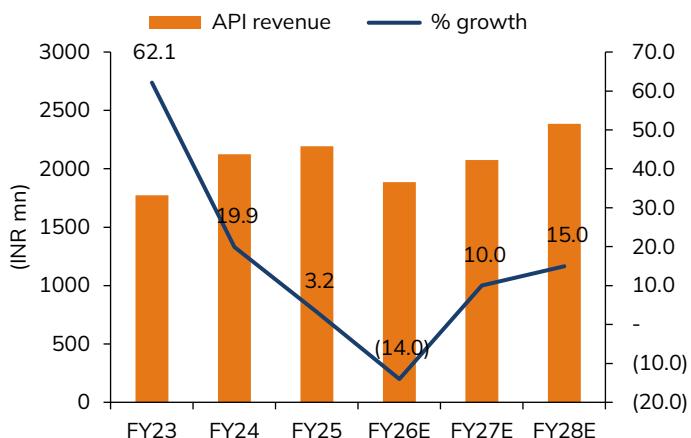


Source: Company data, I-Sec research

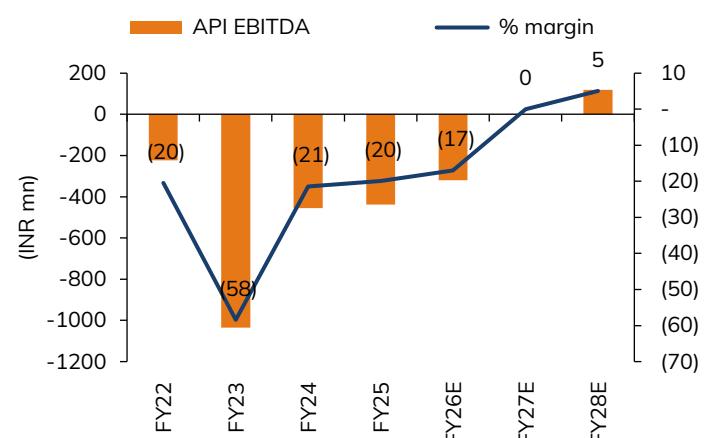
### Exhibit 7: Curb in losses of trade generic verticals to boost segmental margins



