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AKUMS DRUGS & PHARMACEUTICALS LIMITED

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**To,
The Listing Department
National Stock Exchange of India Ltd
Exchange Plaza, C-1, Block G,
Bandra Kurla Complex,
Bandra (E), Mumbai - 400 051**

**To,
The Listing Department
BSE Limited
Rotunda Building, Phiroze Jeejeebhoy
Towers, Dalal Street, Fort, Mumbai -
400 001**

Symbol: AKUMS

Scrip Code: 544222

Sub: Transcript of Earnings/Analysts Conference Call held for un-audited financial results of Q4 of FY25 and audited financial report for FY2025.

Respected Sir/Madam,

Pursuant to the Regulation 30 read with Part A of Schedule III of the SEBI (Listing obligations and Disclosure Requirements) 2015, please find enclosed herewith the transcript of earnings/analyst conference call held on Tuesday, May 27, 2025 at 10:00 AM (IST) on un-audited financial results of Q4 of FY25 and audited financial report for FY2025.

The said transcript be also available on the Company's website <https://www.akums.in/investors/investors-meet/>.

This is for your kind information and record.

Thanking You

For Akums Drugs and Pharmaceuticals Limited

Dharamvir Malik
Company Secretary & Compliance Officer



ISO 9001 : 2015
ISO 14001 : 2015
ISO 17025 : 2005 (NABL)

WHO-GMP
US : NSF
H A C C P





“Akums Drugs & Pharmaceuticals Limited
Q4 and FY25 Earnings Conference Call”

May 27, 2025



MANAGEMENT: **MR. SANDEEP JAIN -- MANAGING DIRECTOR – AKUMS
DRUGS & PHARMACEUTICALS LIMITED**
**MR. SANJEEV JAIN -- MANAGING DIRECTOR – AKUMS
DRUGS & PHARMACEUTICALS LIMITED**
**MR. SUMEET SOOD – CHIEF FINANCIAL OFFICER –
AKUMS DRUGS & PHARMACEUTICALS LIMITED**
**MR. SAHIL MAHESHWARI – HEAD, STRATEGY –
AKUMS DRUGS & PHARMACEUTICALS LIMITED**

MODERATOR: **MR. PRANAV CHAWLA – AMBIT CAPITAL**



Moderator: Ladies and gentlemen, welcome to the Akums Drugs & Pharmaceutical Limited Q4 and FY25 Earnings Conference Call, hosted by Ambit Capital Private Limited. As a reminder, all participant lines will be in listen-only mode and there will be an opportunity for you to ask questions at the end of today's presentation. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I would now like to hand the conference over to Mr. Pranav Chawla from Ambit Capital. Thank you. And over to you, sir.

Pranav Chawla: Thank you, Riya. Good morning, everyone. I, Pranav Chawla, on behalf of Ambit, welcome you all to the Q4 and FY25 Earnings Conference Call of Akums Drugs and Pharmaceuticals Limited.

Today on the call, we have the following management members: Mr. Sandeep Jain, Managing Director; Mr. Sanjeev Jain, Managing Director; Mr. Sumeet Sood, CFO, Mr. Sahil Maheshwari, Head, Strategy.

I now hand over the call to the management for opening remarks. We'll follow this with Q&A. Thank you and over to you, sir.

Sahil Maheshwari: Thank you, Pranav, for the introduction. Good morning, everyone, and welcome to Akums' Q4 & FY25 Earnings Call. I'm Sahil. Let me draw your attention to the fact that on this call our discussion might include certain forward-looking statements, which are predictions or projections of the future events. Our business faces several risks and uncertainties that could cause our actual results to differ materially from what is expressed or implied in such statements.

At Akums, we do not undertake any obligation to publicly update any forward-looking statements whether as a result of new confirmations, future events or otherwise. Having said that, I hope you all have gone through our investor presentations and financial results that we posted yesterday.

I would now like to hand it over to the Managing Director, Sandeep Jain, to discuss our performance. Thank you.

Sandeep Jain: Thank you, Sahil. It gives me immense pleasure in declaring the Q4 and full year FY '25 results of your company. While your company started its journey in 2004, FY '25 will remain etched in its memories, as it got listed on the stock exchanges on 6th of August '24. We once again extend our sincere gratitude to all stakeholders and remain committed to creating long-term shareholder value.

As you are aware, that FY '25 has been a year of significant volatilities. For the industry, that is domestic pharma, we witnessed significant price erosion in API as well as muted volumes. This impacted the core CDMO business as well as further delayed the turnaround of the API business. This results in flat revenue growth of your company. However, despite these headwinds, Akums'



grit, and spirit shone through -- and we managed to maintain our margins and generated healthy cash flow.

The Q4 volumes grew up by 9% year-on-year, while the FY '25 volumes grew by 1% higher than the overall market volume growth. We increased our R&D spend by 16% to INR130 crores. We continue to add new growth levers to boost our performance in fiscal '25. We launched 31 DCGI products, including the recently off-patent Empagliflozin and its combination Silodosin and Mirabegron, bilayer tablet, amongst others.

We also expanded recently capabilities for nasal sprays, eye drops, bilayer tablets, ampules and FFS small volume parenterals as well. We continued to increase our niche portfolio offering to our partners. Your company also operationalized a new injectable facility in Q2 FY '25, which will further cement our sterile drug leadership in India. In the coming year, we have a Capex plan of approximately INR300 crores, wherein we will expand our product offering by setting up lines for oncology, steroids, FFS LVP, amongst other things.

We took noteworthy steps toward becoming a global CDMO by signing an approximately EUR200 million contract with a global pharma company. We have already received part consideration, that is EUR100 million, in April '25. The supplies for this will commence in 2027. We also got audited by ANVISA in April '25 for our injectable facilities, and hopefully, we will receive approximate -- approval in next quarter.

