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Ref: Akums/Exchange/2025-26/85

February 19, 2026

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 for Q3 of FY26

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 Monday, February 16, 2025 at 12:00 PM (IST) on Un-audited financial results for Q3 of FY26.

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

Encl: as above

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“Akums Drugs & Pharmaceuticals Limited
3QFY26 Earnings Conference Call”
February 16, 2026



MANAGEMENT: **MR. SANJEEV JAIN – MANAGING DIRECTOR – AKUMS
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**MR. SANDEEP JAIN – MANAGING DIRECTOR – AKUMS
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**MR. ANKIT JAIN – INVESTOR RELATIONS – AKUMS
DRUGS & PHARMACEUTICALS LIMITED**

MODERATOR: **MR. GAURAV TINANI – AMBIT CAPITAL**



Moderator: Ladies and gentlemen, good day, and welcome to the 3QFY26 Earnings Conference Call of Akums Drugs and Pharmaceuticals Limited hosted by Ambit Capital.

As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on a touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Gaurav Tinani from AMBIT Capital. Thank you, and over to you, Gaurav.

Gaurav Tinani: Thank you, Michelle. Good day, everyone. On behalf of AMBIT Capital, I would like to welcome you all to the 3QFY26 earnings call for Akums Drugs and Pharmaceuticals Limited.

I now hand over the call to Mr. Ankit Jain to introduce the Akums' management. Thank you, and over to you, Ankit.

Ankit Jain: Thank you, Gaurav, for the introduction. Good afternoon, everyone. Welcome to Akums Q3 and 9MFY26 earnings call. I am Ankit Jain, Head of Investor Relations at Akums Drugs and Pharmaceuticals Limited. On today's call, we are joined by Mr. Sanjeev Jain, Managing Director; Mr. Sandeep Jain, Managing Director; Mr. Sumeet Sood, Chief Financial Officer; and Mr. Sahil Maheshwari, who is the Head of our Strategy.

I will commence with our standard disclaimer, that any discussion on today's call might include certain forward-looking statements, which are predictions or projections of 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 confirmation, future events, or otherwise.

Having said that, I hope you have had the opportunity to review our investor presentation and financial results that we posted on Friday evening. I would now like to hand over to our Managing Director, Mr. Sandeep Jain, to discuss our performance. Thank you.

Sandeep Jain: Namaskar, everyone. Thank you, Mr. Ankit. And once again, appreciate everyone for taking time out to join us, for our Q3 and 9 months FY '26 earnings call. Q3 FY '26 was a strong quarter for Akums. Our healthy operating performance was characterized by strong execution across multiple key segments. CDMO registered a healthy top-line growth of more than 16%, driven by strong volumes.

The international branded formulation business saw significant improvement, led by demand recovery across key markets. Domestic branded formulation continued its steady trajectory, aided by portfolio expansion, improved field coverage, and sustained momentum in core therapy areas.

The quarter also saw benefit of operating leverage playing out in the CDMO business, with improved capacity utilization as well as steady ramp-up of newer facility.

While API pricing stayed under pressure, stabilizing in select molecules and disciplined cost management has helped mitigate impact on the CDMO margins. We continue to work towards reducing losses in the trade, generic, and API segments by way of portfolio rationalization and tighter control over overheads. Our European CDMO project is progressing as per our stated plan.

We successfully advanced on the regulatory and execution milestones. Following the receipt of EU GMP accreditation for our oral liquids facility Plant number 2 and are on track to start supplies in FY '28. Our oral solid facility Plant 1 also received renewal of EU GMP certification, showcasing our continued commitment towards global quality manufacturing. Supply of finished oral formulation from Plant 1 to Europe has already been commenced this fiscal. The Zambia project also remains on track, with commercial supplies from the Indian plants expected in H1 of FY '27. These developments further showcase our progress towards establishing Akums as a global pharmaceutical company.

During Q3 FY '26, the API business remained under pressure, with pricing softness persistence across key molecules. However, the pace of decline moderated, and ongoing portfolio rationalization and cost optimization initiatives helped contain losses and improve sequential performance.

Building a future-ready organization through automation is key focus for us. We have recently initiated our SAP S/4HANA transformation, which will enable improved efficiency, automation, and real-time analytics across multiple functions within the organization. Similarly, we have implemented Darwinbox to improve our employee experience and automate the HR functions. These initiatives across various functions throughout this group will enable us to prepare for the future.

