

## Chalks out strategic goals for the future...

**About the stock:** Piramal Pharma Limited (PPL) is part of the Piramal group of companies. The company operates in 3 major segments. - 1) Contract development and manufacturing organisations (CDMO), 2) Complex hospital generics (critical care), 3) Consumer healthcare (OTC). PPL owns 17 development and manufacturing facilities across India, US and UK with capabilities in sterile, API, formulations, drug discovery and manufacturing of nutrition products. The company holds 49% stake in AbbVie Therapeutics, JV with Allergan, and 33.33% in Yapan Bio which operates in the biologics / bio-therapeutics and vaccine segments.

### Analyst Meet Update: (Focus mainly on long term guidance)

- **FY30 guidance-** Doubling of revenues to US\$ 2 billion with around 25% EBITDA Margins. This translates in to revenues and EBITDA CAGR of ~13% and ~23% respectively between FY24-FY30E. Higher EBITDA growth would be attributable to 1) Better overall operating leverage on the back of better capacity utilisation, 2) significant tilt towards innovative pie in CDMO services with focus on integrated and differentiated services.
- **CDMO revenues** to be around US\$ 1.2 billion (CAGR of ~13%) with 25% EBITDA margins leveraging on its globally diversified network of facilities across 3 continents. In complex hospital generics, the company aspires to reach US\$ 600 million revenues (CAGR of ~13%) with 25%+ EBITDA margins. In ICH segment the company aims to scale up revenues at a 9% CAGR to US\$ 200 million in the next six years and achieve double-digit EBITDA margins by optimizing expenses.
- Piramal's innovative CDMO segment is seeing early signs of improvement in biotech funding and the management is focusing on improving capacity utilization of existing sites and scale up innovation CDMO business.
- Net debt/EBITDA target is set at 1x and ROCE in High teens. and Tax rate at the consolidated level likely to go down over the next 3-4 years. The growth capex would be calibrated and only after considering the segmental requirement with an eye on leverage and FCF

The company has given long term guidance in an open forum breaking it segment wise. This is mainly organic growth guidance based on global capacities and capabilities (excluding some licensing requirements). The guidance also excludes potential windfall from the implications of Biosecure Act. The core of the guidance is based on offering or differentiated services, offering vertically integrated model and a tilt towards innovation related offerings. We believe the guidance is measured with scope for positive surprises.

### Rating and Target price

We now value PPL at ₹ 280 based on SoTP valuations, i.e. 23x FY26E CDMO EBITDA (earlier 20x), 18x FY26E CHG EBITDA (earlier 15x), 1.5x FY26E Consumer Healthcare Sales (earlier 1x), and 10x PAT from AbbVie JV.



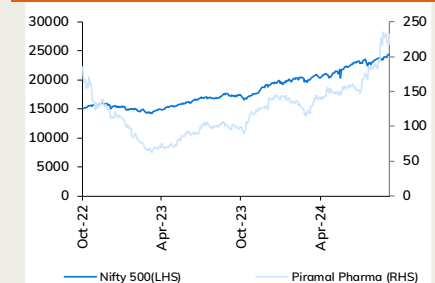
### Particulars

Particular	Amount
Market Capitalisation	₹ 30428 crore
Debt (FY24)	₹ 4710 crore
Cash (FY24)	₹ 357 crore
EV	₹ 34781 crore
52 week H/L	244/87
Equity capital	₹ 1323 crore
Face value	₹ 10

### Shareholding pattern

Particular	Sep-23	Dec-23	Mar-24	Jun-24
Promoters	35.0	35.0	35.0	35.0
Fils	32.4	32.5	30.6	32.5
Dlls	8.0	9.7	12.1	9.7
Others	24.6	22.8	22.3	22.8

### Price Chart



### Key risks

- Higher sensitivity of CDMO business towards overall performance.
- Price Erosion and supply issues in CHG

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### Key Financial Summary

(₹ Crore)	FY22	FY23	FY24	CAGR FY22-24 (%)	FY25E	FY26E	CAGR FY24-26 (%)
Revenues	6559.1	7081.6	8171.2	11.6	9231.4	10423.2	12.9
EBITDA	949.7	628.2	1196.3	12.2	1397.9	1862.2	24.8
EBITDA Margins (%)	14.5	8.9	14.6		15.1	17.9	
Net Profit	376.0	-186.5	17.8	-78.2	127.6	519.6	440.0
Adjusted EPS (₹)	3.0	-1.4	0.6		1.0	3.9	
PE (x)	80.8	-162.8	1703.7		238.0	58.4	
EV/EBITDA (x)	36.0	56.3	28.9		24.5	18.1	
RoCE (%)	5.9	1.4	5.0		5.4	8.7	
RoE (%)	5.8	-2.7	1.0		1.6	6.1	