Our in-licensing products of Triple Hair Canada, Caregen Korea are on track and undergoing trials and regulatory commissions. Discussions are also progressing well with Zambian government to finalize the modus operandi and form a manufacturing JV. These are exciting times as we continue to build a global pharmaceutical company.

Now moving on to operating performance. Operating performance of the company in Q4 was robust with overall revenue growth 12.4% and adjusted EBITDA growing by ~13% year-on-year. For the year, our performance was flat for both revenues and EBITDA, as compared to last year. As we mentioned, this was largely on account of price erosion of APIs, as our revenue are built on cost-plus model, where cost-of-input API and packaging material are passed to the customers.

Further, with muted industry volumes, the overall demand in Indian pharma market was soft. FY '24 had a sizable product development contract of INR126 crore. If we exclude it to account revenue from manufacturing services, CDMO revenues grew by 2%.

API EBITDA losses continue on their downward trend as we continue to focus on bringing profitability to this business. Beyond Indian markets, we are also exploring global markets to improve realization. Over 10% of our sales in FY '25 was international market. Over the next 12 to 18 months, we expect to enter the European market with three CEP approvals. We invest around 4% of API revenues in R&D to improve margins profile of existing portfolio and build dossier for European market.



Our domestic branded formulation business continues to do well, with 9% revenues growth and 12% EBITDA growth for the full year. Our IPM ranking improved to 58 in FY '25. Our PCPM improved approximately 20% over the last 3 years, while we also added around 14% new sales professional to our team. We continue to focus on specialty physicians, with 70% of our coverage being specialists. Further, 70%-plus of our portfolio is chronic, with focus of gynaecology and cardio-diabetes.

The international branded segments have been performing well for the last few years, registering over 25% CAGR since FY '22. We are present in 50-plus countries across Africa, Southeast Asia and penetrating into European, LATAM, MENA regions. Over the last 3 years, our 450 dossiers were registered in various global markets, showcasing our R&D and regulatory strengths.

Now I will hand over to Mr. Sumeet Sood, our CFO, for the financials.

Sumeet Sood:

Thank you, Sandeep ji, for the insight. I'll take you through the financials of the company. If we look at the full year consolidated numbers of revenue, we were at INR4,170 crores. This is 1% lower than last year, which was INR4,212 crores. Adjusted EBITDA for the full year was very similar. On exact numbers, it was INR2 crores lower. PAT for the current financial year is INR234 crore, as compared to INR220 crores in the previous year.

If we'll go to the quarterly numbers. The March total income came to INR1,073 crores. That is 12.4% higher on year-on-year basis. INR954 crores was for the quarter ended March. And it's ~5% higher than the December quarter. If we look at the adjusted EBITDA for the CDMO business. For the Q4, it was INR111 crores compared to INR98 crores for March '24. This is ~13% higher, but it is 18% lower than the December '24 number which was INR136 crores.

Our PAT stood at INR44 crores. It was similar to what we did the last quarter. However, this was lower than Q3 which was at INR66 crores.

If we look at what we've done for our financials is that we were presenting three segments. We have sort of further broken that into five business segments, and we will probably tell you the results of each of these segments separately.

For the CDMO, if we look at the overall revenue, it was at INR3,208 crores. It was ~2% lower than last year. EBITDA for the full year was lower by ~7%. If you look at -- we were at INR487 crores last year. We had INR454 crores this year. For the quarter ended March '25, revenue was INR840 crores. It is ~15% higher than the last quarter and ~7% higher on quarter-on-quarter basis. EBITDA for Q4 was INR89 crores, ~9% higher year-on-year basis, which was INR81 crores for March 2024, but ~27% lower in quarter-on-quarter basis, where it was INR121 crores.

If we look at the business that is on domestic branded segments. The overall full year revenue was INR434 crores. It is ~9% higher than last year which stood at INR398 crores. EBITDA for the full year stood at INR77 crores compared to INR68 crores last year. This is ~12% higher. For the quarter ended March '25, the revenue was INR104 crores compared to INR94 crores which was in March '24, which is ~10% higher year-on-year basis; however, ~6% lower quarter-on-quarter basis, which stood at INR110 crores.



If we look at the EBITDA for the Q4, it was INR22 crores, ~11% lower on year-on-year basis, which was INR25 crores in March '24, but ~10% higher on quarter-on-quarter basis, which stood at INR20 crores.

The international branded segment has done a total revenue of INR143 crores compared to INR125 crores last year. This is ~14% higher. EBITDA for the full year stood at INR28 crores compared to INR24 crores last year. It stood ~15% higher from last year.

For the quarter ended, the revenue was INR40 crores, which is compared to INR21 crores, 86% higher year-on-year basis; however, ~7% lower on quarter-on-quarter basis. EBITDA for Q4 was INR9 crores significantly higher than INR2 crores for the quarter ended March '24; and ~12% higher on quarter-on-quarter basis, which was INR8 crores for the quarter ended December '24.

For the API business, as Sandeep-ji had explained, our endeavour is to see how we can reduce the losses. So, if we look at the total revenue, there is -- this year, we did INR219 crores, which was higher than last year but very nominal which -- INR6 crores, so 3.2% higher. For the full year, the EBITDA losses would marginally decline from -- INR44 crores, which stood now. And last year, it was INR46 crores.

For the quarter ending March '25, the revenue was INR50 crores, INR10 crores higher QoQ basis, 20% higher on quarter-on-quarter basis. For the quarter ending March '25, EBITDA losses declined to INR6 crores from INR8 crores.

The trade generic business. The total revenue stood at INR115 crores, INR62 crores lower than last year which stood at INR176 crores.

For the full year, the EBITDA losses have slightly declined to INR28 crore from last year, INR33 crores. The quarter-ending revenue was INR22 crores compared to INR30 crores in the previous quarter. For the quarter ending March '25, the EBITDA losses were higher at INR10 crores, from INR7 crores in Q4 FY '24.

The operating cash flow for the group continued to be positive and healthy. We were at INR465 crores. INR498 crores were last year. And the cash conversion ratios stay at above 90%.