While we continue to operate in a volatile business environment, marked by disruptions, we, as Akums, remain focused on our long-term growth drivers that include innovation, operational efficiency, cost control, and strategic partnerships. We reiterate our commitment to creating long-term value for our shareholders. Thank you for your continued trust and support.

I shall now request our CFO, Mr. Sumeet Sood to continue the discussion with the finances. Mr. Sumeet Sood.

Sumeet Sood:

Thank you, Sandeep, sir. Good afternoon, everyone. I will take you through the financial highlights for the quarter ended 31st December 2025. Our operating revenue stood at INR1,160 crores, an increase of 14.8% year-on-year. The Q3 FY '25 revenue stood at INR1,010 crores, and increasing 14% quarter-on-quarter, which was INR1,018 crores.

The total operating EBITDA for the quarter was healthy at INR147 crores, an increase of 21% year-on-year, and increasing 55.4% quarter-on-quarter. Margins were at 12.7%, improving 65 basis points year-on-year, and increasing 338 basis points quarter-on-quarter, driven by improved profitability across segments. EBITDA with other income stood at INR181 crores, increasing significantly by 33% year-on-year.

Q3 FY '25 was INR136 crores. Increasing 42.8% quarter-on-quarter, Q2 FY '26 was INR127 crores. EBITDA margins were at 15.2%, increasing 191 basis points year-on-year and increasing 309 basis points quarter-on-quarter. Profit after tax stood at INR68 crores, an increase of 2.1%, and in Q3 FY '25, it was INR66 crores, and increased 58.5% quarter-on-quarter, Q2 FY '26 was INR43 crores. As you're all aware, there was a labour code impact which came into the financials. The one-time impact of INR18.2 crores has been included in, as an exceptional item for the past period, and for the current period, 9 months, it is INR2.27 crores.

If we look at the five segments that we break down our financials in the CDMO, the branded formulation, exports, trade, generic, and API.

So if we look at the CDMO business, the revenue stood at INR916 crores, an increase of 16.3% year-on-year, it stood at INR787 crores for the quarter FY '25, and an increase of 13.8% quarter-on-quarter, during quarter 2, FY '26, it was INR804 crores. Revenue growth was driven by double-digit volume growth. However, decline in API prices continued in this quarter as well. On a quarter-on-quarter basis, API prices seem to be stabilizing. EBITDA for the quarter was INR126 crores for the CDMO business, an increase of 3.7% year-on-year, and an increase of 49.2% quarter-on-quarter, it stood at INR84 crores in Q2 FY '26.

If we go to the domestic branded formulation business, the revenue stood at INR115 crores, an increase of 4.2% year-on-year and a decrease of 5.8% quarter-on-quarter. EBITDA for the quarter stood at INR25 crores, an increase of 25.1% year-on-year, and a decrease of 3.5% quarter-on-quarter.

International branded formulation revenue stood at INR50 crores, an increase of 18% year-on-year, and an increase of more than 120% quarter-on-quarter. EBITDA for the quarter stood at INR12.9 crores, an increase of 65.9% year-on-year and an increase of 135% quarter-on-quarter.

For the API business, revenue stood at INR54 crores, an increase of 35.4% year-on-year and an increase of 22% quarter-on-quarter. EBITDA for the quarter was negative INR7 crores as cepha prices continued to trend lower. However, the losses were also curtailed from INR11 crores in the period Q3 of FY '25, as well as for Q2 FY '26 were INR14 crores. So the losses have been brought down due to continued efforts toward cost reduction and portfolio rationalization.

Trade generics revenue stood at INR25 crores, a decrease of 18% year-on-year, and an increase of 1.7% quarter-on-quarter. The EBITDA for the quarter was minus 3 crores, similar to the Q2 FY '26 quarter, and significantly lower than Q3 FY '25, which stood at minus INR8 crores. We continue to have a very strong cash surplus of INR1,573 crores. The cash flow from operations stood at INR1,109.5 crores, and the free cash flow for the group was INR944.5 crores.

This, from our side, concludes the financial highlight for the quarter. I would request the moderator to open the forum for question and answer session. Thank you.

Moderator:

Thank you very much. The first question is from the line of Abdulkader Puranwala from ICICI Securities. Please go ahead.

