

Piramal Pharma

Estimate change

TP change

Rating change



CMP: INR209

TP: INR250 (+20%)

Buy

Operationally, in-line 4Q; FY25 ends on a strong note

Targeted initiatives to strengthen segment-wise performance

- Piramal Pharma (PIRPHARM) delivered in-line sales/EBITDA in 4QFY25. However, its earnings were below our estimate due to impairment of certain intangible assets during the quarter.
- After eight quarters of strong high-teens YoY growth in the CDMO business (65% of 4Q sales), PIRPHARM witnessed some moderation in growth for this segment. Having said this, there has been a surge in on-patent commercial manufacturing business within the CDMO segment (USD179m in FY25 vs. USD116m in FY24).
- The company exhibited moderate performance in the complex hospital generics (CHG) segment for 4QFY25/FY25. This was mainly due to a pricing pressure on Sevoflurane.
- PIRPHARM delivered robust growth in the India Consumer Health (ICH) segment (up 15% YoY) in 4QFY25, on the back of new launches and market share gains in existing products.
- We cut our earnings estimate by 47%/33% for FY26/FY27, factoring in 1) inventory normalization for one product in the CDMO segment, 2) inconsistent recovery in funding biotech projects, thus affecting the outlook of the CDMO business, and 3) lower operating leverage. We value PIRPHARM on an SoTP basis (17x EV/EBITDA for CDMO business, 12x EV/EBITDA for CHG business, and 13x EV/EBITDA for consumer health (ICH) business) to arrive at a TP of INR250.
- While FY26 would be the year of consolidation in revenue for PIRPHARM, it continues to invest in a) potential areas like ADCs/peptides/sterile injectables within the CDMO segment, b) capacity expansion in the CHG segment, and further improvement in profitability in the ICH segment. Accordingly, we build ~3x earnings over FY25-27. **Reiterate BUY.**

Segmental mix impact more than offset by higher operating leverage

- PIRPHARM's 4QFY25 revenue grew 8% YoY to INR27.5b (in line). The CDMO segment's revenue rose 8% YoY to INR17.9b. The CHG segment's revenue (26% of total sales) grew 4% YoY to INR7.1b. ICH (9% of total sales) revenue increased 15% YoY to INR2.7b during the quarter.
- Gross margin expanded 510bp YoY to 65.3%.
- However, the EBITDA margin contracted 40bp YoY to 20.4% (in line) primarily due to lower operating leverage (employee costs/other expenses up 290bp/260bp as a % of sales).
- EBITDA grew 6% YoY to INR5.6b (in-line).
- PAT grew 34% YoY to INR1.5b (our est: INR1.9b) for the quarter, owing to lower tax burden (44% of PBT in 4QFY25 vs. 56% of PBT in 3QFY25).
- While revenue and EBITDA were in line with our estimates, PAT was much lower due to an impairment charge of INR447m for the quarter.
- In FY25, the company's revenue/EBITDA/PAT grew 12%/21%/62% YoY to INR91b/INR14.4b/INR0.9b.

Bloomberg	PIRPHARM IN
Equity Shares (m)	1326
M.Cap.(INRb)/(USD\$b)	276.6 / 3.2
52-Week Range (INR)	308 / 136
1, 6, 12 Rel. Per (%)	-14/-26/27
12M Avg Val (INR M)	1829
Free float (%)	65.1

Financials & Valuations (INR b)

Y/E MARCH	FY25	FY26E	FY27E
Sales	91.5	97.3	113.6
EBITDA	14.4	15.3	19.3
Adj. PAT	0.9	1.6	3.6
EBIT Margin (%)	6.9	7.1	9.5
Cons. Adj. EPS (INR)	0.7	1.2	2.7
EPS Gr. (%)	62.5	70.6	129.9
BV/Sh. (INR)	68.1	69.4	72.4