The free cash flow also stood at INR201 crores. INR212 crores was for the last year. As Sandeep-ji, during his session, mentioned, that we on the 9th of April got the part payment for the EU contract. We got INR950 crores. We had the surplus cash of INR566 crores, so the company today has a war chest and cash surplus of INR1,520 crores.

Our working capital stays healthy. The net working capital has improved from 99 days to 91 days. And we are pretty happy to announce the results of the company. We would request you for your questions now, and we will collectively try to answer all of them.

Moderator:

Thank you very much. We will now begin the question-and-answer session. First question is from the line of Vivek Agrawal from Citigroup. Please go ahead.



- Vivek Agrawal:** Hi, thanks for the opportunity and congrats on a decent set of numbers. FY '25 was a bit challenging because of the pricing and all these things. So how to look at the numbers, as far as the CDMO business is concerned, in terms of growth and margin profile for FY '26?
- Sahil Maheshwari:** Thanks, Vivek. Sahil here. So rightly said. So just even look at now, the volatility in API prices still continue, while we initially thought that it would subside in a few quarters, but honestly today, we still see a downward trend in APIs. So since you know it's a cost-plus model where almost half of our cost is APIs in our transfer pricing.
- So giving guidance really on the top line is tricky at this point in time given the API prices still continue to be soft. What we can do is give a -- broadly a volume guidance. As we mentioned, we grew 9% quarter-on-quarter volumes. So the volumes are coming back. So that internally means either the inventory is getting destocked or there's inherent demand of -- for the new products that we have launched.
- So what we expect in FY '26 is that we'll have a single-high-digit volume growth. On top of it, if the API revenues -- if the API prices stay same, then we'll have a similar revenue profile. If the API prices continue to move up to their average levels, which are currently very low, we'll have a better revenue growth, but as of now, since the API is volatile, we cannot say it.
- But the volumes will be in single high digit, which you obviously know it is much higher than the -- what the overall IPM would do.
- Vivek Agrawal:** Understood. And in this quarter the CDMO business grew quite decently, but the margins were slightly on the softer side, so would you like to explain basically how the -- or what caused the kind of volatility, as far as the margins are concerned?
- Sahil Maheshwari:** Sure. So while this should be looked at Q4-to-Q4. So Q4 usually has a product mix or a product profile which is of lower gross margins compared to the other quarters. So that remain there. So if we look at really 9 months and 3 months of this quarter. So broadly, more than half of this, it was on account of higher COGS, which is a product mix, but this is a quarter-on-quarter phenomena.
- This, we saw last year, the year before and so on. So this is why it should be looked as an annual business, which we continue to maintain a similar guidance on. And that partly mostly explain. And quarter 4 also has some bonus payouts and provisions. So that's a minor part of it, but largely it's the product mix which drove down the margins.
- Vivek Agrawal:** Thanks. And just last question before I jump in the queue. If you look at trade generic; and API revenues, the API business. So it is continuously, I think, loss making. And if you look at quarter numbers, trade generic losses have been widened, so what is the thought process around these business, continuing these business going forward?
- Sandeep Jain:** See trade generic we are seeing it from last two, three years. So we are not able to see significant positive results. So now we are in the process of consolidating this business or at least to maintain



that this losses should not go to the next year forward. So we are in the process of consolidating this business.

Vivek Agrawal: And sir of API?

Sandeep Jain: Yes. As far as API is concerned, we are still there in the business and we'll remain to be there in the business. We are trying to curtail our losses. Last year we are not able to curtail our losses and in revenue also we are not taking positive so around 10% of the volume growth -- sorry, revenue growth we are planning and apart from that the losses which is there we are trying to reduce it significantly.

Vivek Agrawal: Just coming back on trade generic. So when you say consolidating the business, means overall reducing the overall footprint or overall size of this business. Is that right way to understand?

Sandeep Jain: Yes, you understood it right, but that is not like we are going to zero-down this business. The portion which is positive in this and profit making that portion only we will keep with us.

Vivek Agrawal: Thank you, sir. This is helpful. That's from my side.

Moderator: Thank you. Next question is from the line of Gautam Gosar from Monarch AIF. Please go ahead. As there is no response, we'll move ahead to next question. Next question is from the line of Abdulkader Puranwala from ICICI Securities. Please go ahead.

Abdulkader Puranwala: Sahil just first on the CDMO growth this quarter. So partly you explained about volumes. Is there any pricing element also in this particular quarter? Have we been able to increase prices or it's the mix has just changed and due to that, there is a better realization?

Sahil Maheshwari: See if you see broadly what we have also done in our investor presentation, what we did, we tried to show a waterfall around it. And hence the gross margins of the overall CDMO business has improved up. So the product mix overall has improved. This is partly on account of the DCGIs which we have constantly strived for. This year also we receive 31 of them and also on account of improved product mix.

And if we will see which we have a niche form which we have classified as base and niche being everything which is research-driven or tough to manufacture or injectables and so on. So that is our 20% CAGR and from last three, four years it is increasing. So the gross margins are improving in this business.

Abdulkader Puranwala: Okay, understood. And secondly, on -- any color on the sickle cell product launch? Are we now looking for an international market opportunity only on -- any color on when the uptick will happen in the India market?

Sandeep Jain: See in sickle cell there are many opportunities and if we say clear cut visibility we are not available to see those clear-cut visibilities, but still we are very much hopeful that this is a big business and whenever market is going to realize it or whosoever are their consumers it is going to be a big business and big margin products as well and in that we are alone in this who are



patent holder and our cost also is very low from the international products, but for future guidance at the moment we have kept it separate. Whenever there will be a revenue or the profit, it will be an add-on to our guidance.

Abdulkader Puranwala: Okay, understood. And sir, next, you have received this EUR100 million from the export order, so -- I mean, how do you plan to deploy this cash? Would that be on the books till the time commercial supply starts or is there any plan to utilize it before?