- Abdulkader Puranwala:** My first question is pertaining to your CDMO growth, especially on the volume front, this quarter. So, could you help us understand, you know, this a little better?
- Sahil Maheshwari:** So Abdul, you are trying to ask where the volume growth has come from? Hi, this is Sahil.
- Abdulkader Puranwala:** Yes, sir.
- Sahil Maheshwari:** So, Abdul, so this was broad-based, right? So existing customers, whether through existing brands, new brands, existing channels, so, across therapies. So while we try to dig deeper, but, this kind of volume growth, Abdul, has to come from a base itself, right? We also could see that this came at a similar gross margin profile. So roughly 37% plus was the gross margin profile for the CDMO business, which is also better than 36.6%, which was for last Q3, right? So a healthy volume growth driven by improved gross margins compared to last Q3. So this was a broad-based recovery, I think, for the overall market, only.
- Abdulkader Puranwala:** Okay. We were trying to just understand this a little better. So this, CDMO does not include any revenues from your milestone income or any licensing fee or anything like that. There's no one-off in those numbers?
- Sahil Maheshwari:** No, no. So Abdul, so since we have not started the exports business for the European contract as of now, so this is all manufacturing income.
- Abdulkader Puranwala:** Got it. Got it. And just one more on the domestic branded generics. So, you know, this particular segment has been growing at the single-digit kind of a growth rate, but the margins have improved. So just to, you know, wanted to understand, you know, how are we trying to work on this? I mean, is margin a better focus here rather than top-line growth?
- Sahil Maheshwari:** So Abdul, so this is in line with what our overall strategy for the fiscal had been, right? So top-line growth was not a key driver for us. It was how do we improve our profitability in this business, right? So a better control over overheads, rationalization of the debtors or inventory where we could potentially lose money. So all of those things have played out well for us this time. And hence, while we still make a loss in this segment, the loss is not as stark as it used to be last Q3.
- Abdulkader Puranwala:** Got it. Just on the EU supplies, so when you're talking about, you know, oral solid formulations, so how big is this opportunity? Is this also a part of your CDMO business only when you're recording revenues here?
- Sahil Maheshwari:** So I'll go top down. So yes, so since we are manufacturing a brand owned by someone else, so it will be classified under CDMO, right? Then secondly, how big is the opportunity? So, as the discussions with the customer, so this will largely be EUR35 million annually for us. And, as was stated in the initial commentary, we have already received our approval for our Plant 2, from which we'll be supplying this to Europe. Now, the process of filing and registering the product across multiple European countries will begin, and subsequently, in the next financial year, we should start the commercial supplies.

- Abdulkader Puranwala:** Okay. Okay. And, so just last one on the cash part. So sitting on cash accounts for some time. So any thoughts around that? How are you going to deploy this?
- Sahil Maheshwari:** So, Abdul, rightly, so we are actively evaluating multiple things which will complement our existing business, right, there are a few discussions, but nothing as of now is binding in nature. So while we are evaluating, the idea is to remain cognizant of what we are buying, at what price we are buying, and whether or not it will be incremental to our current business. So that remains a key filter.
- Moderator:** We'll take the next question from the line of Vivek Agrawal from Citigroup.
- Vivek Agrawal:** Just trying to understand the CDMO volumes a bit better. So is it a kind of a, one-off kind of situation, or how sustainable, actually, if you can help us understand the current performance, as far as the volume growth is concerned, can it sustain the next few quarters, few years as well?
- Sahil Maheshwari:** Sure. So I'll probably address in two parts, Vivek, thanks for the question. First of all, the CDMO is a make-to-order, right? So we cannot stock, destock quarterly, right? So it's a make to order, so it's market-driven. Secondly, on sustenance, since we are already have a visibility of Q4, in Q4 as well, we see a double-digit volume growth. So this, as of now, looks sustainable in the near term, at least.
- Vivek Agrawal:** Understood. So what has suddenly changed, right, through the last, I think three, four quarters, or maybe I think more than that, we have consistently seeing issues in the volume, right? Not just at the company level, but at the industry level.....
- Moderator:** I'm sorry to interrupt you. Mr. Agrawal, can you kindly use your handset, your audio is not that clear, sir.
- Vivek Agrawal:** Okay, sorry. So just trying again. So if you look at last 1 to 2 years, right? So the volumes across the industry as well as for the company, right, so it was under problem, some challenges were also there. So what has changed in this particular quarter, if you can highlight?
- Sahil Maheshwari:** So, while I won't be able to comment on what the recorded data looks like, right? So they largely cover branded. There's a portion of the market which is not covered, but what we manufacture is ultimately getting stocked up, and then the results show up in that market analysis, right? So what has changed, I think there are two things which we can think through have a positive impact on us.
- First and foremost, is there might be some play off enforced regulations being stricter, right? So that is one. The second. The second is also the play across generic side. So, right. So that is also a channel which is growing, and it is growing well for us. So that is there. But having said that, the branded business also saw good volume growth, so it's an overall volume growth across all therapeutic areas, largely all channels of distribution.
- Vivek Agrawal:** Understood. But if you look at the margins, right, although you have seen sequential improvement in the CDMO business, but it is still below Y-o-Y, right? Close to around 170, 180 basis points. So how you see the margin trajectory going forward, maybe next 3, 4 quarters?

