

Piramal Pharma

Estimate change

TP change

Rating change



Bloomberg	PIRPHARM IN
Equity Shares (m)	1329
M.Cap.(INRb)/(USDb)	265 / 3
52-Week Range (INR)	308 / 180
1, 6, 12 Rel. Per (%)	0/-8/-36
12M Avg Val (INR M)	1402
Free float (%)	65.1

Financials & Valuations (INR b)

Y/E MARCH	FY26E	FY27E	FY28E
Sales	90.3	104.8	118.3
EBITDA	10.9	13.6	16.3
Adj. PAT	(0.4)	1.9	4.7
EBIT Margin (%)	3.0	5.0	6.4
Cons. Adj. EPS (INR)	(0.3)	1.4	3.5
EPS Gr. (%)	NA	NA	146.9
BV/Sh. (INR)	67.9	69.5	73.4

Ratios

Net D:E	0.4	0.5	0.4
RoE (%)	(0.5)	2.3	5.5
RoCE (%)	(0.3)	2.1	4.6
Payout (%)	-	17.6	17.6

Valuations

P/E (x)	NA	138.8	56.2
EV/EBITDA (x)	27.8	22.3	18.4
Div. Yield (%)	-	0.1	0.3
FCF Yield (%)	0.0	0.0	0.0
EV/Sales (x)	3.3	2.9	2.5

Shareholding pattern (%)

As On	Sep-25	Jun-25	Sep-24
Promoter	34.9	34.9	35.0
DII	14.9	14.3	13.8
FII	30.8	31.4	32.2
Others	19.5	19.5	19.1

FII Includes depository receipts

CMP: INR199

TP: INR240 (+20%)

Buy

2Q – A miss; higher opex drags earnings

Work in progress to enhance CDMO offerings/expand CHG portfolio

- Piramal Pharma (PIRPHARM) delivered in-line revenue for 2QFY62. However, it delivered a miss on EBITDA/PAT for the quarter. Higher operational costs impacted the quarter's performance.
- While CDMO sales growth was impacted by the high base of the past year (a large contract from a customer in FY25), PIRPHARM is witnessing health improvement in biotech funding, driving order inflows.
- PIRPHARM witnessed a slowdown in complex hospital generics (CHG) till 1HFY26. That said, the company is taking initiatives to supply Sevoflurane to Ex-US markets and expand its offerings in this segment.
- We cut our EBITDA estimates by 21%/21%/17% for FY26/FY27/FY28, factoring in: a) a gradual scale-up of the CDMO business, b) supply challenges in the CHG segment, and c) higher operational costs. We value PIRPHARM on an SoTP basis (18x 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 INR240.
- While near-term headwinds have impacted business performance, stemming from inventory destocking in one CDMO project and supply constraints in the CHG segment, PIRPHARM continues to: a) enhance its customer base and secure additional contracts from existing customers in the CDMO segment and b) introduce new products in the CHG segment. With operational costs already being incurred, we expect operating leverage to drive earnings as revenue growth revives. Reiterate BUY.

Lower revenue/higher opex leads to operating deleverage YoY

- PIRPHARM's revenue declined 9% YoY to INR20.4b (in line) for the quarter.
- The CDMO segment's (52% of total sales) revenue declined 21% YoY to INR10b.
- The Complex hospital generics segment's (CHG; 32% of total sales) revenue was almost flat YoY at INR6.4b.
- The Indian consumer healthcare segment's (ICH; 16% of total sales) revenue grew 15% YoY to INR3b.
- Gross margin expanded 110bp YoY to 65.6%.
- However, EBITDA margin contracted 740bp YoY to 7.8%, largely due to lower operating leverage (employee cost/other expenses up 500/370bp as a % of sales).
- EBITDA declined 54% YoY to INR1.6b (our est: INR2.2b).
- Adj. loss came in at INR1b (our est: PAT of INR40m) for the quarter vs PAT of INR226m in 2QFY25.