Sumeet Sood: So Abdul, the way we are looking at it is that we are looking at opportunities which will have synergic benefits to the company. Right now the money is parked, well invested, but businesses which will have synergic advantage with us, profit-making businesses is what we will probably look at.

Sandeep Jain: We can look at it in two ways. One is this specific money which has been parked there is a purpose behind that and we have to utilize that in that purpose only as and when our products will come, but because we are cash positive, we are looking for some merger and acquisition opportunities or different type key merger, of course, within the pharma space only and which are profitable and who will add value add to our supply chain and our product mix and our client mix.

So we are seeing that type of opportunity, but certainly profit-making business we are exploring it and we are very mindful whatever public money is there to utilize it which will be a value add to every stakeholders.

Abdulkader Puranwala: Got it, sir. And sir, finally on the top line guidance. So do you have any color on EBITDA; how would the EBITDA margin or absolute EBITDA look like for next fiscal, '26?

Sahil Maheshwari: So CDMO will remain similar margins to this year. Akumentis and Unosource are already high-margin profiles compared to the overall average corporate, so will be similar margins of 18% to 20%. As sir was explaining we are consolidating. So the magnitude of losses in the trade generics, we still have to think through, but that will come down.

And API, we are significantly focusing on how do we reduce losses if you will see Q4 also there is a INR6 crores EBITDA loss. So we are significantly working on how do we bring down these losses. The three businesses, we'll maintain a similar margin profile. And the loss-making couple of businesses, we'll see losses coming down. So the overall margin profile of the company will move up.

Abdulkader Puranwala: Got it. Thank you.

Moderator: Thank you. Next question is from the line of Madhav from Fidelity. Please go ahead.

Madhav: Hi, good morning. Thank you so much for your time. My first question is on the trade generic business. So here the revenue has been coming down from us consistently like if I look at FY'22, we were at INR500 crores plus revenue, which is now INR100 crores, but the absolute EBITDA



loss here has actually gone up from INR20 crores to INR28 crores. Could you explain what is happening here?

Like, we've scaled down this business consistently, but EBITDA loss is still higher. And I mean, how difficult is it to just close the business and just bring the losses to zero because I'm not really sure what we're trying to do here?

Sahil Maheshwari:

Sure. So thanks Madhav for the question. So essentially if we see the business, in trade generic business there are two characteristics. One is it is characterized by low pricing. So in an absence of quality parameters, I think pricing is what demands the overall channel play. The second is the working capital requirements of these businesses is high.

So your question on EBITDA this is what -- why we have scaled it down, essentially that the profitability of this business is consistently deteriorating across the board and very significantly for us. The COGS is significantly higher for us. And so that is the reason the margin profile is coming down and as well as given the working capital needs are high.

And there are some provisions and write-offs in this business so we get EBITDA loss is more. That's the overall reason why we think that, while we have over the last 2, 3 years seen how we can turn this around, but given the current scenario of the business where a branded play significantly helps you in a trade generic business and since we are largely a CDMO business, in an absence of a large branded play, we don't see this as a meaningful opportunity to us.

Madhav:

So that's exactly my point. Like, why don't you just close it like just take the revenue to zero and then the EBITDA loss should go away, right?

Sahil Maheshwari:

So Madhav so there's a working capital in the business. So if I immediately turn off the plug -- so that money is a risk that entire working capital might get provisioned for. So there are active efforts wherein we'll reduce our exposure on the working capital. And when the time is right, we'll take a call on shutting down the states, specific states wherever losses are more or specific product lines. And we'll continue perhaps some presence in this business if necessary. While I don't say we'll have it, but the whole idea is to scale this business down.

Madhav:

Okay, got it. And secondly, I think you have mentioned about looking for some M&A opportunities. Could you help us understand like which is it in the CDMO business itself you're looking for M&A? And some more color. Is it for the domestic market play? Is it for exports and I guess just last clarification was you have INR1,500 crores cash on the balance sheet, including the money for the European contract.

So fair to understand, that INR1,000 crores we will not touch. So it's only from this INR500 crores and then any other leverage that we may take. So that ring-fencing will happen or that 1,000 crores, also we can use for M&A?

Sahil Maheshwari:

So money is fungible. So about 1,000 crores have with us. So while the endeavour is we'll have this money with us, but if needed, we can already have an OD facility on the FD we have created

on it. Since it's INR1,500 crores, I think it's a good question for the entire group how to use in the leverage. So we have five businesses. Let strike it off where we cannot do M&A.

You cannot do an M&A in trade generics. You cannot -- we don't want to do in APIs. So these two businesses are off the table. On Akumentis, while we plan to grow it above the IPM at double-digit growth rates, inorganic is not a key lever for us for growth in this business, partly because this is not one of the core focuses of the group, compared to CDMO. And also the market multiples are high in this business compared to other -- the corporate.

So that is one business. If we get something very good and synergistic to Akumentis, we might explore, but this is not the top of priority for us. About doing two business CDMO and exports, both of them, we are looking at M&A opportunities. In CDMO specifically there are 2 areas where we have drilled it down. One is that lets us add the capability here. So maybe a dosage form, a technology which we don't have. And it's a commercially profitable technology which we can acquire or a product line or a business we can acquire which will add capability altogether to us. That is one.

The second is a CDMO or a similar business wherein we get exposure to newer markets which we currently don't serve. So these are the 2 kind of businesses we are looking at in CDMO. And within exports, we have shortlisted some of our gold markets. Approximately 15 of our countries, out of 50 which we currently operate in, are gold markets for us.

And we constantly will look at if we can get some good opportunities to expand our business in those markets. As you know, this is a business of focus for us. We intend to grow at least 20% year-on-year on this business, with current high level of EBITDA margins. So again, this is a business where we can look at M&A opportunities.

Madhav: And just a follow-up on the CDMO for newer markets. I'm assuming that's obviously export market. So we will look to buy a facility as well overseas. Or we just want to get market access, so we'll buy some local company with supplies from the Indian plant itself. Because we do have a low-cost advantage being based in India...