Ratios

Net D:E	0.5	0.4	0.4
RoE (%)	1.1	1.9	4.2
RoCE (%)	1.3	1.8	3.3
Payout (%)	17.6	17.6	17.6

Valuations

P/E (x)	302.4	177.3	77.1
EV/EBITDA (x)	22.1	20.6	16.4
Div. Yield (%)	0.0	0.1	0.2
FCF Yield (%)	0.0	0.0	0.0
EV/Sales (x)	3.5	3.2	2.8

Shareholding pattern (%)

As On	Mar-25	Dec-24	Mar-24
Promoter	35.0	35.0	35.0
DII	14.8	14.1	12.1
FII	31.8	32.1	31.0
Others	18.4	18.9	21.9

FII Includes depository receipts

Highlights from the management commentary

- Considering the inventory normalization for the products in the CDMO segment, management guided a mid-single-digit YoY growth in revenue with mid-teens EBITDA margin for FY26.
- PIRPHARM expects significant improvement in revenue growth and EBITDA margin, reaching 19-20% in FY27 based on the order book in the CDMO segment and improved traction in the CHG and ICH segments.
- PIRPHARM maintained its guidance of USD1.2b revenue with a 25% EBITDA margin in the CDMO segment by FY30.
- The company witnessed a significant increase in the order book for the ADC segment within the CDMO space.
- Capex would be USD100-125m for FY26, including capacity expansion at the Lexington/Riverview site (USD90m).
- PIRPHARM has 75%/44% market share in Baclofen/Sevoflurane in the US.

Income Statement

	(INR m)											
PPL Income Statement (INRm)	FY24				FY25				FY24	FY25E	FY25E	% var
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			4QE	
Revenues	17,489	19,114	19,586	25,524	19,511	22,418	22,042	27,541	81,712	91,511	27,569	0%
growth YoY(%)	18.0	11.1	14.1	18.0	11.6	17.3	12.5	7.9	15.4	12.0	8.0	
CDMO	8,980	10,680	11,340	16,490	10,570	13,240	12,780	17,880	47,490	54,470	17,549	2%
CHG	6,170	5,890	5,760	6,770	6,310	6,430	6,540	7,050	24,590	26,330	7,277	-3%
ICH	2,390	2,560	2,520	2,380	2,640	2,770	2,780	2,740	9,850	10,930	2,744	0%
Expenses	16,165	16,457	16,902	20,224	17,467	19,001	18,665	21,931	69,749	77,064	22,013	
CDMO	8,980	10,680	11,340	16,490	10,570	13,240	12,780	17,880	47,490	54,470	17,549	2%
CHG	6,170	5,890	5,760	6,770	6,310	6,430	6,540	7,050	24,590	26,330	7,277	-3%
ICP	2,390	2,560	2,520	2,380	2,640	2,770	2,780	2,740	9,850	10,930	2,744	0%
EBITDA*	1,323	2,657	2,684	5,299	2,044	3,416	3,377	5,610	11,963	14,447	5,557	1%
margin (%)	7.6	13.9	13.7	20.8	10.5	15.2	15.3	20.4	14.6	15.8	20.2	
growth YoY(%)	55.5	54.0	124.1	50.9	54.5	28.6	25.8	5.9	64.2	20.8	4.9	
Depreciation	1,736	1,845	1,863	1,961	1,846	1,922	1,968	2,428	7,406	8,163	1,818	
EBIT	-413	812	821	3,338	198	1,494	1,409	3,182	4,557	6,284	3,739	-15%
Other income	383	492	615	264	195	611	121	420	1,754	1,348	522	
Interest expense	1,185	1,099	1,059	1,142	1,070	1,076	1,033	1,037	4,485	4,216	941	
Share from Asso. Co	144	191	140	120	224	173	171	162	595	729	233	
PBT	-1,071	396	516	2,580	-452	1,201	668	2,728	2,421	4,145	3,553	-23%
EO Expenses/(gain)	-	-	323	310	-	-	-	-	633	-	-	
Taxes	-85	345	93	1,262	436	975	631	1,193	1,615	3,235	1,689	
Tax Rate (%)	8.0	87.3	47.8	55.6	-96.4	81.2	94.5	43.7	90.3	78.0	47.5	
Reported PAT	-986	50	101	1,008	-888	226	37	1,535	173	910	1,864	-18%
Adj. PAT	-986	50	350	1,146	-888	226	37	1,535	560	910	1,864	-18%
Change (%)	NA	LP	LP	128.6	NA	348.2	-89.5	34.0	NA	62.5	62.7	



