

May 15, 2025

Muted CDMO growth in FY26; long term prospects intact...

About the stock: Piramal Pharma Limited (PPL) is part of the Piramal group of companies. The company operates in 3 major segments.

- Contract development and manufacturing organisations (CDMO)
- Complex hospital generics (critical care)
- 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.

Investment Rationale:

Q4FY25 results- Slightly weaker exit quarter - Revenues grew ~8% YoY to ₹2,754 crore, driven by ~8% growth in the CDMO business (59% of sales) to ₹1,788 crore. The Complex Hospital Generics segment (29% of sales) grew 6% to ₹705 crore, while the India Consumer Business (12% of sales) grew ~15% to ₹274 crore. Gross profit margin (GPM) for the quarter stood at 65.3% (up 507 bps); however, EBITDA grew only ~6% YoY to ₹561 crore, with the EBITDA margin declining by 39 bps to 20.4%, impacted by higher employee expenses and other expenditures. CDMO business was driven by order inflows, especially for on-patent commercial manufacturing. The company also witnessed good demand for differentiated offerings with increase in customer enquiries and visits. In India Consumer Business, growth was driven by new launches and 22% growth in power brands. In Complex Hospitals Generics, the growth was driven by volume growth in the inhalation anaesthesia portfolio in the US and emerging markets.

- Inventory adjustment at a key customer to impact CDMO tempo in FY26; Normalisation expected in FY27- One of the CDMO customers has built significant inventory for a particular product launch over the last two fiscals. The management anticipates this to rationalise in FY26. The management expects order flow to resume from the same customer after the completion of rationalisation exercise. Excluding this, the management expects double digit growth in CDMO. The guidance for FY26 for overall revenue growth is now mid-single digit and EBITDA margins in mid-teen. The management has reiterated its FY30 aspirational revenue target of US\$ 2 billion revenues with ~25% EBITDA margins and high teens ROCE.

Rating and Target price

We now value PPL at ₹ 290 based on SoTP valuations, i.e. 20x FY27E CDMO EBITDA (earlier 21x), 17x FY27E CHG EBITDA, 2x FY27E Consumer Healthcare Sales (earlier 1.5x), and 10x PAT from AbbVie JV.

Key Financial Summary

(₹ Crore)	FY22	FY23	FY24	CAGR FY22-25 (%)	FY25	FY26E	FY27E	CAGR FY25-27 (%)
Revenues	6559.1	7081.6	8171.2	11.8	9173.0	9737.9	11050.0	9.8
EBITDA	949.7	628.2	1196.3	15.6	1466.7	1352.7	2126.0	20.4
EBITDA Margins (%)	14.5	8.9	14.6		16.0	13.9	19.2	
Net Profit	376.0	-186.5	17.8	-33.0	113.0	181.4	683.5	146.0
Adjusted EPS (₹)	3.0	-1.4	0.6		0.9	1.4	5.2	
PE (x)	73.7	-148.7	1555.6		245.4	152.8	40.6	
EV/EBITDA (x)	33.2	52.1	26.7		21.9	23.4	14.6	
RoCE (%)	5.9	1.4	5.0		6.0	4.3	9.9	
RoE (%)	5.8	-2.7	1.0		1.4	2.2	7.6	

Source: Company, ICICI Direct Research



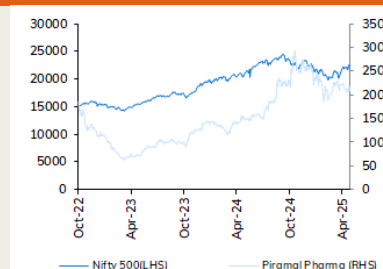
Particulars

Particular	Amount
Market Capitalisation	₹ 27782 crore
Debt (FY25)	₹ 4856 crore
Cash (FY25)	₹ 369 crore
EV	₹ 32269 crore
52 week H/L	307/136
Equity capital	₹ 1323 crore
Face value	₹ 10

Shareholding pattern

Particular	Jun-24	Sep-24	Dec-24	Mar-25
Promoters	34.9	34.9	34.9	34.9
FIIIs	31.4	31.7	31.7	31.5
DIIIs	13.0	13.8	14.1	14.8
Others	20.7	19.5	19.3	18.8

Price Chart



Key risks

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

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Q4FY25 Results / Conference call highlights

