

Piramal Pharma | BUY

Growth Deferred, Value Intact

Piramal Pharma reported a mixed performance in Q4, with Revenue, EBITDA, and PAT growing by 8%/6%/23% YoY, respectively. While revenue and EBITDA were in line with expectations, PAT missed estimates due to significantly higher tax outgo. The topline growth was primarily driven by the CDMO and ICH segments, which grew by 8% and 15%, respectively. The CDMO segment benefited from select commercial orders from an innovator pharma client. However, management has indicated that these orders may taper off meaningfully in FY26, with a potential rebound expected in FY27. As a result, the company has issued conservative guidance for FY26—mid-single-digit revenue growth and a slight decline in EBITDA margins. A recovery to mid-to-high teen revenue growth and 19–20% EBITDA margins is anticipated in FY27. Excluding the impact of these commercial orders, the base business is expected to grow in the mid-teens, with margin improvement led by the CHG and ICH segments in FY26. Despite a soft outlook, we maintain a BUY rating on the stock. We believe the current expectations are already factored in following the recent correction. Moreover, with a growing pipeline of 31 Phase 3 projects and potential scale-up in 18 existing commercial programs, the recent dip presents a compelling entry opportunity—especially as the stock trades at a ~60% discount to Divi's. We revise our target price to INR 295, implying an upside of 41% from current levels.

- **CDMO (65% of rev.):** The CDMO business delivered a moderate 8% YoY growth on a large base in Q4. On an annual basis, the strong growth of 15% YoY was driven by innovation work. Differentiated offerings within the CDMO segment now contributes 49% to total CDMO revenue in FY25, up from 37% in FY23. This has been enabled by consistent investment in different capabilities such as ADC, HPAPI, peptide, sterile fill/finish, hormones, and on-patent API development. On-patent manufacturing generated USD 179mn in FY25, up from USD 52mn in FY23. CDMO business is typically sticky in nature, with multi-year contracts. Though the recovery in biotech funding is lumpy at the time being, the management believes Piramal is on track to deliver USD 1.2bn CDMO business with 25% EBITDA margins by FY30.
- **US on-shoring:** The company is currently awaiting more clarity on Trump2.0 policies before committing to on-shoring operations. However, there has been an uptake in bookings for the US onshore capacity. Piramal also announced a USD 90mn investment at two US sites – Lexington and Riverview. The company has a lot of customers with products in development stage, Piramal has decided to add commercial-scale sterile injectable capabilities in Lexington to meet the incremental demand when these products reach commercial stage. Expansion in Riverview is for bioconjugates' development and commercial-scale capabilities; most of the ongoing capacity expansion has already been booked out. The incremental capacity at Riverview will be ready by FY26.
- **Complex Hospital Generics (25% of rev.):** The segment was impacted by price erosion and hence managed a moderate 6% YoY growth in Q4. Though, the company maintained its leadership in key products in the US market and has been witnessing



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Recommendation and Price Target

Current Reco.	BUY
Previous Reco.	BUY
Current Price Target (12M)	295
Upside/(Downside)	41.4%
Previous Price Target	340
Change	-13.2%

Key Data – PIRPHARM IN

Current Market Price	INR209
Market cap (bn)	INR276.6/US\$3.2
Free Float	64%
Shares in issue (mn)	1,325.7
Diluted share (mn)	1,325.7
3-mon avg daily val (mn)	INR1,760.5/US\$20.6
52-week range	308/136
Sensex/Nifty	82,531/25,062
INR/US\$	85.6

Price Performance

%	1M	6M	12M
Absolute	-6.3	-19.3	39.5
Relative*	-12.5	-24.1	24.5

* To the BSE Sensex

Financial Summary	(INR mn)				
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Sales	81,712	91,512	96,390	1,20,712	1,34,692
Sales Growth (%)	15.4	12.0	5.3	25.2	11.6
EBITDA	11,963	14,448	13,928	22,694	25,592
EBITDA Margin (%)	14.6	15.8	14.5	18.8	19.0
Adjusted Net Profit	178	911	1,642	7,738	9,618
Diluted EPS (INR)	0.1	0.7	1.2	5.8	7.3
Diluted EPS Growth (%)	0.0	411.4	80.1	371.4	24.3
ROIC (%)	-1.5	0.3	1.7	7.7	9.0
ROE (%)	0.2	1.1	2.0	8.9	10.1
P/E (x)	1,554.9	304.1	168.8	35.8	28.8
P/B (x)	3.5	3.4	3.3	3.1	2.8
EV/EBITDA (x)	26.5	22.1	22.9	14.0	12.3
Dividend Yield (%)	0.0	0.0	0.0	0.0	0.0

Source: Company data, JM Financial. Note: Valuations as of 15/May/2025

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traction in the non-US markets. Piramal was facing capacity constraints in supplying anaesthesia to the RoW markets. For the same, it has added a new manufacturing line in the Digwal facility. The growth ahead is expected from increased utilization of this new capacity towards serving the non-US markets.