## Financial Summary

Exhibit 3: Profit and loss statement					₹ crore
(Year-end March)/ (₹ crore)	FY23	FY24	FY25E	FY26E	
Total Operating Income	7,081.6	8,171.2	9,231.4	10,423.2	
Growth (%)	8.0	15.4	13.0	12.9	
Raw Material Expenses	1,682.5	1,976.8	1,612.5	1,633.8	
Gross Profit	4,378.3	5,217.2	5,987.6	6,890.8	
Gross Profit Margins (%)	61.8	63.8	64.9	66.1	
Employee Expenses	1,896.4	2,029.5	2,254.9	2,411.6	
Other Expenditure	1,853.7	1,991.4	2,334.8	2,617.0	
Total Operating Expenditure	6,453.3	6,974.9	7,833.4	8,561.0	
<b>EBITDA</b>	<b>628.2</b>	<b>1,196.3</b>	<b>1,397.9</b>	<b>1,862.2</b>	
Growth (%)	-33.8	90.4	16.9	33.2	
Interest	344.2	448.5	413.2	359.9	
Depreciation	676.7	740.6	800.7	864.1	
Other Income	225.1	175.4	94.1	107.7	
<b>PBT before Exceptional Item</b>	<b>-167.5</b>	<b>182.6</b>	<b>278.0</b>	<b>746.0</b>	
Less: Exceptional Items	7.0	62.8	0.0	0.0	
PBT after Exceptional Items	-174.5	119.8	278.0	746.0	
Total Tax	66.3	161.5	215.9	298.4	
PAT before MI	-240.8	-41.7	62.1	447.6	
<b>PAT</b>	<b>-186.5</b>	<b>17.8</b>	<b>127.6</b>	<b>519.6</b>	
Growth (%)	-149.6	-109.6	615.8	307.3	
<b>EPS (Adjusted)</b>	<b>-1.4</b>	<b>0.6</b>	<b>1.0</b>	<b>3.9</b>	
Other income as % of (Cash+i	27%	24%	17%	19%	

Source: Company, ICICI Direct Research

Exhibit 4: Cash flow statement					₹ crore
(Year-end March)/ (₹ crore)	FY23	FY24	FY25E	FY26E	
Profit/(Loss) after taxation	-356.5	-37.0	127.6	519.6	
Add: Depreciation & Amortization	641.0	702.6	800.7	864.1	
Net Increase in Current Assets	-53.2	-880.4	-390.3	-475.7	
Net Increase in Current Liabilities	-241.9	646.1	120.0	227.0	
Others	494.6	573.3	413.2	359.9	
<b>CF from Operating activities</b>	<b>483.9</b>	<b>1,004.5</b>	<b>1,071.2</b>	<b>1,494.8</b>	
Investments	-355.4	274.0	0.0	0.0	
(Purchase)/Sale of Fixed Assets	-964.8	-712.0	-750.0	-600.0	
Others	-18.6	4.0	389.4	3.0	
<b>CF from Investing activities</b>	<b>-1,338.8</b>	<b>-434.0</b>	<b>-360.6</b>	<b>-597.0</b>	
(inc)/Dec in Loan	1,198.4	-971.5	-500.0	-500.0	
Dividend & Dividend tax	-67.0	0.0	0.0	0.0	
Other	-313.6	549.2	-413.2	-359.9	
<b>CF from Financing activities</b>	<b>817.8</b>	<b>-422.4</b>	<b>-913.2</b>	<b>-859.9</b>	
<b>Net Cash Flow</b>	<b>-32.0</b>	<b>166.0</b>	<b>-202.6</b>	<b>37.9</b>	
Cash and Cash Equivalent	85.2	53.2	356.8	154.2	
<b>Cash</b>	<b>53.2</b>	<b>219.2</b>	<b>154.2</b>	<b>192.1</b>	
<b>Free Cash Flow</b>	<b>-480.9</b>	<b>292.5</b>	<b>321.2</b>	<b>894.8</b>	