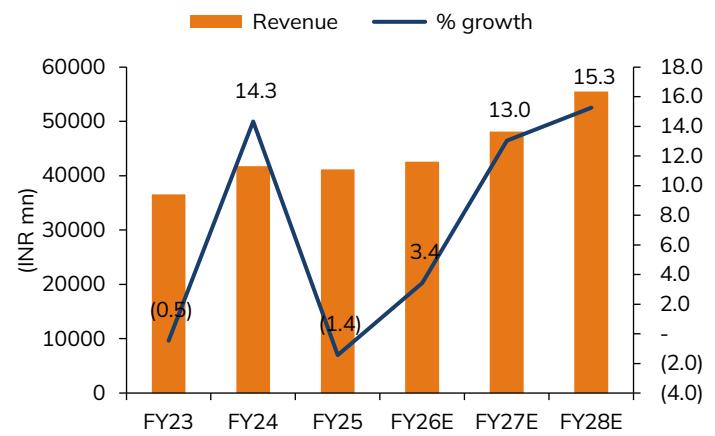
Source: Company data, I-Sec research

**Exhibit 8: New launches in Europe to boost growth from FY27E**


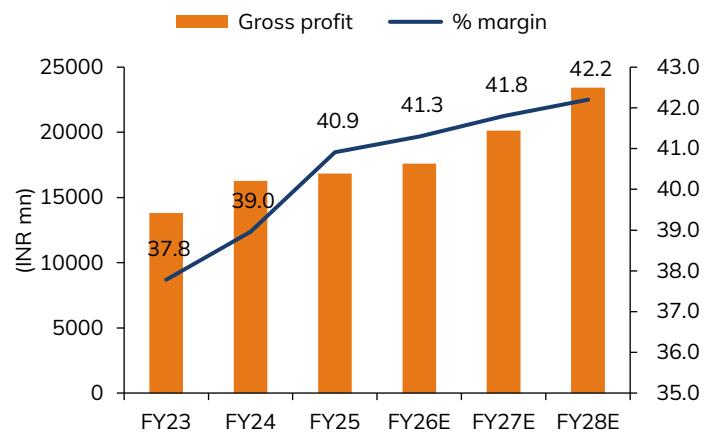
Source: Company data, I-Sec research

**Exhibit 9: API biz on track to turn profitable in FY27E**


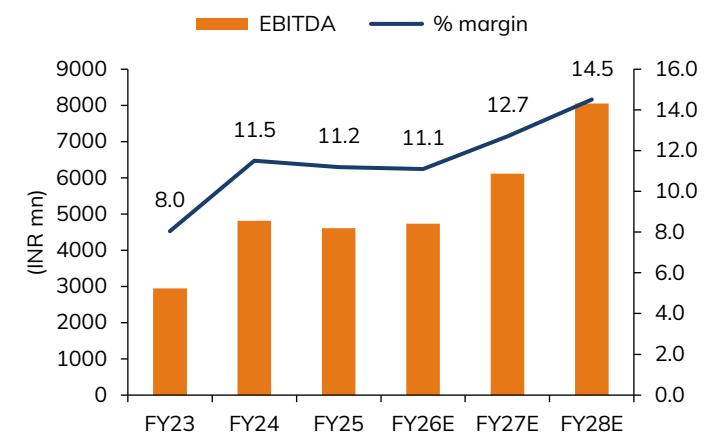
Source: Company data, I-Sec research

**Exhibit 10: Revenue to grow at 10.5% CAGR over FY25–28E**


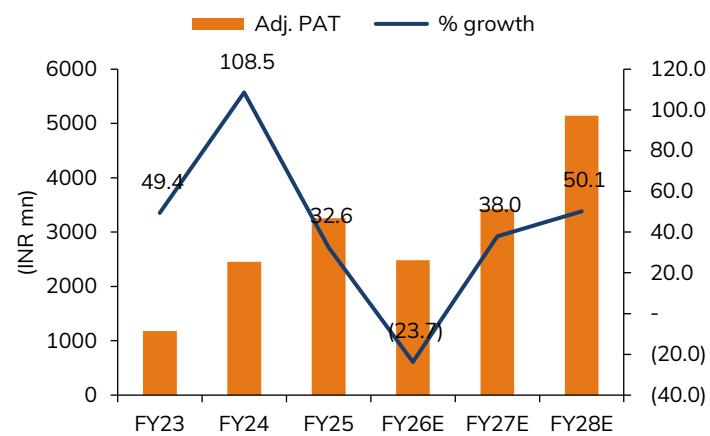
Source: Company data, I-Sec research

**Exhibit 11: Gross margin to stabilise at ~42% by FY28E**


Source: Company data, I-Sec research

**Exhibit 12: EBITDA margin to expand ~330bps over FY25–28E**


Source: Company data, I-Sec research

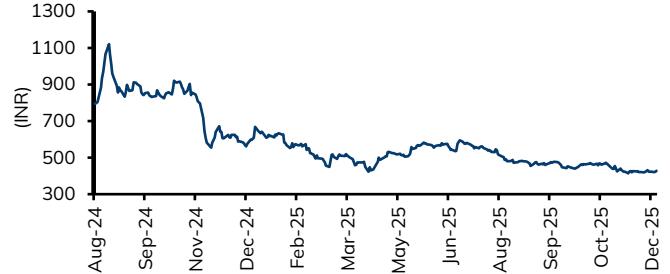
**Exhibit 13: Adj. PAT to grow at 16.5% CAGR over FY25–28E**


Source: Company data, I-Sec research

**Exhibit 14: 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
FII	6.4	5.7	4.5
Others	11.5	11.7	13.2

Source: Bloomberg, I-Sec research

**Exhibit 15: Price chart**


Source: Bloomberg, I-Sec research

## Financial Summary

### Exhibit 16: Profit & Loss

(INR mn, year ending March)

	FY25A	FY26E	FY27E	FY28E
Net Sales	41,182	42,594	48,148	55,501
<b>Operating Expenses</b>	<b>36,575</b>	<b>37,866</b>	<b>42,034</b>	<b>47,453</b>
EBITDA	4,606	4,728	6,115	8,048
<b>EBITDA Margin (%)</b>	<b>11.2</b>	<b>11.1</b>	<b>12.7</b>	<b>14.5</b>
Depreciation & Amortization	1,534	1,617	1,772	1,927
EBIT	3,072	3,111	4,342	6,120
Interest expenditure	346	1,000	1,000	1,000
Other Non-operating Income	521	1,246	1,383	1,634
Recurring PBT	3,286	3,357	4,726	6,754
<b>Profit / (Loss) from Associates</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Less: Taxes</b>	<b>15</b>	<b>806</b>	<b>1,040</b>	<b>1,351</b>
PAT	3,271	2,551	3,686	5,403
Less: Minority Interest	56	69	261	261
Extraordinaries (Net)	167	-	-	-
Net Income (Reported)	3,382	2,482	3,425	5,142
<b>Net Income (Adjusted)</b>	<b>3,254</b>	<b>2,482</b>	<b>3,425</b>	<b>5,142</b>