Sahil Maheshwari:

So, so if you look at it, Vivek, so the gross margins, we have been able to have a good gross margin profile. We were largely at 36 odd percent, we have moved 37.345%. So that has been the track rate, right? So, the below expenses, we, as Sumeetji mentioned, there was one-off INR2-odd crores in the employee expenses, but beyond that as well, we continue to invest in technological upgrades, which was also mentioned in an initial commentary, and also continue to invest in our R&D, which boils down to our margin profile. Right.

Having said that, as of now, these current level of margins are ones which looks predictable in the near term, while the aspiration is how we can further enhance these margin profile. But at least, looking at this, this is what we think would be a right margin profile for this segment.

Vivek Agrawal:

Understood. One question on API business. So, how the business is shaping up, right, over the next 1 to 2 years, although the losses have come down in this particular quarter. So is it like that, have you added more customers, products? How the things are moving towards additional regulatory approvals, et cetera? If you can just simple help us understand how to look at the trajectory of this particular business.

Sahil Maheshwari:

So, so the API business was struggling because largely it was dependent on cephalosporins, which had extensive price erosion of over 30%, right? So last year we had almost a 90% plus COGS in this business, right? So that COGS today has come down slightly. At Q3, we were at roughly 87% COGS, right? So this is where we are focusing more on other products apart from cephalosporins, right? Within cephalosporins, the idea is how we can only focus on products which make business case for us.

Secondly, we also expect that in the coming quarter, we should sometime go for European audit as well, and start supplying the CPs that we announced in the last quarters. A couple of CPs have already been filed. Then, moving to the regulated market play within cephalosporins will give us a better margin, and focusing on non-cepha products will also enhance our bottom line. So the focus is, how can we reduce our overhead, improve our gross margins, either through different portfolio or through different geographies? So that's how we look at the API business.

Moderator:

The next question is from the line of Madhav Marda from FIL.

Madhav Marda:

My question was on the Zambia contract and the EU CDMO contract. Could you give an update on the timelines, when we expect the business to start ramping up, and what the revenue and margin outlook could be in the next couple of years?

Sahil Maheshwari:

Sure, Madhav. So I'll take Zambia first. So Zambia, we expect, as we mentioned in our initial commentary, in H1, we should expect the supplies of \$25 million, which was a part of the contract, which will happen from the Indian company to the Zambia. Right. In parallel, we are actively doing the project planning for it, and we'll soon start the erection of the facility, along with the commissioning, which will take roughly two years from now, right?

So '26, we'll have \$25 million of revenue in the calendar year '26 coming in, and then similarly, in calendar year '27 as well, we'll have \$25 million of revenue coming in the CDMO. Sometime in calendar year '28, we should start with the supplies from the Zambia facility only to Zambia, and then further explore what all we can do with that in the other neighboring nations. So that is

it. Margin profile, so this will be similar to our -- largely similar to our existing CDMO business for the current two years. And then we'll see how the margin profile plays out when we start doing it from Zambia.

On the European contract, as you said, we have, in January, received the EU GMP audit of Plant 2, which was successfully inspected in October of 2025. We'll now start with the regulatory filings and country registrations, which might take a year or so. Once it is there, the clients will start placing us the order, and then we'll start the commercial supplies. As we said, this will also be slightly better than the existing 13% CDMO margins, but will remain in the teens only.

Madhav Marda: Okay. What is the annual revenue size? Could you just remind us about the EU CDMO contract?

Sahil Maheshwari: Sure. So, once we start commercializing, the annual run rate for the orders will be in the tune of EUR 35 million, and the contract is till December of 2032.

Moderator: The next question is from the line of Ikshit Naredi from Naredi Investments.

Ikshit Naredi: My first question is, can you please elaborate on market-wide performance in international branded segment? I recall we had a disruption in some markets. How have they recovered?