CDMO Business

- Company during the quarter announced US\$90 million expansion investment at two sites, which includes the addition of commercial-scale serology-actable capabilities in Lexington and addition of development and commercial-scale capabilities in payload linkers for bioconjugates and Riverview.
- Order inflows, customer inquiries and RFPs during the quarter remain strong, particularly at company's overseas sites, such as Grangemouth, Riverview, Lexington, and Sellersville, driven by the customers' needs to de-risk and diversify their supply chain.
- Company anticipates inventory normalization for one customer in FY26, followed by an increase in orders starting from FY27.
- Ignoring the Inventory Normalization management for FY26 company anticipates underlying CDMO segment to grow at a mid-teen rate.
- Due to uncertainties there is delay in decision making for onshore manufacturing.
- Innovation pie in CDMO segment saw a notable uptick in FY25, rising from 50% in the previous year to 54%

Complex Hospital Generics

- In ICH company has not taken any price hikes but cost optimization increased margins.
- US Inhalation anaesthesia segment witnessed lower price realizations during the first half of the year, though it was largely offset through new order wins and some major contract renewals.
- Commenced manufacturing lines at Digwal to supplement Sevoflurane manufacturing capacity at Bethlehem (US) and help company to penetrate deeper into the RoW markets.

Other Aspects

- For FY26 company expects increase in debt level.
- EBITDA Margin Guidance for FY27 – 19-20%.
- Capex FY26 guidance– US\$ 100-125 Million.

Exhibit 2: Quarterly Summary

(₹ crore)	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	YoY (%)	QoQ (%)
Net Sales	2131.4	1482.0	1720.0	1716.0	2163.6	1748.9	1911.4	1958.6	2552.4	1951.1	2241.8	2204.2	2754.1	7.9	24.9
Other Operating Income	2131.4	1482.0	1720.0	1716.0	2163.6	1748.9	1911.4	1958.6	2552.4	1951.1	2241.8	2204.2	2754.1	7.9	24.9
Variable Cost of Sales	840.0	574.3	663.9	625.3	839.7	626.7	637.7	675.2	1014.4	674.4	796.5	805.8	955.0	-5.9	18.5
% of Revenue	39.4	38.8	38.6	36.4	38.8	35.8	33.4	34.5	39.7	34.6	35.5	36.6	34.7	-507 bps	-188 bps
Gross Profit	1291.3	907.7	1056.1	1090.7	1323.9	1122.1	1273.7	1283.4	1538.0	1276.8	1445.3	1398.4	1799.1	17.0	28.7
Gross Profit Margin (%)	60.6	61.2	61.4	63.6	61.2	64.2	66.6	65.5	60.3	65.4	64.5	63.4	65.3	507 bps	188 bps
Employee Expenses	402.9	460.5	470.1	492.2	473.5	495.5	516.0	523.8	494.2	579.7	559.5	556.2	612.0	23.9	10.0
% of Revenue	18.9	31.1	27.3	28.7	21.9	28.3	27.0	26.7	19.4	29.7	25.0	25.2	22.2	286 bps	-301 bps
Other Expenditure	490.5	430.0	413.5	511.1	499.1	494.3	492.0	491.3	513.9	492.6	544.1	504.4	626.1	21.8	24.1
% of Revenue	23.0	29.0	24.0	29.8	23.1	28.3	25.7	25.1	20.1	25.2	24.3	22.9	22.7	260 bps	-15 bps
Total Operating Expendit	1733.4	1464.9	1547.5	1628.6	1812.3	1616.5	1645.7	1690.2	2022.4	1746.7	1900.1	1866.5	2193.1	8.4	17.5
% of Revenue	81.3	98.8	90.0	94.9	83.8	92.4	86.1	86.3	79.2	89.5	84.8	84.7	79.6	39 bps	-505 bps
Operating Profit (EBITDA)	398.0	17.1	172.6	87.3	351.3	132.3	265.6	268.4	529.9	204.5	341.6	337.7	561.0	5.9	66.1
EBITDA Margin (%)	18.7	1.2	10.0	5.1	16.2	7.6	13.9	13.7	20.8	10.5	15.2	15.3	20.4	-39 bps	505 bps
Depreciation	165.2	161.7	166.2	164.4	184.4	173.6	184.5	186.3	196.1	184.6	192.2	196.8	242.8	23.8	23.3
Interest	57.1	62.3	83.0	94.7	104.3	118.5	109.9	105.9	114.2	107.0	107.6	103.3	103.7	-9.2	0.4
Other Income	78.1	71.9	46.2	82.5	24.5	38.3	49.2	61.5	26.4	19.5	61.1	12.1	42.0	59.3	246.5
PBT	253.9	-135.0	-37.4	-89.2	87.1	-121.5	20.5	5.4	215.4	-67.5	102.9	49.7	256.6	19.1	415.7
Total Tax	68.9	-6.1	11.1	16.5	44.8	-8.5	34.5	9.3	126.2	43.6	97.5	63.1	119.3	-5.5	89.0
Tax rate (%)	27.1	4.5	-29.7	-18.5	51.4	7.0	168.9	171.0	58.6	-64.6	94.8	126.9	46.5	-1209 bps	-8038 bps
PAT	204.1	-109.1	-37.3	-90.2	50.1	-98.6	5.0	10.1	101.3	-88.6	22.6	3.7	153.5	51.6	4071.2
PAT Margin (%)	9.6	-7.4	-2.2	-5.3	2.3	-5.6	0.3	0.5	4.0	-4.5	1.0	0.2	5.6	161 bps	541 bps