Sahil Maheshwari: We are open to both, honestly, Madhav, but the tilt obviously will remain to control the manufacturing, right, so it should be a facility wherein we can control the end-to-end of it.

Madhav: Okay. And just on the API business guidance, could you give us some timeline by when this loss can go to zero? What's the updated timeline here?

Sandeep Jain: See, presently, we don't see any timeline where we can tell you that we will be able to take it to zero. This year, it is going to remain at a loss and probably next year as well. But the losses are going to be, say, half by the end of this year, for sure.

Moderator: Next question is from the line of Anandha Padmanabhan from PGIM India Mutual Fund.

Anandha Padmanabhan: Sir, in FY '24, you had a product development revenue of close to INR126-odd crores. Is it fair to assume that in FY '25 you had zero product development revenues?



- Sanjeev Jain:** Yes -- almost zero, sir.
- Anandha Padmanabhan:** Okay. And what's the outlook for this particular line of revenues, in terms of do you see -- is there any visibility of getting these revenues in the coming years?
- Sandeep Jain:** Coming year, yes, there are some visibilities, but we have not factored them because this business is such that when there is a specific demand, we are able to comment on it. That is why we have not factored it anywhere in the guidance. But whenever it will be there, it will be an add-on.
- Anandha Padmanabhan:** And this product development will typically pertain to the domestic market, right? Or is it for...
- Sandeep Jain:** No, no, it is not -- no. You don't get a lot of money in the domestic market. Mostly, it is for the European market and the regulated market that you get a good margin and good money in product development.
- Anandha Padmanabhan:** Okay. And, sir, the European contract, the long-term contract, which you have got EUR100 million upfront, for this particular contract, what is the amount of capex and opex that you will need to incur before FY '27 to have the facility or get your capability up and running?
- Sahil Maheshwari:** So, we'll have to get the plant done and we'll have to have the product approved, right? So what we are thinking on these lines, that this is roughly a EUR20 million expense for us wherein we will develop the dossier, register it in most of the European countries, as well as we'll upgrade our plant to get the European GMP.
- And we are also investing in a new product facility in A 11, which is our Baddi 1 facility, wherein we will again set up world-class, high-sophisticated lines to serve to European markets and get the European approval...
- Anandha Padmanabhan:** So this entire cost of all this would be \$20 million.
- Sahil Maheshwari:** It will be EUR20 million.
- Anandha Padmanabhan:** EUR20 million, sorry. EUR20 million, okay. Fair enough. And sir, in terms of on a full year basis, in terms of you said that the pricing continues to be volatile. So even on a Q-on-Q basis, the prices has -- pricing in the CDMO business has been negative on a Q-o-Q basis?
- Sahil Maheshwari:** Yes.
- Anandha Padmanabhan:** Okay, okay. So coming on to FY -- even in FY '26, as of now, you don't see any visibility of prices stabilizing?
- Sahil Maheshwari:** No. So if you look at large anti-infectives, right, whether you look at amoxicillin, whether you look at cardio diabetes, Telmisartan and so on. So most of the APIs still continue to be very soft. And these are large APIs that dominate the Indian pharma market, right, pantoprazole and so on.



So currently we don't see that the API prices are stabilizing. Given it's a cost-plus model, this, honestly, does not impact much on our gross margins, but that is not how the facility operates, right? So it's a constant endeavour that we'll have to optimize our manufacturing expenses.

And hopefully, these are not the levels which most of the industry will be happy at. So maybe it can take a quarter or 2 quarters or 3 quarters. We don't know, but these are significantly lower prices compared to historic averages.

Anandha Padmanabhan: And since you operate on a percentage margins, this will -- historically, this has held true even on a rising API price scenario as well?

Sahil Maheshwari: Correct, correct, very right.

Moderator: Next question is from the line of Pranav Chawla from Ambit Capital.

Pranav Chawla: Sir, I had a couple of questions. Sir, when do we think we'll be able to EBITDA breakeven in the API business given the current scenario if the prices are stable? Are we still targeting end of FY '26 or we expect it to be pushed to FY '27?

Sahil Maheshwari: So most of our revenues, what we get is from the Cephalosporin. Cephalosporin for a class of drugs which were hit harder, right? Almost 20%, we saw a price erosion, right? While the endeavour on manufacturing optimization, yield solvent recovery went well, but the overall COGS percent moved up as sale price reduced over here, right?

As we tentatively guided that we should be able to bring down the losses by a good fraction, almost if the endeavour is to bring down by INR15 crores - INR20 crores this year from the last year, right? So this is what the endeavour is, but we might not be able to do positive this year, right?

A lot will depend on how the Cephalosporin prices move, which will drive our next year profitability. But next year, the endeavour is to bring down the losses consistently. So whether it will be zero for the year or it would be single-digit losses, we'll really have to look at because this is a commodity Cephalosporin business as of now.

Better question, I think how do we do it? So there are 2 things in parallel what we are doing. One is we are exploring the global market. So as Sandeep, sir, mentioned that next 12 to 18 months the intention is to do 3 CEPs, and these will be largely across Cephalosporin, right.

Do 3 CEPs and get the plant audited and approved by the European authorities. So there are lesser players, a few players at CEPs and there are better realizations as well. So that is one thing we are constantly doing.

The second thing is domestic may be expanding the client base to ensure that the kind of market which we serve, we are fully entrenched into the domestic market and cost reduction has always been our focus in this business for the last 2 years, right?



So this is what we are doing. We are very hopeful and positive, Pranav. But at this point in time, you'll understand, get into my shoes, you'll realize that when will we break even? This largely depends on the external API pricing scenario.

Pranav Chawla: Sir, do we have any deferred tax credit from this API business? And if yes, can you quantify that?

Sumeet Sood: So we have had post the acquisition, taxes which came in with this business. So we have over INR850 crores, close to INR879 crores of tax losses, which came in with this business, and they continue to be here. And that's something that is the fact.