Sahil Maheshwari: So, thanks for the question. So if you see, we have almost doubled our revenue from Q2, right? So the markets have performed well. Most of the important markets, which were of focus to us, have done well. If you even look at the gross margins, something in this business, we were operating at a 25% gross margins, which we, we have expanded to 35-odd percent in this quarter, right? So the recovery has come both in terms of margins as well as in terms of top line to us. And the recovery looks stable as of now, so in Q4 as well, we expect a decent performance from this segment.

Ikshit Naredi: Okay. Okay. And, my second question is, how will we benefit from the European FDFs, that this is the next leg of growth for the CDMO business?

Sahil Maheshwari: While it is too soon to comment, but as we said, for past two, three years, Europe is one market which outside of India is a focus for us, right? So all these positive regulations and efforts which the Government of India has undertaken will certainly help us and the Indian community as a whole, to do business in Europe.

Ikshit Naredi: Okay. My next question is, what are the margins for Zambia contract currently? How will they change once the plant is set up in Zambia?

Sahil Maheshwari: So, as we said, this will remain in teens, so largely 15-, 17-odd percent is what we expect. So since this is also a government procurement, right, so these are not the branded margins you expect, but this will certainly be a couple of margin points above our CDMO business. Once we start doing it from the Zambian plant only, there might be some efficiencies in logistics, procurement, and cost reductions, so that might give us a couple of percent points better EBITDA. So this is how we look at it.

Ikshita Naredi:

Okay. Okay, and, my last question is, any updates on the trade generics business wind up? And for API business, how long will it take to turn around? And also, is there any guidance you would like to give for FY '26 and FY '27?

Sahil Maheshwari:

Three questions. First, trade generics. Trade generics, as of now, as you see, this is recovering, right? While the process is on, how do we rationalize and minimize the operations? We still see, maybe Q4, we might have some hit on the bottom line, but much of the pain is a thing of past.

On APIs, we are still doing what we can do, right? I do not have a timeline in mind of when this will turn positive on a monthly basis, but I can assure you that the management actions are in the right direction to bring it a breakeven -- at a breakeven by the efforts I've just mentioned in the earlier question.

On the guidance for the year, I think, as you said, quarter 4, we continue to see a good volume traction to us. The exports, the Akumentis and other businesses, all look in good shape, right? So, this is what I can summarize, and then once we are through with quarter 4, we'll be able to better guide on the next year.

Ikshita Naredi:

Okay. Okay. Thank you. Thank you, sir.

Sahil Maheshwari:

And, yes, the growth drivers for the next year are already in place, which were initially not just the domestic, but also the Zambian and other contracts. So, that's how we look at the business.

Moderator:

The next question is from the line of Sangeeta P. from Cogito.

Sangeeta P.:

So, firstly, congratulations on a good quarterly performance. I just wanted to delve a little deeper into the reasons for your volume growth in the CDMO business. You've mentioned in the presentation that the market growth was about 1.5%, but your volume growth has been significantly higher, which means that you've probably gained a lot of market share.

Is there any -- you know, if you could give some color to, are there any forces acting on the industry which are, you know, for players like you, which are, you know, leading to a market share gain? Or what really lies behind it, or is it just something specific to you and your customer relationships? Just a little bit more color on that?

My second question was that you also mentioned in your preamble that you would like to take the company and make it an international CDMO player. Now, what we see is that one large market, which is the U.S., is not at the moment in your portfolio. So at some stage, do you have plans to also extend the CDMO business to U.S. players, and how are you really thinking about it? If you could answer these two, please?

Sahil Maheshwari:

Sure, Sangeeta. Thanks for your questions. On the first, on volumes, as we were discussing earlier, this has been a broad, volume growth, which we saw across client base, across therapy areas. So while the market volume grew at roughly one odd percent, which you rightly mentioned, this is a historic growth, I think.

One is we manufacture and then give it to the marketing company, so we might see an uptick. That can be one. Or secondly, while we don't exactly know the causes, to be honest, what drove it, it could be a higher confidence for other brands as well, that our existing partners have shown in us. So this is a portfolio play. Right, we have been able to tick on most of the key things.

This is what the business is across multiple product lines, across dosage forms, across therapeutic areas, across multiple clients, over 1,500, right? So this is the strength of Akums, and this is where we stood, right? And as we said, quarter 4 also looks good in terms of the volume traction. So that is one, not just across branded pharma, but across the trade pharma, across non-pharma, like nutra and cosmetics and other channels, right? So we have been able to do and generate volumes across all of these fronts. So that is on volumes.