Key takeaways from the management commentary

- PIRPHARM has 59% of CDMO revenues from big pharma and emerging biopharma companies.
- 2.8x surge in projects across clinical phases to 145 projects at the end of FY25 vs 52 at the end of FY17
- Improved procurement strategies, cost optimization, and operational excellence exercises have led to better profitability in the CDMO Segment.
- Certain non-recurring expenses and capacity expansion affected the profitability of the CHG segment in FY25. PIRPHARM expects recovery FY26 onwards in this segment.
- PIRPHARM is expected to tap the USD400m Sevoflurane opportunity in the ROW market through additional manufacturing lines at Digwal.
- PIRPHARM launched a new media campaign with Yami Gautam for 'Little's'.

Segment-specific measures to improve overall prospects

CDMO: near-term hiccup; medium-to-long-term outlook remains promising

- Following a lackluster FY23-24 performance, PIRPHARM delivered 15% YoY growth in the CDMO segment in FY25 to INR54b.
- PIRPHARM has a comprehensive approach in this segment, with revenue accruing from discovery, development, on-patent commercial as well as other commercial manufacturing sub-segments.
- Accordingly, PIRPHARM has expertise across the value chain of products, enabling wide-ranging offerings to its customers.
- Accordingly, considering the business prospects, PIRPHARM is adding commercial-scale sterile injectable capabilities at Lexington and payload-linkers for bioconjugates in Riverview.
- Having said this, the inventory normalization of one of the products is expected to keep growth under check in FY26.
- Considering value-added services/manufacturing capacities and gradual recovery in biotech funding for its customers, we expect an 8% sales CAGR in this segment to INR63b over FY25-27.

Limited competition products and capacity expansion to support growth in the CHG segment

- In FY25, CHG sales grew 7% YoY to INR26.3b, mainly on account of volume-led growth in IA in the US, led by order wins for Sevoflurane and Isoflurane.
- The investment efforts in differentiated and specialty products, e.g., 505(b)(2), complex generics, differentiated generics, and branded products to enable long-term growth have yielded benefits to PIRPHARM through approval for Neotricon in EU markets.
- Currently, there are no approved Dopamine Hydrochloride formulations specifically indicated for use in neonates, infants, or children, with off-label use remaining a common practice. The approval of Neotricon® addresses this critical gap by ensuring precise dosing, reducing the risk of under- or overdosing, and minimizing preparation time in neonatal and pediatric intensive care units (NICU & PICU), facilitating faster intervention in emergency settings.

- With new launches and market share gain in existing products, coupled with better capacity utilization, we expect a 13% sales CAGR in this segment to reach INR33.4b over FY25-27.