Pranav Chawla: Are we able to utilize these tax losses as of now? Or do we see some time -- we will have to wait for API business to be profitable to utilize these credits?

Sumeet Sood: We should, in the next 4 years, be able to utilize these losses. We had mentioned in our earlier calls that to utilize these tax losses, one of the ways we had done was that we had merged this entity with Pure and Cure, right? So some of those benefits we are getting from our largest CDMO business. So we think we will be able to utilize them in the next 4 years.

Pranav Chawla: Perfect. And one last question from my side, sir. In the opening remarks, we mentioned we had certain excess provisions in this quarter. Do you want to call out what would be the quantum of this?

Sumeet Sood: So we'll give you a broad understanding what are these provisions. So I think a lot of you asked questions around what in the trade generic are we doing. So some of these provisions came in to see that once we are sort of consolidating this business, we try to understand some of these debtors provisions that could be there. So I think broadly for the guidance, it is in line with the strategy that the company is following. So I think that is really where the provisions are.

Moderator: Next question is from the line of Madhav from Fidelity.

Madhav: Yes. Just a follow-up. On the export business, where we did about INR143 crores in FY '25. I think could you give us some sense in terms of how the base business can grow? And then also the European contract, which is a very large contract for us, could you give us some time line in terms of when does it start? And what could be the steady-state annual revenue? And anything on the margins as well of this European business? If you could give some color on that, that will be great.

Sahil Maheshwari: So this largely this is a 200 million contract on a 6-year basis. So largely -- this will be INR300 crores -- INR350-odd crores top line business with similar margin profile for us. So this will be a similar margin profile in the CDMO business. So this business will fall in the CDMO business for us, right?

If you talk about the base export business, which is our branded business, what we do, this -- as I said, this is a base business for us. In absence of any inorganic as of now, this will continue to at least grow in high double digits, 20%-odd growth for us over the next 2, 3 years. And the



commercial supplies for the European contract will start in 2027, most likely in Q4 of '27, around February/ March of '27.

Madhav: Q4 FY '27. Okay. February, March 2027 is when it starts. So FY '28, we should reach the full steady state of INR300 crores, INR350 crores or it takes some time to...

Sahil Maheshwari: Correct. No, no, this is a stable product with a stable market demand. So this is not a new launch. So this will have a stable demand of INR30-odd crores monthly.

Madhav: Okay. And in the next -- like FY '26 and FY '27, given we need to incur some cost for filing the dossiers in Europe, etc., is there any expense that we will put in the P&L for this contract, like FY '26 and '27, you could have some cost coming through? Or how would that work?

Sumeet Sood: So this on the basis of the accounting standard would work on a composite accounting, right? So the expenses get charged off when the revenue recognition happens, right? Because the enduring benefit will be over the period when the revenue comes in. While there would be capital expenditure, which will happen, but as I said that this will be on the basis when the revenue comes in.

Madhav: Okay. So FY '26, we said, we're not going to incur any cost, like it will be sort of accounted for when we start the revenue, right? So that's the way we should think...

Sumeet Sood: Yes. So there will be an expenditure but not be tied to the P&L. That is what I was trying to reply. Yes, we'll capitalize it.

Moderator: Next question is from the line of Naman Bhansali from Nine Rivers Capital.

Naman Bhansali: My first question is on the utilization level that you've given in the presentation. So on an average, we are gearing around 31% to 38% in the FY '25 full year. My question is, why are we running on such a smaller utilization level versus our peers who are -- who report around 50%, 60% utilization levels generally? And is it something to do that we have done a much larger capex than our business demand currently persist?

Sandeep Jain: In this case you will need to understand our business model. We work for multiple clients, like over 1400 clients with 4,000 different products and with around 18,000 different SKUs. So there are so many plants like and dosage forms as well, may it be ampoule, vial, injection, et cetera, et cetera large volume these are tablets, capsules, hard gel, soft gelatin. So into that, multiple products, multiple changeovers, so number of changeovers which we have in our set up its not anywhere.. So if you look at this, capacity or specific capacity it is utilise there also in changeovers.

Secondly, it like large volume parentals, injectables, and we achieve 70%, 80% capacity of this, wherein tablet, capsule, so number of changeovers we use less capacities. If there is hormone facility, so hormone facility is running say at around 10%, say 20%. But that will be fulfilled with hormone business only. The same way when we are going to say, make capex on a few



more businesses, so that is for new dosage forms, like we are going for oncology, we are going for steroids, which are not there in our basket.

So the capacity enhancement is going different types of dosage forms. LVP, we are already short of capacities. So we will build more capacities. So the same way we are going to build the capacities. And we these capacities 40 to 60, but it is not going to be 100% in pharmaceutical and specifically with our business wherein we are having 18,000 different SKUs.

Naman Bhansali: Got it. Got it. So ideally, should we assume that it should be at peak, maybe around 40%, 50% we are not more than that?

Sandeep Jain: No, no, no, We every line, every product checked, validated it up to 60%. So at any point of time, we can go up to 60% very easily without making any efforts or with least minimum efforts, and 60%-65%-70% on some line it can go.

Naman Bhansali: Got it. Got it. Understood.

Sandeep Jain: It is specific to some future few lines, you could take lines from 80%, 85%.

Naman Bhansali: Got it. Got it. Understood. Second question is on cepha. Given it's a very competitive market as well as commodity market. So also given that we have almost 80% of our business from cepha and the API side, so are we looking to enter into any other different API segments or any other different API that we are looking out to diversify this segment which might help us get more margins quicker?

Sandeep Jain: See, we do have 2 different plants. One is meant for Cephalosporin. This is an category Cephalosporin in pharmaceutical we cannot manufacture anything other than Cephalosporin in that specific plant. So we have to bring this plant Cephalosporin and bring into profit and we are increasing the volume in those plants as well and that is also regularly in production and we are increasing the volume in those plants as well.