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Highlights from the management commentary

- PIRPHARM expects revenue to remain flat YoY in FY26. EBITDA margin is expected to moderate to low teens (including other income) vs the earlier guidance of mid-teens in FY26. 2H is expected to deliver a meaningfully better performance compared to 1HFY26.
- FY30 guidance to achieve USD2b revenue and 25% EBITDA margin in FY30 remains intact.
- Net debt reduced by INR2.2b, led by tight control on WC requirements and capital expenditure.
- The company expects capacity utilization at its overseas facilities to pick up on the back of new contracts, which is also expected to enhance profitability at these sites.
- While there is increased competition in the Isoflurane market, PIRPHARM remains confident in retaining its market share, supported by robust manufacturing capabilities and strong supply chain management.
- PIRPHARM has planned a new commercial-scale suite for payload-linker development and manufacturing. Along with prior investments, total investment in the Riverview and Aurora facilities now amounts to USD60m, aimed at significantly increasing capacity for producing APIs, HPAPIs, and payload-linkers.

Quarterly performance

PPL Income statement (INRm)	FY25				FY26E				FY25	FY26E	FY26E	% var
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q				
Revenues	19,511	22,418	22,042	27,541	19,337	20,437	23,998	26,515	91,511	90,288	20,537	0%
growth YoY(%)	11.6	17.3	12.5	7.9	-0.9	-8.8	8.9	-3.7	12.0	-1.3	-8.4	
CDMO	10,570	13,240	12,780	17,880	9,970	10,440	13,419	15,198	54,470	49,027	10,857	
CHG	6,310	6,430	6,540	7,050	6,370	6,440	7,521	8,249	26,330	28,580	6,494	
ICH	2,640	2,770	2,780	2,740	3,020	3,190	3,058	3,069	10,930	12,337	3,186	
EBITDA*	2,044	3,416	3,377	5,610	1,067	1,587	3,528	4,693	14,447	10,875	2,259	-30%
margin (%)	10.5	15.2	15.3	20.4	5.5	7.8	14.7	17.7	15.8	12.0	11.0	
growth YoY(%)	54.5	28.6	25.8	5.9	-47.8	-53.5	4.5	-16.3	20.8	-24.7	-33.9	
Depreciation	1,846	1,922	1,968	2,428	1,973	2,028	2,089	2,100	8,163	8,190	2,045	
EBIT	198	1,494	1,409	3,182	-906	-441	1,439	2,593	6,284	2,685	214	
Other income	195	611	121	420	584	656	585	610	1,348	2,435	590	
Interest expense	1,070	1,076	1,033	1,037	862	824	860	855	4,216	3,401	870	
Share from Asso. Co	224	173	171	162	186	148	195	210	729	739	180	
PBT	-452	1,201	668	2,728	-998	-462	1,359	2,558	4,145	2,458	114	
EO Expenses/(gain)	-	-	-	-	(207)	-	-	-	-	(207)	-	
Taxes	436	975	631	1,193	27	530	829	1,509	3,235	2,895	74	
Tax Rate (%)	-96.4	81.2	94.5	43.7	-3.4	-114.9	61.0	59.0	78.0	108.6	65.0	
Reported PAT	-888	226	37	1,535	-817	-992	530	1,049	910	-230	40	NA
Adj. PAT	-888	226	37	1,535	-1,031	-992	530	1,049	910	-445	40	NA
Change (%)	NA	348.2	-89.5	34.0	NA	NA	1,339.9	-31.7	62.5	NA	-82.3	

E: MOFSL Estimates



Key takeaways from the management commentary

- PIRPHARM is taking measures to address supply constraints in its injectable pain management products.
- The CDMO project with Newamsterdam, which will provide commercial capacity for fixed-dose combinations, does not require meaningful investment from PIRPHARM. The existing setup is sufficient to meet Newamsterdam's requirements.
- In-licensing and co-development partnerships are expected to be key growth drivers in the medium term.
- Management expects the consumer business to sustain its growth momentum, supported by strong brand performance and digital channel expansion.