Source: Company, ICICI Direct Research

Exhibit 1: Valuation Summary

Particulars	FY27E (₹ cr)	Multiple (x)	EV (₹ cr)
CDMO EBITDA	1220.7	20.0	24,413
CHG EBITDA	825.7	17.0	14,037
Consumer Healthcare Sales	1322.5	2.0	2,645
AbbVie PAT(49%)	88.2	10	882
Net Debt FY27E (₹ cr)			3260.3
Targeted MCap (₹ cr)			38,718
No of shares (cr)			132.3
Per Share Value (₹)			290

Source: Company, ICICI Direct Research

Financial Summary

Exhibit 3: Profit and loss statement ₹ crore				
(Year-end March)/ (₹ crore)	FY24	FY25	FY26E	FY27E
Total Operating Income	8,171.2	9,173.0	9,737.9	11,050.0
Growth (%)	15.4	12.3	6.2	13.5
Raw Material Expenses	1,976.8	2,055.7	720.2	817.2
Gross Profit	5,217.2	5,941.4	6,232.2	7,302.6
Gross Profit Margins (%)	63.8	64.8	64.0	66.1
Employee Expenses	2,029.5	2,307.5	2,259.9	2,564.1
Other Expenditure	1,991.4	2,167.2	2,619.6	2,612.5
Total Operating Expenditure	6,974.9	7,706.4	8,385.1	8,923.9
EBITDA	1,196.3	1,466.7	1,352.7	2,126.0
Growth (%)	90.4	22.6	-7.8	57.2
Interest	448.5	421.6	414.7	329.3
Depreciation	740.6	816.3	918.0	973.3
Other Income	175.4	134.8	148.6	168.6
PBT before Exceptional Items	182.6	363.5	168.6	992.1
Less: Exceptional Items	62.8	0.0	0.0	0.0
PBT after Exceptional Items	119.8	363.5	168.6	992.1
Total Tax	161.5	323.5	67.4	396.8
PAT before MI	-41.7	40.0	101.2	595.2
PAT	17.8	113.0	181.4	683.5
Growth (%)	-109.6	533.8	60.6	276.8
EPS (Adjusted)	0.6	0.9	1.4	5.2
Other income as % of (Cash+inv)	24%	20%	13%	19%

Source: Company, ICICI Direct Research

Exhibit 4: Cash flow statement ₹ crore				
(Year-end March)/ (₹ crore)	FY24	FY25	FY26E	FY27E
Profit/(Loss) after taxation	-37.0	7.3	181.4	683.5
Add: Depreciation & Amortizati	702.6	775.5	918.0	973.3
Net Increase in Current Assets	-880.4	-500.5	-114.6	-656.9
Net Increase in Current Liabilitie	646.1	-70.0	108.2	233.4
Others	573.3	680.0	414.7	329.3
CF from Operating activities	1,004.5	892.3	1,507.7	1,562.7
Investments	274.0	132.3	0.0	0.0
(Purchase)/Sale of Fixed Assets	-712.0	-664.4	-1,000.0	-500.0
Others	4.0	54.6	396.9	3.9
CF from Investing activities	-434.0	-477.5	-603.1	-496.1
(Inc)/Dec in Loan	-971.5	48.7	0.0	-1,000.0
Dividend & Dividend tax	0.0	-14.5	0.0	0.0
Other	549.2	-475.1	-414.7	-329.3
CF from Financing activities	-422.4	-440.8	-414.7	-1,329.3
Net Cash Flow	166.0	-36.9	489.9	-262.8
Cash and Cash Equivalent	53.2	219.2	369.0	858.9
Cash	219.2	182.3	858.9	596.2
Free Cash Flow	292.5	227.9	507.7	1,062.7