Naman Bhansali: Got it. And lastly, on the international business. So this year, I think we grew around 14%. And so is there scope here to grow at more than that range around 20%?

Sandeep Jain: Yes, yes, there is scope also, and we will definitely achieve it, in this financial year we will achieve it.

Naman Bhansali: And on the dossier side this year, we had almost 70 approvals versus last year...

Moderator: Sorry to interrupt, sir. Can you please move to the question queue for follow-up questions. Next question is from the line of Dheeresh Pathak from WhiteOak.

Dheeresh Pathak: Sir, what will be the capex in FY '26.

Sumeet Sood: Right. So we had given -- last time we have said that we will be going to Jammu. So we've broken down our capex into maintenance capex and growth capex. The maintenance capex would also take upliftment of the entire thing. So we are looking at almost a INR300 crore capex

in this year, of which we think close to INR100 crores, one third of the total capex will go into basically maintenance and modernization and the growth capex would be on INR200 crores for the year.

- Dheeresh Pathak:** And this INR200 crore, where are we spending the growth capex?
- Sandeep Jain:** First, we will put in Jammu. Apart from we liquid oral for our European business. Although we do have a line, apart from the current line as well, so on that also there will be investment. And also in oncology and steroids we are going to provide.
- Dheeresh Pathak:** Okay. Sir, in the cash flow, there is a significant increase in principal payment of lease liabilities from last year, INR52 crores versus INR8 crores. So what is that related to?
- Sumeet Sood:** So this is basically for the new land parcel's we have bought for Jammu and other plants and that's where that liability has increased because it's a long-term lease liability that we have created over 30 years.
- Dheeresh Pathak:** Okay.
- Sumeet Sood:** Yes.
- Moderator:** Next question is from the line of Gautam Gosar from Monarch AIF.
- Gautam Gosar:** I have a question on your utilization levels since you explained that. I just wanted to understand if you have so many possibilities already examined. Will you please highlight which of your facilities are north of 55%, 60% utilization levels?
- Sandeep Jain:** If we talk about the dosage wise, the old facilities of injectables are 70%-80 % while liquid oral facilities are 70%, while the OSD facilities operate around 40 %. And the new facilities like A12, which injectable, which is running less than 5% because business has to grow. The same way, Penam facility in Haridwar, that is also around 10% so it is full leverage. Because the new facilities are introduced the product is and the stability data of is getting ready.
- Gautam Gosar:** Except for the new facilities, all our own facilities are north of 45%, 50% utilization levels.
- Sandeep Jain:** The old facilities are yes, they can be, but we also want to see, like Plant 1 dedicate for exports, and Plant 4 for hormones. So it is specific to the doses form.
- Gautam Gosar:** Okay. I think when the blended utilization levels should be much higher than what we are reporting around 30%/ 40%.
- Sahil Maheshwari:** I couldn't get you. Can you repeat your question? Your voice wasn't as clear.
- Gautam Gosar:** Basically, all our old facilities are north of 45%, 50% utilization level, then the blended utilization for us should be like more than 40%, 50%, which currently is around 35%, 40%. So I cannot understand where the gap is coming from.



Sahil Maheshwari:

No, no. So let me reclassify. So inherent challenges with a few facilities that the overall market volumes are low. So hormones, that operates at sub-20%. And similarly, Plant 1, we have reserved for Europe where we are still building volumes. So most of our old facilities, if we see the blended average, so that comes out to be 40-odd percent.

Okay. Now we have added capacity. As you see over the last 4 years, we have added almost one fourth of our capacity, we have added to our capacity. This is across these dosage forms, which we report, right? Some are -- so injectables, we are operating at almost 50% plus. If you pick up the RHPC Plant 3, we were higher, right? But now you see it's gone down to 32% with the injectable facility, obviously, which is larger in terms of the units that we produce, brought down our utilization for injectables to 32%.

Similarly, the kind of investments we are doing in oral liquids has brought down our oral liquids, although oral liquids is a seasonal business. So in quarter 3, it spikes up. And hence, we have to keep a headroom. And hence, the overall utilization gets low. So while we can look at an average level, we have to really think through what is the seasonality and what is the formulation type before we say blended level, most of our capacity, as you could see, is for oral solids with high changeovers and client needs is currently between 35%, 40 % depending on what quarter we play in which for full year y a number came out 38%.

This, what we are saying is given in oral solids, we can move up to 50%, 55%. If we stick here, don't do further capex over the next 2, 3 years, we can do it. But a plant, it takes almost 2 years to bring up, get the WHO-GMP validated. So an adding capex, if we see our business is growing, is always a wiser decision to plan in advance for at least 24 months. And hence we base denominator but volumes constantly increase.

Gautam Gosar:

Secondly, on the domestic formulation business. So on overall IPM level, we have seen a restricted growth of around 8%, 9%. So how should we look at our business of domestic formulations and what growth can we expect from this business?

Sahil Maheshwari:

So this is a business which we are targeting if you really see through. We not take price hike this year. Obviously, right? So we are focusing on building branded play wherein we have a prescription-driven play, right? So this is a business where we are targeting a double-digit top line growth, which is -- which will be higher than the overall Indian pharma market.

Gautam Gosar:

Okay. And lastly, sir, you mentioned about your API losses which are coming down...

Moderator:

Sorry to interrupt, sir. Could you please rejoin the question queue?

Gautam Gosar:

Okay.

Moderator:

Next question is from the line of Dheeresh Pathak from WhiteOak.

Dheeresh Pathak:

Sir, European client, contract that we have, if you can just explain how to account it again. I don't have that much clarity. So will cash flow come and how will it run through the P&L? And what sort of cash margins are we expecting to make here?