Steady CHG trajectory/CDMO build-out underway

CDMO: transient setback, medium-term growth outlook remains robust

- The strong momentum of FY25 did not sustain into 1HFY26. CDMO's revenue in 1HFY26 declined 14% YoY to INR20.4b, impacted by inventory destocking of a large on-patent product, reflecting higher customer dependence.
- Despite near-term softness, underlying demand trends remain healthy with strong customer interest in onshore manufacturing, supported by robust quality systems/two decades of experience in ADCs.
- Additionally, the biopharma funding activity has picked up sharply in Sep-Oct'25, which, if sustained, could translate into stronger early-stage order inflows for the CDMO business.
- The multi-million-dollar joint investment with New Amsterdam Pharma to add commercial capacity for the fixed-dose combination of Obicetrapib/Ezetimibe strengthens the positioning in complex/high-value formulations, which is expected to support medium-term growth.
- We expect a 7% sales CAGR in this segment to reach INR67b over FY25-28.

CHG: Muted quarter, revival expected as supply normalizes

- The CHG segment's revenue delivered stable sales YoY at INR12.8b in 1HFY26.
- However, growth momentum in FY25 was driven by higher volumes in the IA portfolio, though partially offset by pricing pressure in the US due to Sevoflurane/Isoflurane order wins.
- PIRPHARM remains focused on sustaining growth in its IA portfolio by expanding beyond the US, with regulatory approvals for Sevoflurane in ex-US markets underway. The company aims to leverage its strong US presence while broadening its international footprint.
- Within Intrathecal Therapy, sales were temporarily impacted by supply constraints, which are expected to normalize in 2HFY26.
- Moreover, early benefits from initiatives to resolve supply challenges in the IA/Pain portfolios are visible, supporting expectations of sequential improvement in the coming quarters.
- We expect an 11% sales CAGR in this segment, reaching INR36b over FY25-28.

Focused brand building/strategic launches set to accelerate momentum

- In 1HFY26, ICH sales increased 15% YoY to INR6.2b. This was driven by strong growth in power brands (up 20% YoY), like Little's, Lacto calamine i-range, and CIR, outperforming the broader portfolio.
- PIRPHARM added 26 new products/SKUs in 1HFY26.
- The consumer healthcare business continued to perform well, with e-commerce revenue growing over 40% YoY and contributing about 24% of total PCH sales.
- We expect the ICH segment to post a 12% sales CAGR and reach INR15.2b over FY25-28.

Reiterate BUY

- We cut our EBITDA estimates by 21%/21%/17% for FY26/FY27/FY28, factoring in: a) a gradual scale-up of the CDMO business, b) supply challenges in the CHG segment, and c) higher operational costs. We value PIRPHARM on an SoTP basis (18x EV/EBITDA for CDMO business, 12x EV/EBITDA for CHG business, and 13x EV/EBITDA for ICH business) to arrive at a TP of INR240.
- PIRPHARM continues to: a) enhance customer base/secure new contracts from existing customers in the CDMO segment, and b) introduce new products in the CHG segment. With operational costs already being incurred, we expect operating leverage to drive earnings as revenue growth revives. Reiterate BUY.