On the U.S., specifically, so as we said, our immediate focus in regulated markets is Europe. I think this is a journey. We are still a two-decade-old company, right? As we go and set out our foot outside India into regulated markets, we wish to first tap the opportunity which is there in Europe. We are not saying we'll not be in U.S. or don't know when the right time will come as of now, but we are positive that one day we would have operations in U.S. But as of now, the focus is Europe.

Sangeeta P.:

Okay. If I can squeeze in one more question. My understanding is that the way your pricing works with your clients is, that your markup is on a percentage basis, which means that, like in the past, when the API prices have declined, the absolute amount of, say, EBITDA or gross margin, whatever you earn, actually comes down, and the reverse will happen if your API prices to rise. Is that -- is this formula a cast in stone, or is that, you know, something that you would look to revise where maybe you make a certain amount of absolute profit per volume? Also, does the same formula apply for your European partners also?

Sahil Maheshwari:

Sure. So, on the first -- so there's nothing cast in stone, but that's how the industry works. Not just us, but our, peers and the other, people in this industry. So it is usually how we—the model has been set out in the industry —is a percent of the costs to us. And whether the API prices come or down, this usually remains intact, that, the percent. the percent might differ by the complexity of the product, right? So for a complex product, I might charge a percent higher than a simple product, where my margin, on the input cost, might be lower, but it always remains as a percent of my input costs. That is one. What was the second question?

Sangeeta P.:

Does this apply to your European partners also?

Sahil Maheshwari:

So, Europe....

Sangeeta P.:

Is that how you're pricing it with them?

Sahil Maheshwari:

Sure, sorry. Yes. So for the Europe, it's a fixed pricing, which we have currently agreed for this particular contract. As we move ahead, we get more experience and expertise, it might change, but for the current one, it is a fixed pricing contract.

Moderator:

The next question is from the line of Axay Shah from VVD Asset Managers.

- Axay Shah:** Sir, on page number 12, we have mentioned that due to product mix change, our revenue has decreased by INR49 crores. So, can you explain it? What was the reason for it, and is it structural or one-off?
- Sahil Maheshwari:** So I think, this is just a better way of we wanted to showcase our growth into various key lever heads, right? So, as we said, our gross margins compared to last year have largely improved, right? If you look at it, the adjusted EBITDA has a 1.1% improvement of the gross margins itself. Honestly, it's a make to order, what we do. So if we track the last 4 quarters, we have been able to, be in the range of 37-odd percent gross margins in our CDMO business. So this might fluctuate here and there in terms of quarterly performance, but, nothing as a downward trajectory we expect.
- Axay Shah:** Okay. So, sir, I wanted to understand that we are going from base formulation businesses to niche formulation business. So our product mix should change upwards and our revenue should grow from product mix change and not decline. So this quarter it has declined, so that's why I was asking the question.
- Sahil Maheshwari:** Rightly so, as I said, so, this all depends on, if you really look at it, the 9 months, it has largely remained stable. If you flip to the next slide, the impact of product mix is not there. So, this is a business, right? So you have to look in larger periods to really ascertain where the product mix is changing. Because as we continue to invest in R&D, then we launch the product, then it's ultimately a prescription product for the marketing company. They go and sell, then the repeat business comes, right? So, it's best if we look at on a longer horizon, and as you could see, it has no impact on our, EBITDA.
- Axay Shah:** And, sir, on Schedule M implementation, as we know that, the due date for implementation was December 31. So how are we seeing it on ground? Has the government become more enforcing in terms of regulation and small players are becoming unviable for them and they are closing down? Any thoughts of you on ground situation on that?
- Sahil Maheshwari:** No comment. As this is government method, it is not appropriate to comment on it.
- Moderator:** The next question is from the line of Ashutosh Parashar from MIT.
- Vipin Goel:** Vipin Goel from Mirabilis Investments. I had a couple of questions on.....
- Moderator:** I'm sorry to interrupt you. Your voice is not clear, sir.
- Vipin Goel:** Yes. Am I audible now?
- Moderator:** Yes. May I request you to please repeat, I mean, introduce yourself.
- Vipin Goel:** So, Vipin Goel from Mirabilis Investments. I had a couple of questions on the injectables facility. So one on injectables and the other one on the minimum import price, which was recently announced.
- So the first one on the injectables facility. So this was commercialized in phases, as per my understanding, in Q4 -- Q2 last year was the first phase, and then lyophilized vials were

commercialized in Q3 and then further PFS in Q4. So can you help us quantify the, like, first, the current utilization across all these lines? And second, on the revenue contribution so far from this facility?

