

31<sup>st</sup> July 2024

## Akums Drugs and Pharma – SUBSCRIBE

### Investment Thesis

Akums Drugs and Pharmaceuticals Ltd. (ADPL) is coming out with an initial public offering (IPO) on July 30, 2024. The issue comprises of fresh issue of 10,014,727 equity shares worth Rs.6,800mn at highest price band and offer for sale of 17,330,435 equity share worth Rs.11,767.4mn. Objective of the issue is to use fund for repayment / prepayment of debt of ADPL and its subsidiaries, pursuing inorganic growth initiatives through acquisitions and funding incremental working capital requirements.

ADPL is the largest CDMO in India by revenue, production capacity, and client base as of FY23. With a significant market share of 30.2% in the Indian domestic CDMO market in FY24, up from 26.7% in FY21, ADPL has demonstrated strong growth and market dominance. This substantial market presence indicates robust business operations and a significant competitive edge in the pharmaceutical sector.

ADPL's extensive product portfolio includes 4,146 commercialized formulations across over 60 dosage forms. The company's commitment to innovation and continuous improvement is evident through its dedicated R&D teams, which focus on developing differentiated dosages and enhancing manufacturing processes. Its expansion into nutraceuticals, food supplements and herbal formulations through its subsidiary, Maxcure Nutravedics, further diversifies its product offerings and addresses the growing demand for health and wellness products.

ADPL's ability to secure repeat orders from 38 of its 50 largest clients over the past five years highlights its reliability and high-quality service. Furthermore, with 26 of these clients having relationships exceeding ten years, ADPL's consistency and expertise are well-recognized. Such enduring partnerships with top pharmaceutical companies underscore the trust and satisfaction of its clientele, ensuring a stable revenue stream and future growth of ADPL.

### Financials

- During the past 2 years, revenue of ADPL grew at a CAGR of 14.7% while PAT de-grew at CAGR of 63.3% in same period.

Consol. (Rs.Mn.)	FY21	FY22	FY23	FY24
Revenue	27,226	36,719	36,548	41,782
EBITDA	2,912	-917	2,940	1,230
EBITDA Margin(%)	10.7%	-2.5%	8.0%	2.9%
PAT	1,231	-2,509	978	8
EPS (Rs.) #	7.8	-15.9	6.2	0.1
P/E (x) *#	86.8	-42.6	109.2	13525.8
RoE (%) #	19.3%	-34.8%	13.7%	0.1%

\* At highest price band # Post listing

### IPO Details

Issue Open Date	30 July 2024
Issue Close Date	01 August 2024
Price Band (Rs.)	Rs.646 – Rs.679
Issue Size*	Rs. 18,567.4Mn
Issue Size (Shares)	27,345,162
Market Lot	22 Shares
Listing Exchanges	BSE and NSE
Face Value (Rs.)	Rs. 2/-

\* At highest price band

### Key Details

Fresh Issue*	Rs. 6,800.0Mn
Issue Type	Book Building
Book Running Lead Manager	ICICI Securities, Axis Bank, Citigroup Global Markets and Ambit
Issue structure	QIB: 30% Non Institutional: 15% Retail: 10% Anchor Investors: 45%
Credit of Shares to Demat Account	05 August 2024
Issue Listing Date	06 August 2024

\* At highest price band

## Key Business Highlights

- ADPL is a pharmaceutical contract development and manufacturing organization (CDMO) offering a comprehensive range of pharmaceutical products and services in India and overseas. As one of the leading CDMOs in India, it owns the intellectual property for the manufacturing processes of several formulations and focused on providing end-to-end product development and manufacturing solutions to clients.
- ADPL is the largest India-focused CDMO in terms of revenue, production capacity and clients served in FY23. As a CDMO, ADPL produces an extensive range of dosage forms including tablets, capsules, liquid orals, vials, ampoules, blow-filled seals, topical preparations.
- In addition to its core CDMO business, ADPL is also engaged in the manufacturing and sale of branded pharmaceutical formulations and active pharmaceutical ingredients (APIs).
- For CDMO business, it operates 10 manufacturing units with a cumulative formulations manufacturing capacity of 49.2 billion units annually as of FY24. Further, new injectable facility is expected to be operational by FY25.