Story in charts

Exhibit 1: Expect 7% sales CAGR in CDMO over FY25-28

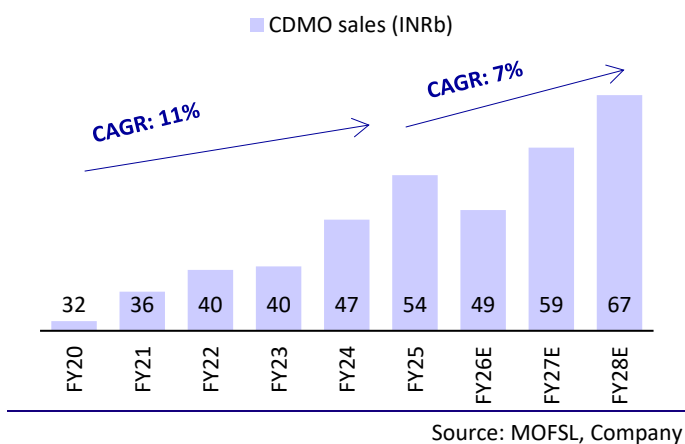


Exhibit 2: Expect 11% sales CAGR in CHG over FY25-28

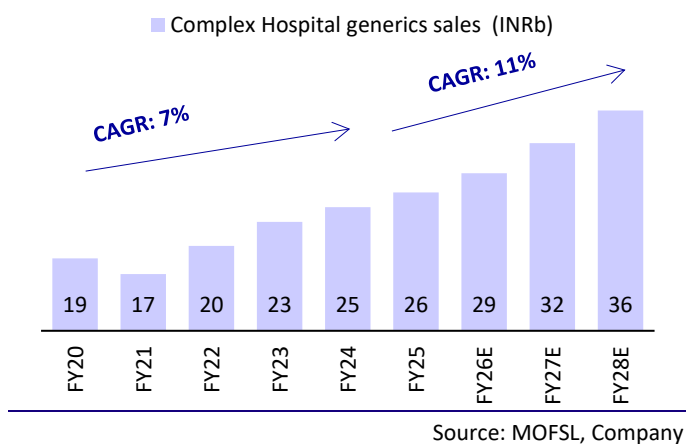


Exhibit 3: Expect 12% sales CAGR in ICH over FY25-28

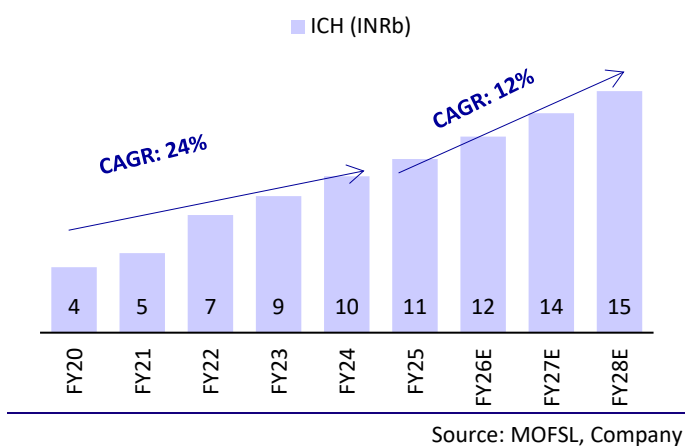
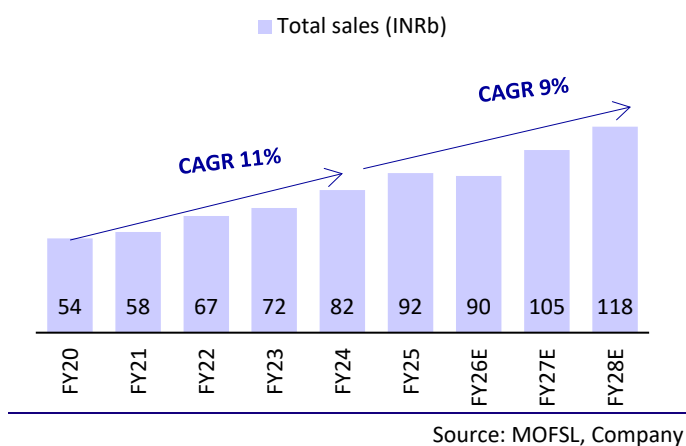