Sahil Maheshwari: So, the utilization, as you rightly said, this has been in phases. We are still ramping up, right? We are doing the client audit. The utilization is relatively low. It is in teens as of now, right? And the utilization and the revenue contribution to the overall CDMO P&L is minimal. But what we expect is as we proceed in the next financial year over Q2, Q3, this should start ramping up well and should contribute to our overall injectable CDMO business.

Vipin Goel: Okay. What would be the profitability here? And like, as per, I think, last quarter, there was some, we were, I think, doing some INR17 crores or so losses. So, how far is it from breakeven and/or some current profitability?

Sumeet Sood: So for the 9 months -- hi, this is Sumeet. For the 9 months, Sahil was explaining that the business has not been as much because it's to still peak out. So there on an EBITDA level, you know, we have a INR17.9 crores loss in the AHL overall business, right? So once we have the revenue, you know, triggering, this should, this should turn around.

Vipin Goel: So does that mean, has it broke -- has it breakeven? Because until last quarter, it was INR17 crores loss in the first half. And if it's the same in 9 months, then sure, correct?

Ankit Jain: This is Ankit here. So till H1, there were three plants that we had mentioned. But Sumeet, sir, has stated this for two plants.

Vipin Goel: Okay. Got it. Okay, and the next one was on this, on the government had recently moved Pen G and 6-APA from restricted list to [inaudible 0:42:34] restricted list and implemented a MIP on those. So these are, I believe, are upstream products for the ceftriaxone. So how do you see this influencing our API business in terms of maybe pricing or volumes or margins?

Sahil Maheshwari: So, essentially, MIP, this is an industry-wide, phenomena, right? So any movement in the prices will apply to all, whether it is up to our CDMO business, API business, or to any of our peers or partners or competitors, right? So this will ultimately be absorbed and passed on as per the various cases, and we don't see MIP really impacting any of our business units.

Vipin Goel: Okay. This will have a positive impact, right? So because prices, the specific price, the MIP is higher than the current prevailing price. So any idea on like, what percentage of positive impact can be expected on API -- on the API business, or let's say the CDMO business, where we have an antibiotic situation?

Sahil Maheshwari: CDMO is a larger piece, right? So API is low. But within CDMO as well, if you, as you know that we have limited dependence on any one product class or therapy, right? So while there is a marginal increase that might yield, result into marginal, positive upside for us, but this will not certainly move the needle for us. So the business, whether or without MIP should be similar.

Moderator: The next question is from the line of Bhavin Chheda from ENAM Holdings.

- Bhavin Chheda:** Congratulations on a good set of number and very good volume growth. The question on the volume growth was, does part of the volume growth was adding a new product segment or your existing past product also have seen double-digit volume growth?
- Sahil Maheshwari:** This is our base, the existing business only, Bhavin. So as we said, the new facilities are still ramping up, and there was no major product launch in the quarter, right? So these were our existing portfolios, for which we received a better order book.
- Bhavin Chheda:** And somewhere I saw overall utilization was at 47% in the presentation?
- Sahil Maheshwari:** Correct.
- Bhavin Chheda:** So, is there -- also, you mentioned there was a partial operating leverage benefit on the margin expansion because volume growth and capacity utilization are going up, which means, in quarter 4, it also looks good, and the base is going up. So, we still have a significant operating leverage in terms of margin expansion when this reaches a critical size?
- Sahil Maheshwari:** So I think we are already at a critical size, Bhavin. So, as we had mentioned in our initial calls, right, so 55, 60-odd percent is something which we can reach in our utilization level. So we still have a few points here from growth for us, right? But having said that, the business of CDMO, as we speak today, is at a mature stage, and these are largely the margin profiles which we operate in.
- Bhavin Chheda:** Second is on the interest cost, which also includes a notional portion of INR20 crores in Q3 and INR58 crores in 9 months. So, Europe contracts will start from next year?
- Sumeet Sood:** Bhavin, your voice -- can you please repeat this?
- Bhavin Chheda:** Yes, on the interest cost, I think I believe that the interest cost also includes around INR20 crores in quarter three and INR58 crores in 9 months, which is a notional interest charge on Europe contract liabilities. So this will start reversing from -- the entire amount will start reversing from next year when the European contracts start?
- Sumeet Sood:** So, the way it will start reversing is with the basis that we will make the supplies. So the entire sum will not go at one go, but based on the supplies, it will go away, because that much of the advance will keep getting adjusted, because part of the money has been received in advance, and part of the supplies will get paid from there. So, based on the proportion of the amount being adjusted, this will also get adjusted.
- Bhavin Chheda:** So, just my question was the notional interest, provided there won't be any cash outgo on the same, right?
- Sumeet Sood:** No, no, there is no cash out. There is no cash out. Accounting entry.
- Bhavin Chheda:** Accounting entry. My last question, what was the capital expenditure in this quarter and 9 months?