Source: Company, ICICI Direct Research

Exhibit 5: Balance Sheet					₹ crore
(Year-end March)	FY23	FY24	FY25E	FY26E	
Equity Capital	1,193.3	1,323.0	1,323.0	1,323.0	
Reserve and Surplus	5,580.2	6,588.4	6,712.6	7,228.8	
Total Shareholders funds	6,773.5	7,911.4	8,035.6	8,551.7	
Total Debt	5,637.1	4,710.2	4,210.2	3,710.2	
Deferred Tax Liability	219.3	229.2	233.8	238.4	
Long-Term Provisions	20.7	32.3	33.0	33.6	
Other Non Current Liabilities	180.6	167.9	171.3	174.7	
<b>Source of Funds</b>	<b>12,831</b>	<b>13,051</b>	<b>12,684</b>	<b>12,709</b>	
Gross Block - Fixed Assets	8,169.0	9,415.9	9,915.9	10,415.9	
Accumulated Depreciation	1,807.9	2,548.5	3,349.2	4,213.3	
Net Block	6,361.1	6,867.4	6,566.6	6,202.5	
Capital WIP	1,418.6	1,115.8	1,365.8	1,465.8	
Fixed Assets	7,779.7	7,983.2	7,932.4	7,668.3	
Investments	639.0	385.0	385.0	385.0	
Goodwill on Consolidation	1,107.5	1,122.6	1,122.6	1,122.6	
Other non-Current Assets	238.7	114.9	117.2	119.5	
Deferred Tax Assets	349.3	386.5	0.0	0.0	
Inventory	1,681.4	2,175.9	2,276.2	2,427.3	
Debtors	1,799.3	2,134.4	2,411.4	2,722.7	
Other Current Assets	732.1	652.7	665.7	679.0	
Cash	195.6	356.8	154.2	192.1	
Total Current Assets	4,408.4	5,319.8	5,507.5	6,021.2	
Creditors	1,192.7	1,538.4	1,643.9	1,856.2	
Provisions	39.2	43.6	44.4	45.3	
Other Current Liabilities	459.5	678.9	692.5	706.4	
Total Current Liabilities	1,691.4	2,260.9	2,380.9	2,607.9	
Net Current Assets	2,716.9	3,058.9	3,126.6	3,413.3	
<b>Application of Funds</b>	<b>12,831</b>	<b>13,051</b>	<b>12,684</b>	<b>12,709</b>	

Source: Company, ICICI Direct Research

Exhibit 6: Key ratios				
(Year-end March)	FY23	FY24	FY25E	FY26E
<b>Per share data (₹)</b>				
Reported EPS	-1.4	0.1	1.0	3.9
Cash EPS	-1.4	0.6	1.0	3.9
BV per share	51.3	59.9	60.9	64.8
Cash per Share	1.5	2.7	1.2	1.5
Dividend per share	0.0	0.0	0.0	0.0
<b>Operating Ratios (%)</b>				
Gross Profit Margins	61.8	63.8	64.9	66.1
EBITDA margins	8.9	14.6	15.1	17.9
PAT Margins	-2.5	1.0	1.4	5.0
Cash Conversion Cycle	118	124	120	115
Asset Turnover	0.9	0.9	0.9	1.0
EBITDA conversion Rate	77.0	84.0	76.6	80.3
<b>Return Ratios (%)</b>				
RoE	-2.7	1.0	1.6	6.1
RoCE	1.4	5.0	5.4	8.7
RoIC	-0.5	4.1	5.4	9.2
<b>Valuation Ratios (x)</b>				
P/E	-162.8	1,703.7	238.0	58.4
EV / EBITDA	56.3	28.9	24.5	18.1
EV / Net Sales	5.0	4.2	3.7	3.2
Market Cap / Sales	4.3	3.7	3.3	2.9
Price to Book Value	4.5	3.8	3.8	3.6
<b>Solvency Ratios</b>				
Debt / EBITDA	9.0	3.9	3.0	2.0
Debt / Equity	0.8	0.6	0.5	0.4
Current Ratio	2.5	2.2	2.2	2.2
<b>Quick Ratio</b>	<b>1.5</b>	<b>1.2</b>	<b>1.3</b>	<b>1.3</b>
Inventory days	87	97	90	85
Debtor days	93	95	95	95
Creditor days	61	69	65	65

Source: Company, ICICI Direct Research

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