Exhibit 4: Expect 9% CAGR in total sales over FY25-28



Financials and valuations

Y/E March	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Total Income from Operations	65,591	70,816	81,712	91,511	90,288	104,802	118,278
Change (%)	NA	8.0	15.4	12.0	NA	16.1	12.9
EBITDA	9,497	7,286	11,963	14,447	10,875	13,635	16,302
Margin (%)	14.5	10.3	14.6	15.8	12.0	13.0	13.8
Depreciation	5,862	6,767	7,406	8,163	8,190	8,354	8,772
EBIT	3,635	520	4,557	6,284	2,685	5,281	7,530
Int. and Finance Charges	1,983	3,442	4,485	4,216	3,401	2,925	2,700
Other Income	2,758	2,251	1,754	1,348	2,435	1,850	1,550
Share of net profit of associates	590	543	595	729	739	787	826
PBT bef. EO Exp.	5,001	-128	2,421	4,145	2,458	4,993	7,206
EO Items	151	1,074	633	0	-207	0	0
PBT after EO Exp.	4,850	-1,202	1,788	4,145	2,665	4,993	7,206
Total Tax	1,090	663	1,615	3,235	2,895	3,096	2,522
Tax Rate (%)	22.5	-55.2	90.3	78.0	108.6	62.0	35.0
Minority Interest	0	0	0	0	0	0	0
Reported PAT	3,760	-1,865	173	910	-230	1,897	4,684
Adjusted PAT	3,879	-798	560	910	-445	1,897	4,684
Change (%)	NA	NA	NA	62.5	NA	NA	146.9
Margin (%)	5.9	-1.1	0.7	1.0	-0.5	1.8	4.0

Cons Balance sheet

(INR m)

Y/E March	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Equity Share Capital	11,859	11,933	13,230	13,244	13,244	13,244	13,244
Other equity	55,107	55,802	65,884	68,011	67,781	69,678	74,362
Net Worth	66,966	67,735	79,114	81,255	81,024	82,922	87,606
Minority Interest	0	0	0	0	0	0	0
Total Loans	41,283	56,421	47,102	48,565	48,565	48,565	38,565
Deferred Tax Liabilities	1,920	2,193	2,292	2,484	2,484	2,484	2,484
Capital Employed	110,169	126,349	128,507	132,303	132,072	133,970	128,654
Gross Block	36,288	42,652	49,908	53,507	51,664	51,858	51,783
Less: Accum. Deprn.	5,862	6,767	7,406	8,163	8,190	8,354	8,772
Net Fixed Assets	30,426	35,885	42,503	45,344	43,474	43,504	43,012
Goodwill on Consolidation	10,305	11,075	11,226	11,482	11,482	11,482	11,482
Intangible assets	33,053	33,382	31,672	29,386	29,386	29,386	29,386
Capital WIP	6,732	8,529	5,657	4,891	4,891	4,891	4,891
Total Investments	3,123	2,334	2,611	2,918	2,918	2,918	2,918
Curr. Assets, Loans&Adv.	36,043	43,078	49,535	52,388	53,727	58,373	52,292
Inventory	13,888	16,814	21,759	23,127	21,468	25,572	26,021
Account Receivables	17,853	17,993	21,344	23,495	21,768	24,693	24,304
Cash and Bank Balance	3,290	3,076	4,826	5,015	9,739	7,357	1,216
Loans and Advances	1,013	5,195	1,606	752	752	752	752
Curr. Liability & Prov.	13,172	13,600	19,501	18,891	18,590	21,370	20,112
Account Payables	10,264	11,927	15,384	15,338	15,037	17,816	16,559
Other Current Liabilities	2,445	1,074	3,358	2,638	2,638	2,638	2,638
Provisions	464	599	759	915	915	915	915
Net Current Assets	22,871	29,478	30,034	33,497	35,137	37,004	32,180
Deferred Tax assets	2,973	3,493	3,865	3,931	3,931	3,931	3,931
Misc Expenditure	687	2,172	940	853	853	853	853
Appl. of Funds	110,169	126,349	128,507	132,303	132,072	133,969	128,653