## Valuation

- With a presence in 65 countries and collaborations with key international clients like Allegens (Vietnam) and Olainfarm (Latvia), ADPL has established a strong global footprint. Its international subsidiary, Unosource, focuses on critical therapy areas, expanding its market reach. Additionally, ADPL's domestic subsidiary, Akumentis, supports its presence in gynaecology, cardiology, orthopaedics, and paediatrics, leveraging a field force of 1,532 individuals to market over 140 brands in India.
- ADPL operates 10 manufacturing units with total annual capacity of 49.23 billion units. The expected operationalization of a new injectable facility in FY25 will further enhance production capabilities. The company's manufacturing units are accredited by prestigious regulatory agencies such as EU-GMP, WHO-GMP and US NSF, ensuring compliance with international quality standards. This strong manufacturing infrastructure not only meets the high demand but also positions ADPL favorably for future growth and expansion.
- With a market leadership position, diverse product offerings, strong client relationships, global reach and robust manufacturing capabilities make ADPL a strong player in the CDMO space. We are recommending **SUBSCRIBE** rating to the IPO of Akums Drugs and Pharmaceuticals Ltd. (ADPL) for medium to long term perspective.

## Risk & Concern

- Any slowdown or shutdown in its manufacturing facilities and R&D centers may have adverse effect on ADPL's business going ahead.
- Any manufacturing or quality control concerns or its inability to deliver products on a timely basis may impact future growth of ADPL.
- ADPL has received various notices from regulatory authorities in India alleging instances of noncompliance, any such notices in future may impact its business activities.

## Graphs & Charts

Figure 1: Net Sales Trend

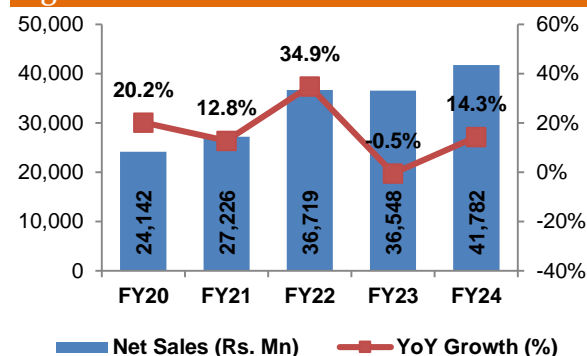


Figure 2: EBITDA & EBITDA Margin Trend

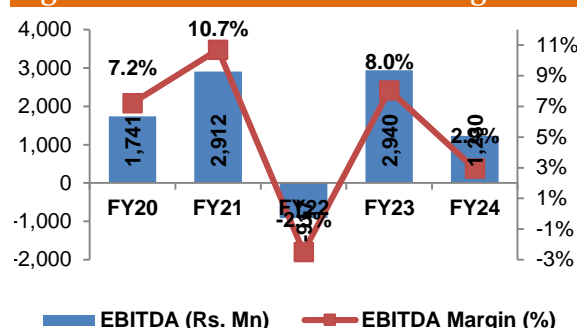


Figure 3: PAT & PAT Margins

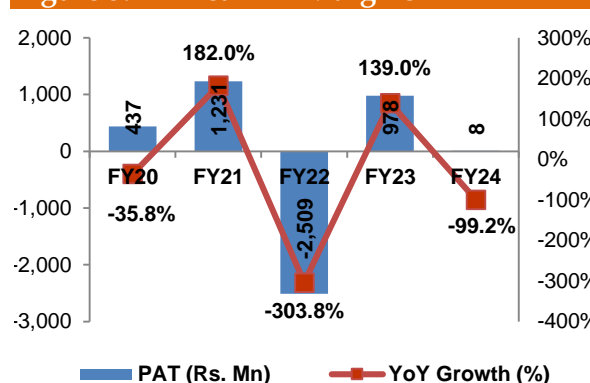


Figure 4: Key Clients of CDMO Business



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