



# MSEARCH

## INITIAL PUBLIC OFFER (IPO)

31-07-2024

**AKUMS DRUGS AND PHARMACEUTICALS LTD**

**30-07-2024 TO 01-08-2024**

**Industry: Pharmaceuticals**

**Price Band: ₹646 - 679**

**Recommendation: Subscribe for Long Term**

**Post Implied Market Cap: - ₹10,201- ₹10,687 Cr**

### Key Data

Issue Size (₹ Cr)	1,857
Fresh (₹)	680
OFS (₹)	1,177
No. of shares offered	27,882,283 - 27,368,151
Face Value (₹ /share)	2
Bid Lot	22

### About the Company

Akums Drugs and Pharmaceuticals (Akums), India's largest CDMO by revenue, production capacity and clients in FY2023, offers comprehensive pharmaceutical products and services both domestically and internationally. The company provides end-to-end product development, manufacturing solutions, formulation R&D, testing services and regulatory filings. Akums also manufactures and sells branded pharmaceutical formulations and APIs. As of March 31, 2024, Akums holds 5 patents, 1,432 registered trademarks, and 506 pending trademark applications. With a market share of 30.2% in FY2024, up from 26.7% in FY2021, the company operates 12 manufacturing units accredited by EU-GMP, WHO-GMP and US NSF.

### Indicative Timetable

Activity	On or about
Finalisation of Basis of Allotment	02-08-2024
Refunds/Unblocking ASBA Fund	05-08-2024
Credit of equity shares to DP A/c	05-08-2024
Trading commences	06-08-2024

### Shareholding (No. of shares)

Pre-Issue	147,356,280
Post Issue (Lower price band)	157,908,128
Post Issue (Higher price band)	157,393,996

### Shareholding Pattern

<b>Promoter:</b>	
Pre Issue	82.43%
Post Issue	75.25%

<b>Promoter:</b>	
Pre Issue	0.01%
Post Issue	0.01%

<b>Investor Selling Shareholder:</b>	
Pre Issue	14.65%
Post issue	4.62%

<b>Public - Others:</b>	
Pre Issue	2.91%
Post Issue	20.12%

### Issue Breakup

QIB	75%
NIB	15%
Retail	10%

### Other Details

**BRLMs:** Axis Capital, ICICI Securities, Citigroup Global Markets India, Ambit Pvt. Ltd

**Registrar:** Link Intime Pvt. Ltd.

**Listing:** BSE & NSE

### Research Analyst

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### Investment Rationales

- Largest CDMO serving the Indian pharmaceutical industry:** Akums the largest India-focused CDMO by revenue, production capacity and clients in FY2023, commenced operations in 2004 and offers a wide range of pharmaceutical products and services. The company along with its subsidiaries, operates 12 manufacturing units with a cumulative annual capacity of 49.23 billion units, producing over 60 dosage forms. As of March 31, 2024, Akums had a 30.2% market share by value in the Indian domestic CDMO market. Accredited by EU-GMP, WHO-GMP and US NSF, the company's units underwent 58 regulatory inspections and 527 client audits from FY2022 to FY2024. The Indian CDMO market is expected to grow at a CAGR of 14.3% to USD 2.8 billion by FY2028. Akums' CDMO revenues and EBITDA grew at CAGRs of 10.79% and 10.28% respectively between FY2022 and FY2024.
- Diverse client base with longstanding CDMO relationships:** Akums CDMO business served 1,524 Indian as of March 31, 2024 and multinational clients up from 1,386 in March 2022. Their diverse client base includes pharmaceutical, nutraceutical, cosmo-derma, wellness companies, e-commerce firms, healthcare providers and government entities. In FY2024, Akums manufactured formulations for 26 of the top 30 pharmaceutical companies in India. Additionally, 38 of their 50 largest clients have placed repeat orders over the past five years.
- Large and rapidly growing R&D capabilities across product portfolio:** Akums R&D capabilities cover a wide range of dosage types and product categories, including pharmaceuticals, cosmeceuticals, nutraceuticals and ayurvedic products. They operate 4 dedicated R&D units with 406 R&D scientists. Two of these units are approved by the Department of Scientific and Industrial Research, Government of India. As of March 31, 2024, the company has obtained 1,432 trademarks, 927 DCGL approvals, 5 patents, and 923 FSSAI-approved formulations.
- Strategic presence across the pharmaceutical value chain:** Akums operates as both a CDMO and a marketer of formulations and manufacturer of APIs, covering the entire pharmaceutical value chain. In addition to its CDMO business, the company manufactures and sells branded pharmaceutical formulations in India and internationally, with a presence in 65 countries as of March 31, 2024. The company has 289 dossiers under registration. Strategic acquisitions have enabled the company to start API manufacturing, securing its supply chain and positioning it to leverage broader industry opportunities.

### Risk

- Higher dependency on third-party suppliers for the supply of raw materials.
- Fluctuation in the prices of raw materials.