Source Company data, I-Sec research

### Exhibit 17: Balance sheet

(INR mn, year ending March)

	FY25A	FY26E	FY27E	FY28E
Total Current Assets	22,746	33,329	37,335	43,559
of which cash & cash eqv.	5,765	16,617	18,444	21,782
Total Current Liabilities & Provisions	8,801	9,081	10,180	11,636
<b>Net Current Assets</b>	<b>13,945</b>	<b>24,248</b>	<b>27,155</b>	<b>31,923</b>
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	2,682	2,761	2,864
Deferred Tax Assets	123	123	123	123
<b>Total Assets</b>	<b>32,334</b>	<b>43,260</b>	<b>46,992</b>	<b>52,457</b>
<b>Liabilities</b>				
Borrowings	137	-	-	-
<b>Deferred Tax Liability</b>	<b>186</b>	<b>186</b>	<b>186</b>	<b>186</b>
provisions	359	359	359	359
other Liabilities	342	354	400	462
Equity Share Capital	306	306	306	306
Reserves & Surplus	30,164	32,646	36,071	41,212
<b>Total Net Worth</b>	<b>30,470</b>	<b>32,952</b>	<b>36,377</b>	<b>41,519</b>
Minority Interest	166	235	497	758
<b>Total Liabilities</b>	<b>32,334</b>	<b>43,260</b>	<b>46,992</b>	<b>52,457</b>

Source Company data, I-Sec research

### Exhibit 18: Cashflow statement

(INR mn, year ending March)

	FY25A	FY26E	FY27E	FY28E
<b>Operating Cashflow</b>	<b>4,652</b>	<b>4,463</b>	<b>3,963</b>	<b>5,225</b>
Working Capital Changes	335	541	(1,112)	(1,472)
Capital Commitments	(2,388)	(974)	(1,136)	(886)
<b>Free Cashflow</b>	<b>2,014</b>	<b>2,243</b>	<b>1,444</b>	<b>2,705</b>
<b>Other investing cashflow</b>	<b>(2,841)</b>	<b>1,246</b>	<b>1,383</b>	<b>1,634</b>
Cashflow from Investing Activities	(5,479)	(974)	(1,136)	(886)
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)
<b>Chg. in Cash &amp; Bank balance</b>	<b>(99)</b>	<b>10,852</b>	<b>1,827</b>	<b>3,339</b>
Closing cash & balance	5,765	16,617	18,444	21,782

Source Company data, I-Sec research

### Exhibit 19: Key ratios

(Year ending March)

	FY25A	FY26E	FY27E	FY28E
<b>Per Share Data (INR)</b>				
Reported EPS	22.1	16.2	22.4	33.6
Adjusted EPS (Diluted)	21.3	16.2	22.4	33.6
Cash EPS	31.3	26.8	33.9	46.2
Dividend per share (DPS)	-	-	-	-
Book Value per share (BV)	199.0	215.2	237.6	271.2
Dividend Payout (%)	-	-	-	-
<b>Growth (%)</b>				
Net Sales	(1.4)	3.4	13.0	15.3
EBITDA	(4.2)	2.6	29.3	31.6
EPS (INR)	23.9	(23.7)	38.0	50.1
<b>Valuation Ratios (x)</b>				
P/E	20.1	27.3	19.8	13.2
P/CEPS	14.2	16.6	13.1	9.6
P/BV	2.2	2.1	1.9	1.6
EV / EBITDA	13.5	10.2	7.6	5.4
P / Sales	1.6	1.6	1.4	1.2
Dividend Yield (%)	-	-	-	-
<b>Operating Ratios</b>				
Gross Profit Margins (%)	40.9	41.3	41.8	42.2
EBITDA Margins (%)	11.2	11.1	12.7	14.5
Effective Tax Rate (%)	0.4	24.0	22.0	20.0
Net Profit Margins (%)	7.9	5.8	7.1	9.3
NWC / Total Assets (%)	-	-	-	-
Net Debt / Equity (x)	(0.2)	(0.5)	(0.5)	(0.5)
Net Debt / EBITDA (x)	(1.2)	(3.5)	(3.0)	(2.7)
<b>Profitability Ratios</b>				
RoCE (%)	12.1	8.6	9.3	11.9
RoE (%)	17.3	7.8	9.9	13.2
RoIC (%)	14.1	12.2	15.2	20.1
Fixed Asset Turnover (x)	3.6	3.2	3.4	3.7
Inventory Turnover Days	60	58	60	61
Receivables Days	68	66	69	69
Payables Days	57	58	60	61

Source Company data, I-Sec research

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