- Sahil Maheshwari:** So the total capital expenditure that the company has made till now is INR165 crores for the 9 months. Around INR57 crores for this quarter.
- Bhavin Chheda:** Sorry, INR57 crores for the quarter?
- Sumeet Sood:** Yes.
- Bhavin Chheda:** Okay. And FY '27, any guidance on numbers?
- Sahil Maheshwari:** We've been steadily investing based on the requirement of business, the maintenance and modernization capex. We think our capex investment will be in our trend of what we've done in the past.
- Moderator:** The next question is from the line of Ikshit Naredi from Naredi Investments.
- Ikshit Naredi:** Sir, one more question. I can see your domestic business grew 4% and previously you gave the guidance of mid to teen digits, but your EBITDA margins in domestic business grew well Y-o-Y. So can you please explain about this?
- Sahil Maheshwari:** Sure. So, to do any incremental -- so since we operate on high gross margins in that business, and to do a incremental business, my other costs largely remain the same, right? So my manpower costs largely remain the same, which is the other second chunk of the cost. Right. So any improvement in the top line gives an extensively positive benefit on the bottom line.
- Ikshit Naredi:** And [inaudible 0:49:25], this top line grew 4% only, so can you explain about this?
- Sahil Maheshwari:** Sure. So as we mentioned in a couple of calls earlier, and this as well, right? So, the focus has been, for now, on growing volumes and new products, and on how we can improve our HQ-wise, headquarter-wise performance, right? So, we are reducing a few HQs, where in line with our overall strategy, and price growth, which we have took over this current fiscal, has been minimal. Which if you remove from the overall IPM as well, you will see a similar kind of growth. From next fiscal as well, what we think, we should be at par with the industry growth.
- Moderator:** The next question is from the line of Sangeeta from Cogito.
- Sangeeta P.:** Sir, my question was regarding your capacity utilization. You know, at the moment, it's less than 50%. Now, how do you actually think about capacity utilization? Is this some kind of a strategic tool that you use, that you will always keep some level of excess capacity in order to meet requirements of your clients? Or, you know, you have just invested in anticipation of the growth that you see, and what is this likely to go up to going forward?
- Sahil Maheshwari:** Sure. So, as you saw this quarter, right, so, there was an increased demand, right? So we always keep a buffer capacity to serve quarters and demands of excessive growth, right? So that always remains the core of our capex investing. On the second, while we operate at 47-odd percent, the peak we can do is roughly 55%, 60%, right? So, it's not wherein we can achieve or double from here on, right? So, we'll continue to invest in capex, as Sumeet was mentioning, in line with our previous years of investing into capex, and this will be to serve the dosage forms where we currently see that we are stretching out on capacities.



- Sangeeta P.:** Right. So, sir, could you just help me understand, like, why is it that your peak capacity can only go up to 55%, 60% and can't go higher than that?
- Sahil Maheshwari:** Sure. So, we manufacture over 20,000 SKUs annually, right? And this is across 1,500 customers, right? So the changeovers are extensive in this business, right? So whenever I produce, like, this is a capacity which has been calculated on the total number of hours the machines can operate, right? And then I have changeovers after every batch, involves cleaning, changeovers, and so on. Then I also have preventive maintenance schedules, right? Hence, the overall effective utilization comes down to these levels.
- Moderator:** Ladies and gentlemen, that was the last question for today. I would now like to hand the conference over to Mr. Ankit Jain for closing comments. Thank you, and over to you, sir.
- Ankit Jain:** Thank you, everyone, for attending the Q3 earnings call for Akums. If you have any remaining questions, you can reach out to the investor relations team. Thank you, and have a good day.
- Moderator:** Thank you members of the management. Thank you, Sir. On behalf of AMBIT Capital, that concludes this conference. We thank you for joining us, and you may now disconnect your lines. Thank you.