### MView

We believe Akums Drugs and Pharmaceuticals Ltd IPO gives investors an opportunity to invest in a prominent CDMO player distinguished as the largest India-focused CDMO by revenue, production capacity and client base. We think the company's comprehensive product offerings and extensive manufacturing capabilities, along with its strategic presence across the pharmaceutical value chain, provide a solid foundation for sustained growth. We also believe Akums strong market share in the Indian CDMO market, coupled with its impressive R&D capabilities and diverse client base—including relationships with top pharmaceutical companies—underscore its robust market position. By looking at the financials, the company has shown a decent growth in revenue from operation as it increased by 14.3% to ₹ 4178.18 cr in FY 2024 compared with FY 2023. However, the company reported a negative bottom line in FY 2022 and FY 2024 mainly due to accounting adjustments for fair value changes in financial instruments, particularly a put option liability, which amounted to ₹ 494.17 crore in FY2022. Still, excluding these accounting provisions, the company's underlying performance shows a different story. Based on a restated basis, Akums achieved net profits of ₹ 358.56 crore in FY2024, this translates to an EPS of ₹ 22.78 for FY2024, resulting in a P/E of 29.79x on the FY2024 fully diluted Post IPO paid-up capital which seems fairly priced compare to its nearest listed peer like Innova Captab at 38x and Windlass Biotech at 29x. On a valuation parse at the upper band ₹ 679/-, the issue is asking for a Market Cap of ₹ 10687 Cr. Given the anticipated growth in the Indian CDMO market, along with Akums expanding global footprint and strategic move into API manufacturing, further enhance its long-term prospects. Hence, we recommend investors to "SUBSCRIBE" the Akums Drugs and Pharmaceuticals Ltd IPO for a long term perspective. As the company is the domestically largest CDMO player, we believe the market could give Akums a premium multiple towards its leadership position; this may result in delivering healthy listing gains over above 25% on its issue price.



### CONSOLIDATED FINANCIAL TABLES

#### BASIC FINANCIAL DETAILS

Particulars ₹ (in Cr)	As at March' 31		
	2024	2023	2022
Equity Share Capital	28.61	28.61	14.31
Net Worth	709.50	717.19	621.98
Borrowings	491.56	536.97	357.95
Revenue from Operations	4,178.18	3,654.82	3,671.89
Revenue Growth (%) as stated	14.32	-0.46%	-
Adjusted EBITDA as stated	514.78	340.09	425.09
Adjusted EBITDA Margin (%) as stated	12.22	9.19	11.51
Fair value changes to financial instruments	-357.77	43.97	-494.17
Net Profit for the Year	0.79	97.82	-250.87
Net Profit Margin (%)	0.02	2.64	-6.79
EPS - Basic & Diluted (₹)	-0.28	6.63	-17.65
RoNW (%)	-0.57	13.23	-40.60
NAV (₹)	49.59	50.13	43.48
Adjusted ROE (%) as stated	17.19	3.11	14.51
Adjusted ROCE (%) as stated	16.94	10.77	17.22

Source: Company RHP

#### COMPARISON WITH INDUSTRY LISTED PEERS ₹ (in Cr)

Companies	Mcap (in Cr)	FV	Operating Revenue FY 2024 (in Cr)	EPS	NAV	P/E	P/B	RoNW (%)
Akums Drugs and Pharmaceuticals	10,687	2	4,178.18	0.05	45.08	13,525.9	15.06	-0.57%
Divi's Laboratories	1,30,990.00	2	7,845.00	60.25	511.21	81.7	9.63	11.79%
Suven Pharma	24,138	1	1,051.35	11.8	80.56	90.3	11.8	14.64%
Gland Pharma	33,325	1	5,664.72	46.9	529.65	43.1	3.8	8.85%
Torrent Pharma	1,06,512	5	10,728.00	48.94	202.57	63.6	15.5	24.15%
Alkem Laboratories	62,357	2	12,667.58	150.19	862.46	33.0	6.0	17.41%
Eris Lifesciences	15,197	1	2,009.14	28.79	190.12	38.8	5.8	15.16%
JB Chemicals	30,175	1	3,484.18	34.85	188.37	55.7	10.30	18.90%
Mankind Pharma	82,723	1	10,334.77	47.68	233.73	48.2	8.6	20.43%
Innova Captab	3,588	10	1,081.31	18.66	145.20	38.0	4.3	11.35%

Date as on 31st March 2024, Cline Mcap,PE, calculated as on 30-07-2024

Akums Drugs and Pharmaceuticals Ltd, Revenue EPS/PE, P/B, NAV calculated on annualised basis post money



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### **Msearch's Recommendation (Absolute Performance)**

**Buy: > 20% within the next 12 Months**

**Accumulate: 5% to 20% within the next 12 Months**

**Sell : < -20% within the next 12 Months**

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