Enhanced marketing/new launches to drive growth in the ICH segment

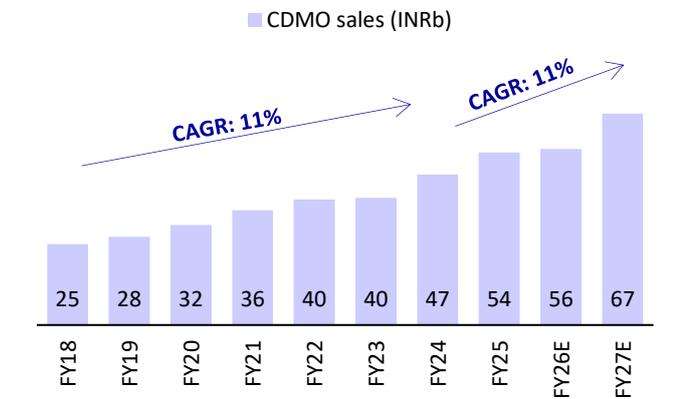
- In FY25, ICH sales increased 11% YoY to INR11b. This was driven by strong growth in power brands (up 20% YoY), like Little's, Lacto Calamine, and CIR.
- PIRPHARM launched 21 products and 31 SKUs in FY25.
- Endorsement by celebrities as well as enhancing online presence, we expect the ICH segment to post an 11% sales CAGR to INR13.4b over FY25-27.

Reiterate BUY

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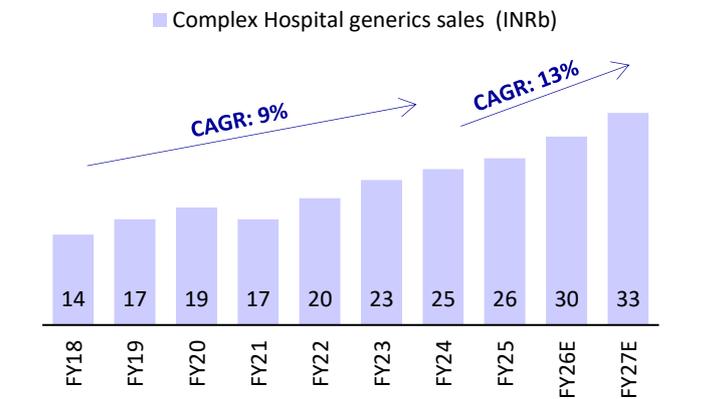
Story in charts