Financials and valuations

Ratios

Y/E March	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Basic (INR)							
Adj. EPS	2.9	-0.6	0.4	0.7	-0.3	1.4	3.5
Cash EPS	8.2	5.0	6.7	7.6	6.5	8.6	11.3
BV/Share	56.1	56.8	66.3	68.1	67.9	69.5	73.4
DPS	0.4	0.5	0.1	0.1	0.0	0.2	0.5
Payout (%)	15.6	NA	57.0	17.6	0.0	17.6	17.6
Valuation (x)							
P/E	67.9	NA	470.0	289.3	-NA	138.8	56.2
Cash P/E	24.4	39.8	29.8	26.2	30.7	23.2	17.6
P/BV	3.5	3.5	3.0	2.9	2.9	2.9	2.7
EV/Sales	4.6	4.5	3.7	3.4	3.3	2.9	2.5
EV/EBITDA	31.7	43.5	25.5	21.2	27.8	22.3	18.4
Dividend Yield (%)	0.2	0.3	0.0	0.1	0.0	0.1	0.3
FCF per share	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Return Ratios (%)							
RoE	5.8	-1.2	0.8	1.1	-0.5	2.3	5.5
RoCE	9.2	3.7	0.5	1.3	-0.3	2.1	4.6
RoIC	5.8	1.4	0.8	2.3	-0.4	3.4	8.2
Working Capital Ratios							
Asset Turnover (x)	0.6	0.6	0.6	0.7	0.7	0.8	0.9
Inventory (Days)	77	87	97	92	87	89	80
Debtor (Days)	99	93	95	94	88	86	75
Creditor (Days)	57	61	69	61	61	62	51
Leverage Ratio (x)							
Net Debt/Equity	0.5	0.8	0.5	0.5	0.4	0.5	0.4

Cons Cash flow statement

Y/E March	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
(INR m)							
OP/(Loss) before Tax	4,410	-1,675	1,198	3,417	2,458	4,993	7,206
Depreciation	5,862	6,767	7,406	8,163	8,190	8,354	8,772
Interest & Finance Charges	1,983	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	-1,694
(Inc)/Dec in WC	-3,013	-2,710	-2,520	-5,085	3,084	-4,248	-1,318
CF from Operations	7,664	4,839	10,046	8,923	14,445	8,928	14,838
Others	0	0	0	0	0	0	0
CF from Operating incl EO	7,664	4,839	10,046	8,923	14,445	8,928	14,838
(Inc)/Dec in FA	-8,571	-9,451	-7,104	-6,591	-6,320	-8,384	-8,279
Free Cash Flow	-907	-4,612	2,941	2,332	8,125	544	6,558
(Pur)/Sale of Investments	-485	-3,751	2,724	1,271	0	0	0
Investment in Associate	-7,907	0	0	0	0	0	0
Others	-1,158	-186	40	546	0	0	0
CF from Investments	-18,121	-13,388	-4,340	-4,775	-6,320	-8,384	-8,279
Issue of Shares	0	0	10,359	0	0	0	0
Inc/(Dec) in Debt	9,830	11,558	-9,965	120	0	0	-10,000
Interest Paid	-1,388	-2,710	-4,618	-4,384	-3,401	-2,925	-2,700
Dividend Paid	-500	-670	0	-145	0	0	0
CF from Fin. Activity	7,942	8,178	-4,224	-4,408	-3,401	-2,925	-12,700
Inc/Dec of Cash	-2,515	-371	1,482	-260	4,724	-2,381	-6,142
Opening Balance	2,620	3,290	3,076	4,825	5,014	9,738	7,357
Closing Balance	105	2,919	4,557	4,565	9,738	7,357	1,216
Unrealised loss / (gain) on forex	747	52	178	-109	0	0	0
Term Deposit with Banks	2,438	105	90	558			
Total Cash & Cash Eq	3,290	3,076	4,825	5,014	9,738	7,357	1,216

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Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
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SELL	< - 10%
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