- Sumeet Sood:** So Sumeet here. So, like we a part payment, like Sandeep was explaining we have invest most of things, to take the plant approval. We'll have to take the product approvals. We'll have to put in some capex in the plant. All this investment will continue to happen, which not be charged off because there is no commensurate revenue which is coming in, right?
- While the cash flow has come in, that is cash which has come into the books of the company. Now when starting, let's say, let's take the way the contract is structured. On 1st April, we will probably be starting off the billing.
- For the whole year, we will probably -- whatever revenue will be there, there will be a part which will get adjusted against the payment which has come. And there will be a part which will be adjusted against the expenses that we have made, right? So the accounting will only start happening when the revenue will start getting recognized on this contract. So that's how the accounting will work.
- Dheeresh Pathak:** Okay. So how much cash has already come in, sir?
- Sumeet Sood:** So the way we -- when we mentioned, we got EUR100 million as part payment for the contract.
- Dheeresh Pathak:** So where does it show up in the -- you would have put it on the liability side on the balance sheet, right? Where does it show?
- Sumeet Sood:** No, not on the 31st. So it came on 9th of April, right? So this is a subsequent event, you look at the net surplus, you will see number 566, cash or cash equivalent. So, if we try to reconcile it with the balance sheet, then we will not be able to do it now because the money has come on 9th.
- Dheeresh Pathak:** Understood. What kind of margins that we expect to make here? Like in the domestic CDMO, we make a certain set of margin, there is certain working capital requirement, right? So what -- how the economics different here in this business?
- Sandeep Jain:** Sir, what is there, in Europe the business that comes, there are very good high margins, but because we had to grab this business at any cost, it was the very first business, and which is giving us entry in around 20 countries, along with it, the investment in terms of getting approvals and all that is also being reimbursed by the party.
- So, that is why we did not focus so much on margins here and it is somewhere around 15% margins that we will get. Although we are expecting that in the rest of the European business, we will be able to grab more margins.
- Moderator:** Next question is from the line of Naman Bhansali from Nine Rivers Capital.
- Naman Bhansali:** I was just following up on the dossier side for our export business. For FY '25, we have around 70 dossiers, which used to be much higher over the last 3 years, around 130 to 140 over the last couple of years. Now does this impact -- has any impact on the growth going forward in terms of newer dossier approvals reducing this year significantly?



- Sahil Maheshwari:** No. So, let's look at its history. So this is largely on account of years of R&D and dossier filing that happens too, right? So we think of a dossier, we go develop it, file the regulatory approval. So for example, it differs by country to country. Some countries give approvals in 6 months. Others can take as long as 3 years. Right?
- So this is an outcome event that we have received 70. As I have mentioned, we are also focusing on fewer gold markets. So the number of countries where we filed dossiers have also reduced. We are now largely targeting where -- which markets we can go deeper.
- But this certainly has no impact on the growth. Neither we are saying we are slowing down on the exports. We are constantly investing in our R&D and developing high-quality products specific to the markets which are of focus to us.
- Naman Bhansali:** Got it. And secondly, on the management side to a bit, this year, I think we have received a resignation of the CDMO CEO personnel as well as last year, I think the domestic formulation CEO resigned so where are we looking at the hiring from these 2 perspectives?
- Sandeep Jain:** See, in any industry, attrition is a normal process and because of his personal reason, he wanted to go. So, of course, we are in the process of hiring a few key people. But we always search for the right people.
- So, it's not like we just want to fill a post. Business is going on, but we want to manage the business more professionally through professionals. So, we are trying to identify the people who will be the best in class of the industry.
- Moderator:** Next question is from the line of Gautam Gosar from Monarch AIF.
- Gautam Gosar:** My question is on the API business. So what level should we see the API business breaking even? Like can you quantify a number at these levels it can break even? And what growth are we expecting? So earlier, I think we are expecting a much higher growth. And are we seeing any slowdown in this business now?
- Sahil Maheshwari:** So I'll rephrase -- paraphrase what we said earlier. Essentially, so the top line growth is what we are targeting 10%/ 15% growth, but that is not the key focus. The key focus is how do we reduce losses and move to a path of profitability, right? So last year, we did over INR40 crores of EBITDA losses, which we think this year will be in the range somewhere around INR25-odd crores.
- But this will largely be driven from how the external market plays in terms of the cyclosporin prices. While the endeavor is to increase our share of general products as well, but this is how it will pan out. So FY '26, if I say, we'll still be in losses, but the losses will be significantly curtailed down. FY '27 is a year which we think we might be breakeven or single digits of EBITDA losses.
- Gautam Gosar:** What revenue can be breakeven?



- Sahil Maheshwari:** So exactly to rephrase. So, revenue here is, cyphlosporin has come down. So, if from there, your meaning is that on the capacity utilization, we are still decently capacity utilized, almost one-third capacity utilized. We can do to 2.5x from the current levels of our capex, which has gone into. To a point, where will we breakeven? This is -- we currently do roughly INR200-odd crores. I think once we do almost 2x the size of the current revenues will be better off in terms of a profit-making business.
- Gautam Gosar:** Got it. Last question on trade generics. How much working capital is blocked over there? Can you quantify the inventory write-off taken in this quarter?
- Sumeet Sood:** So we have given a broad guidance on this. As I said, that this is something that we, as a part of our strategy are looking. But if we really look at what is the sort of working capital, this is not much overall in our business. If we look at the total trade generic business, we wouldn't -- we have, say, close to INR45 crores, INR46 crores on debtors. We have INR18-odd crores, which is on the inventory and INR35 crores on basically creditors. So there isn't much on the working capital. We have made a decent provision, and I don't think there will be any large hits going forward.
- Moderator:** Ladies and gentlemen, that was the last question of the day. I now hand the conference over to management for closing comments.
- Sandeep Jain:** Thank you, everyone, for attending Akums Q4 Earnings Call. If you have any remaining questions, you can reach out to the Investor Relations team. Thank you, and have a good day. Namaste.
- Moderator:** Thank you. On behalf of Ambit Capital Private Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.

Note: This does not purport to be a verbatim account of the earnings call. It has been edited for readability and statements made in Hindi have been translated to English.