Exhibit 1: Expect 11% sales CAGR in CDMO over FY25-27



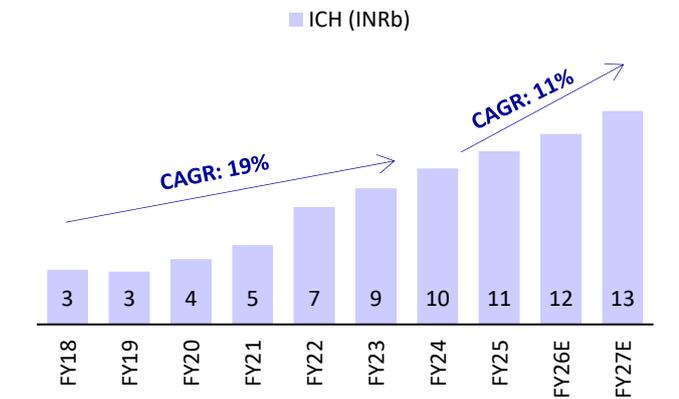
Source: MOFSL, Company

Exhibit 2: Expect 13% sales CAGR in CHG over FY25-27



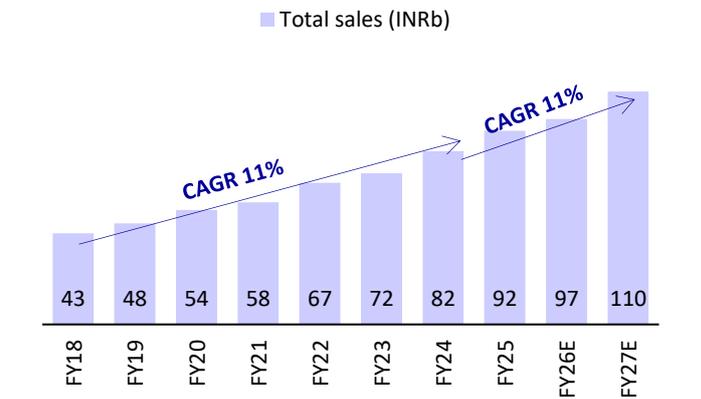
Source: MOFSL, Company

Exhibit 3: Expect 11% sales CAGR in ICH over FY25-27



Source: MOFSL, Company

Exhibit 4: Expect 11% CAGR in total sales over FY25-27



Source: MOFSL, Company

Financials and valuations

Consolidated - Income Statement						(INR m)
Y/E March	FY22	FY23	FY24	FY25	FY26E	FY27E
Total Income from Operations	65,591	70,816	81,712	91,511	97,335	1,13,609
Change (%)	NA	8.0	15.4	12.0	6.4	16.7
EBITDA	9,497	7,286	11,963	14,447	15,285	19,340
Margin (%)	14.5	10.3	14.6	15.8	15.7	17.0
Depreciation	5,862	6,767	7,406	8,163	8,327	8,493
EBIT	3,635	520	4,557	6,284	6,958	10,847
Int. and Finance Charges	1,983	3,442	4,485	4,216	3,780	3,315
Other Income	2,758	2,251	1,754	1,348	1,600	1,850
Share of net profit of associates	590	543	595	729	766	816
PBT bef. EO Exp.	5,001	-128	2,421	4,145	5,544	10,197
EO Items	151	1,074	633	0	0	0
PBT after EO Exp.	4,850	-1,202	1,788	4,145	5,544	10,197
Total Tax	1,090	663	1,615	3,235	3,992	6,628
Tax Rate (%)	22.5	-55.2	90.3	78.0	72.0	65.0
Minority Interest	0	0	0	0	0	0
Reported PAT	3,760	-1,865	173	910	1,552	3,569
Adjusted PAT	3,879	-798	560	910	1,552	3,569
Change (%)	NA	NA	NA	62.5	70.6	129.9
Margin (%)	5.9	-1.1	0.7	1.0	1.6	3.1

Cons Balance sheet						(INR m)
Y/E March	FY22	FY23	FY24	FY25	FY26E	FY27E
Equity Share Capital	11,859	11,933	13,230	13,244	13,244	13,244
Other equity	55,107	55,802	65,884	68,011	69,564	73,133
Net Worth	66,966	67,735	79,114	81,255	82,807	86,376
Minority Interest	0	0	0	0	0	0
Total Loans	41,283	56,421	47,102	48,565	48,565	48,565
Deferred Tax Liabilities	1,920	2,193	2,292	2,484	2,484	2,484
Capital Employed	1,10,169	1,26,349	1,28,507	1,32,303	1,33,855	1,37,424
Gross Block	36,288	42,652	49,908	53,507	52,157	52,919
Less: Accum. Deprn.	5,862	6,767	7,406	8,163	8,327	8,493
Net Fixed Assets	30,426	35,885	42,503	45,344	43,831	44,426
Goodwill on Consolidation	10,305	11,075	11,226	11,482	11,482	11,482
Intangible assets	33,053	33,382	31,672	29,386	29,386	29,386
Capital WIP	6,732	8,529	5,657	4,891	4,891	4,891
Total Investments	3,123	2,334	2,611	2,918	2,918	2,918
Curr. Assets, Loans&Adv.	36,043	43,078	49,535	52,388	56,955	62,403
Inventory	13,888	16,814	21,759	23,127	24,042	27,721
Account Receivables	17,853	17,993	21,344	23,495	23,467	26,768
Cash and Bank Balance	3,290	3,076	4,826	5,015	8,694	7,163
Loans and Advances	1,013	5,195	1,606	752	752	752
Curr. Liability & Prov.	13,172	13,600	19,501	18,891	20,392	22,867
Account Payables	10,264	11,927	15,384	15,338	16,839	19,314
Other Current Liabilities	2,445	1,074	3,358	2,638	2,638	2,638
Provisions	464	599	759	915	915	915
Net Current Assets	22,871	29,478	30,034	33,497	36,563	39,536
Deferred Tax assets	2,973	3,493	3,865	3,931	3,931	3,931
Misc Expenditure	687	2,172	940	853	853	853
Appl. of Funds	1,10,169	1,26,349	1,28,507	1,32,303	1,33,855	1,37,424