Source: Company, ICICI Direct Research

Exhibit 5: Balance Sheet ₹ crore				
(Year-end March)	FY24	FY25	FY26E	FY27E
Equity Capital	1,323.0	1,324.4	1,324.4	1,324.4
Reserve and Surplus	6,588.4	6,801.1	6,978.9	7,658.7
Total Shareholders funds	7,911.4	8,125.5	8,303.2	8,983.0
Total Debt	4,710.2	4,856.5	4,856.5	3,856.5
Deferred Tax Liability	229.2	248.4	253.3	258.4
Long-Term Provisions	32.3	48.7	49.6	50.6
Other Non Current Liabilities	167.9	175.6	179.1	182.7
Source of Funds	13,051	13,455	13,642	13,331
Gross Block - Fixed Assets	9,415.9	10,350.0	11,250.0	11,650.0
Accumulated Depreciation	2,548.5	3,364.8	4,282.8	5,256.1
Net Block	6,867.4	6,985.2	6,967.2	6,394.0
Capital WIP	1,115.8	976.9	1,076.9	1,176.9
Fixed Assets	7,983.2	7,962.1	8,044.1	7,570.9
Investments	385.0	290.7	290.7	290.7
Goodwill on Consolidation	1,122.6	1,148.2	1,148.2	1,148.2
Other non-Current Assets	114.9	106.1	108.2	110.3
Deferred Tax Assets	386.5	393.1	0.0	0.0
Inventory	2,175.9	2,312.7	2,267.7	2,573.3
Debtors	2,134.4	2,349.5	2,494.2	2,830.3
Other Current Assets	652.7	746.2	761.2	776.4
Cash	356.8	369.0	858.9	596.2
Total Current Assets	5,319.8	5,777.4	6,382.0	6,776.1
Creditors	1,538.4	1,533.8	1,628.2	1,847.6
Provisions	43.6	42.9	43.7	44.6
Other Current Liabilities	678.9	646.4	659.3	672.5
Total Current Liabilities	2,260.9	2,223.0	2,331.3	2,564.7
Net Current Assets	3,058.9	3,554.4	4,050.7	4,211.4
Application of Funds	13,051	13,455	13,642	13,331

Source: Company, ICICI Direct Research

Exhibit 6: Key ratios				
(Year-end March)	FY24	FY25	FY26E	FY27E
Per share data (₹)				
Reported EPS	0.1	0.9	1.4	5.2
Cash EPS	0.6	0.9	1.4	5.2
BV per share	59.9	61.6	62.9	68.1
Cash per Share	2.7	2.8	6.5	4.5
Dividend per share	0.0	0.0	0.0	0.0
Operating Ratios (%)				
Gross Profit Margins	63.8	64.8	64.0	66.1
EBITDA margins	14.6	16.0	13.9	19.2
PAT Margins	1.0	1.2	1.9	6.2
Cash Conversion Cycle	124	124	117	117
Asset Turnover	0.9	0.9	0.9	0.9
EBITDA conversion Rate	84.0	60.8	111.5	73.5
Return Ratios (%)				
RoE	1.0	1.4	2.2	7.6
RoCE	5.0	6.0	4.3	9.9
RoIC	4.1	5.6	3.7	10.0
Valuation Ratios (x)				
P/E	1,555.6	245.4	152.8	40.6
EV / EBITDA	26.7	21.9	23.4	14.6
EV / Net Sales	3.9	3.5	3.3	2.8
Market Cap / Sales	3.4	3.0	2.8	2.5
Price to Book Value	3.5	3.4	3.3	3.1
Solvency Ratios				
Debt / EBITDA	3.9	3.3	3.6	1.8
Debt / Equity	0.6	0.6	0.6	0.4
Current Ratio	2.2	2.4	2.4	2.4
Quick Ratio				
Inventory days	97	92	85	85
Debtor days	95	93	93	93
Creditor days	69	61	61	61

Source: Company, ICICI Direct Research

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