

IPO Details:

Akums Drugs & Pharmaceuticals Ltd is coming out with an IPO of about Rs. 1,856.74 cr consisting of 2,73,45,163 shares of face value of Rs. 2 each in a price band of Rs. 646 – Rs. 679. The IPO comprises of Fresh Issue of Rs. 680.00 cr and an Offer for Sale of Rs. 1,176.74 cr by the promoters and an existing institutional shareholder. The IPO opens on 30th July' 2024 and closes on 1st August' 2024.

Company Details:

- **Leading pharma** Contract Development and Manufacturing Organization (**CDMO**) company, offering a comprehensive range of pharmaceutical products and services in India and overseas.
- As a CDMO, Company **produces an extensive range of dosage forms** including tablets, capsules, liquid orals, vials, ampoules, blow-filled seals, topical preparations, eye drops, dry powder injections and gummies among others.
- **Owns the intellectual property (IP)** for the manufacturing processes of several of its formulations, while maintaining focus on providing **end-to-end** product development and manufacturing solutions to its clients.
- **Provides other services** like, formulation research and development (R&D), preparation and filing of regulatory dossiers in the Indian and global markets and other testing services.
- Apart from its core CDMO business, Company is also engaged in the manufacturing and sale of branded pharmaceutical formulations and active pharmaceutical ingredients (APIs).
- Operates **10** manufacturing units with a cumulative formulations manufacturing capacity of **49.23 billion units** annually.

Strength:

- **Largest India-focused CDMO** in terms of revenue, production capacity and clients. during FY23.
- Enjoyed **market share of 30.2%** of the Indian domestic CDMO market by value.
- **CDMO business clients includes marquee domestic pharma companies** viz. Sun Pharmaceuticals Ltd, Cipla, Dr. Reddy's Laboratories, Alkem Laboratories, Ipca Laboratories, Natco Pharma, among others.
- Long term relationship with customers with 26 out of 50 largest clients in terms of revenues having legacy of **more than 10 years** with the Company.



Growth Drivers:

- Indian domestic CDMO market is projected to grow at a CAGR of **14.3%** between FY2024 – 28 and reach size of **US\$ 2.8 bn** in FY28.
- Focus on **expanding footprint in the domestic market** by increasing its revenue contribution from existing clients and by onboarding new clients.
- Aim to foraying into **new therapeutic areas** like neurology, psychiatry, and orphan diseases under its **domestic formulations business**.
- Plans to **expand its global presence** by entering newer markets with focus on lesser-penetrated geographies such as Latin America, Europe and Middle East.

Objectives of Fund Raise – Fresh Issue of Rs. 680.00 cr:

- Rs. 159.91 cr will be utilized towards repayment and/or prepayment of certain outstanding borrowings of the Company.
- Rs. 227.09 cr will be utilized towards repayment/prepayment of all or certain borrowings of subsidiaries.
- Rs. 55.00 cr will be utilized towards funding incremental working capital requirements.
- Certain portion of the funds will be utilized towards pursuing inorganic growth initiatives through acquisitions.
- Balance funds will be utilized towards general corporate purposes.

Key Financial Highlights:

Akums Drugs & Pharmaceuticals Ltd (Rs. Cr)

Year	Revenue	Ebitda	Ebitda Margins (%)	PAT	EPS	RoCE (%)	RoE (%)
FY22	3,671.89	-91.72	-2.5%	-250.87	-17.65	-18.89%	-40.1%
FY23	3,654.82	337.95	9.2%	97.82	6.63	24.60%	13.5%
FY24	4,178.18	122.99	2.9%	0.79	-0.28	3.4%	0.1%

- Operating Revenue has grown at a CAGR of 6.7% between FY22 – FY24 to reach Rs. 4,178.18 cr in FY24.
- Swing in Ebitda is due to fair value changes linked to the put option liability which arose due to buyback obligation given to an existing investor – Ruby QC Investment Holdings Pte. Ltd. Adjusted for the put option liability Ebitda margins has been relatively stable at about



11%. Further Ebitda margins are also impacted due to API business registering operational loss.

- Its CDMO business has been delivering consistent Ebitda margins in the range of 14% - 15%.
- Profits after Tax is also impacted due to the above mentioned put option liability. However, post FY24, this put option liability has been waived and company's operating performance will no longer be impacted by the fair value changes.
- Capital Efficiency too optically looks weaker, However, Adjusted RoCE and RoE in FY24 stood at 16.94% and 17.19% respectively.

Valuations:

- At Upper end of the IPO price band of Rs. 679, Akums Drugs & Pharmaceuticals Ltd will be valued at about Rs. 10,685.49 cr.
- On EV/Adjusted Ebitda basis, Company is available at 22.67x its FY24 Adjusted Ebitda of Rs. 480.76 cr.
- **Investments can be made in Akums Drugs & Pharmaceuticals Ltd from longer term perspective considering healthy growth prospects (CAGR of 14.3% between FY2024 – 28) in domestic CDMO industry where Company enjoys about 30.2% market share, long term relation with customers, stable operating performance and capital efficiency and likely positive impact on domestic CDMO companies on the back of prospects of USA introducing Biosecure Act which aims to prohibit US Federal government bodies from sourcing equipment and services from Chinese pharma companies.**

Wellworth Share & Stock Broking Ltd

501, Akruti Orion 5th Floor, Shraddhanand Road, Vile Parle East, Mumbai-400057,

Tel: 022-67159008/67159097 Fax: 022-67159090

www.wellworthgroup.co

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*Long Term Investments could range from 3-5 years.