E: MOFSL Estimates

Financials and valuations

Ratios

Y/E March	FY22	FY23	FY24	FY25	FY26E	FY27E
Basic (INR)						
Adj. EPS	2.9	-0.6	0.4	0.7	1.2	2.7
Cash EPS	8.2	5.0	6.7	7.6	8.3	10.1
BV/Share	56.1	56.8	66.3	68.1	69.4	72.4
DPS	0.4	0.5	0.1	0.1	0.2	0.4
Payout (%)	15.6	NA	57.0	17.6	17.6	17.6
Valuation (x)						
P/E	81.9	-398.1	566.8	302.4	177.3	77.1
Cash P/E	29.4	48.0	36.0	27.4	25.1	20.6
P/BV	4.3	4.2	3.6	3.1	3.0	2.9
EV/Sales	5.4	5.2	4.4	3.5	3.2	2.8
EV/EBITDA	37.4	50.9	30.1	22.1	20.6	16.4
Return Ratios (%)						
RoE	5.8	-1.2	0.8	1.1	1.9	4.2
RoCE	9.2	3.7	0.5	1.3	1.8	3.3
RoIC	5.8	1.4	0.8	2.3	3.3	6.2
Working Capital Ratios						
Asset Turnover (x)	0.6	0.6	0.6	0.7	0.7	0.8
Inventory (Days)	77	87	97	92	90	89
Debtor (Days)	99	93	95	94	88	86
Creditor (Days)	57	61	69	61	63	62
Leverage Ratio (x)						
Net Debt/Equity	0.5	0.8	0.5	0.5	0.4	0.4

Cons Cash flow statement

Y/E March	FY22	FY23	FY24	FY25	FY26E	FY27E
(INR m)						
OP/(Loss) before Tax	4,410	-1,675	1,198	3,417	5,544	10,197
Depreciation	5,862	6,767	7,406	8,163	8,327	8,493
Interest & Finance Charges	1,983	1,983	1,983	1,983	1,983	1,983
Direct Taxes Paid	-1,694	-1,694	-1,694	-1,694	-1,694	-1,694
(Inc)/Dec in WC	-3,013	-2,710	-2,520	-5,085	614	-4,505
CF from Operations	7,664	4,839	10,046	8,923	14,273	10,872
Others	0	0	0	0	0	0
CF from Operating incl EO	7,664	4,839	10,046	8,923	14,273	10,872
(Inc)/Dec in FA	-8,571	-9,451	-7,104	-6,591	-6,813	-9,089
Free Cash Flow	-907	-4,612	2,941	2,332	7,460	1,783
(Pur)/Sale of Investments	-485	-3,751	2,724	1,271	0	0
Investment in Associate	-7,907	0	0	0	0	0
Others	-1,158	-186	40	546	0	0
CF from Investments	-18,121	-13,388	-4,340	-4,775	-6,813	-9,089
Issue of Shares	0	0	10,359	0	0	0
Inc/(Dec) in Debt	9,830	11,558	-9,965	120	0	0
Interest Paid	-1,388	-2,710	-4,618	-4,384	-3,780	-3,315
Dividend Paid	-500	-670	0	-145	0	0
CF from Fin. Activity	7,942	8,178	-4,224	-4,408	-3,780	-3,315
Inc/Dec of Cash	-2,515	-371	1,482	-260	3,680	-1,532
Opening Balance	2,620	3,290	3,076	4,825	5,014	8,694
Closing Balance	105	2,919	4,557	4,565	8,694	7,162
Unrealised loss / (gain) on forex	747	52	178	-109	0	0
Term Deposit with Banks	2,438	105	90	558		
Total Cash & Cash Eq	3,290	3,076	4,825	5,014	8,694	7,162

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BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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