- **ICH (10% of rev.):** 20% growth in power brands, along with new launches, enabled ICH segment to deliver a strong 15% YoY growth in Q4. The company also increased its penetration in tier-2 towns. On the negative side, I-Pill (a key power brand) saw regulator mandated price cuts during the year.
- **Financial highlights:**
 - Revenue grew 8%YoY to INR 27.5bn (3.7% miss)
 - The full year GM of 65% is the new normal going forward
 - EBITDA came in at INR 5.6bn, up 6%YoY (in line)
 - EBITDA margin stood at 20.4% (-40bps YoY & 62bps beat). CHG and ICH margins are growing in line with FY30 aspiration. The margin impact is from CDMO business. But it will go back to 19 to 20%.
 - PAT was at INR 1.5bn, up 23.5% YoY (miss due to higher taxes)
 - Overall, the operations stood levered at 2.7x Debt to EBITDA. Debt is further likely to go up in FY26. However, the Debt to EBITDA ratio will come below 1.5x by FY30
 - Capex: USD 120-140mn in F26. The USD 90mn for 2 facilities in US is included in this
 - Asset turnover for brownfield expansion will be around 1.5-2x
 - Tax rate: Depends on mix of geographies. More revenue from overseas facilities will lower the tax rate as the company can use the carry forwarded losses. By FY30, tax rate will move towards 24-25%
- **Our view and valuation:** Incorporating these developments, we have revised our revenue / EBITDA growth estimates for FY26 and FY27 to 5%/ -4% and 25%/63%, respectively. Despite a soft outlook, we maintain a BUY rating on the stock. We believe the current expectations are already factored in following the recent correction. Moreover, with a growing pipeline of 31 Phase 3 projects and potential scale-up in 18 existing commercial programs, the recent dip presents a compelling entry opportunity—especially as the stock trades at a ~60% discount to Divi's. Using SOTP methodology, we arrive at a target price of INR 295, implying an upside of 41% from current levels.

Exhibit 1. Trading below historical EV/EB highs



Source: Bloomberg

Exhibit 2. 4QFY25 Review

Piramal Pharma - P&L (INR mn)	4QFY24	4QFY25	% YoY	4QFY25E	% change	4QFY25E (cons)	% Delta vs cons	3QFY25	% QoQ
Revenue	25,524	27,541	7.9%	28,591	-3.7%	28,677	-4.0%	22,042	24.9%
Raw Material/FG	10,144	9,550	-5.9%	10,556				8,058	18.5%
Gross Profit	15,380	17,991	17.0%	18,035	0%			13,984	28.7%
- % of revenue	60.3%	65.3%	507 bps	63.1%	224 bps			63.4%	188 bps
Staff Cost	4,942	6,120	23.9%	5,630	9%			5,562	10.0%
Other expenses	5,139	6,261	21.8%	6,757	-7%			5,044	24.1%
EBITDA	5,299	5,610	5.9%	5,648	-0.7%	5,828	-3.7%	3,377	66.1%
EBITDA (%)	20.8%	20.4%	-39 bps	19.8%	62 bps	20.3%	5 bps	15.3%	505 bps
Other Income	264	420		440	-5%			121	
Interest	1,142	1,037	-9.2%	1,037	0%			1,033	0.4%
Depreciation	1,961	2,428		2,033	19%			1,968	
Add: Share of profit/(loss) of Associates	120	162		233				171	
Exceptional items	-305	0		0				0	
PBT	2,275	2,728	19.9%	3,250	-16.1%			668	
Tax	1,262	1,193	-5%	279	327%			631	
Tax Rate (%)	55.5%	43.7%		8.6%				94.5%	
PAT (Reported)	1,013	1,535		2,971	-48.3%	-801	-291.6%	37	4071.2%
PAT Margin (%)	4.0%	5.6%		10.4%	-482 bps	-2.8%	837 bps	0.2%	541 bps
EPS (Reported)	0.9	1.2		2.2				0.0	
PAT (Adjusted)	1,243	1,535	23.48%	2,971	-48.3%	1,808	-15.1%	37	4071.2%
PAT Margin (%)	4.9%	5.6%		10.4%	-482 bps	6.3%	-73 bps	0.2%	541 bps
EPS (Adjusted)	0.9	1.2		2.2				0.0	
Piramal Pharma - Cost margins	4QFY24	4QFY25	% YoY	4QFY25E	% change			3QFY25	% QoQ
Raw material cost/sales	39.7%	34.7%	-507 bps	36.9%	-224 bps			36.6%	-188 bps
Staff cost/sales	19.4%	22.2%	286 bps	19.7%	253 bps			25.2%	-301 bps
Other expenditure/sales	20.1%	22.7%	260 bps	23.6%	-90 bps			22.9%	-15 bps
Piramal Pharma - Segmental revenue	4QFY24	4QFY25	% YoY	4QFY25E				3QFY25	% QoQ
CDMO	16,493	17,880	8.4%	18,234	-2%			12,780	39.9%
Complex Hospital Generics	6,672	7,050	5.7%	7,729	-9%			6,540	7.8%
ICH	2,381	2,740	15.1%	2,630	4%			2,780	-1.4%

Source: JM Financial, Company

Exhibit 3. Change in estimates

(INR mn)	FY26E				FY27E			
	Old Est.	New Est.	YoY growth	Change %	Old Est.	New Est.	YoY growth	Change %
Net sales	1,04,211	96,390	5%	-8%	1,23,266	1,20,712	25%	-2%
EBITDA	17,924	13,928	-4%	-22%	22,558	22,694	63%	1%
- margin	17.2%	14.5%	-134 bps	-275 bps	18.3%	18.8%	435 bps	50 bps
Net profit	4,874	1,642	80%	-66.3%	7,875	7,738	371%	-2%
EPS	3.7	1.2	80%	-66.3%	5.9	5.8	371%	-1.7%

Source: JM Financial, Company

Financial Tables (Consolidated)

Income Statement (INR mn)					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Sales	81,712	91,512	96,390	1,20,712	1,34,692
Sales Growth	15.4%	12.0%	5.3%	25.2%	11.6%
Other Operating Income	0	0	0	0	0
Total Revenue	81,712	91,512	96,390	1,20,712	1,34,692
Cost of Goods Sold/Op. Exp	29,540	32,317	34,700	41,645	46,469
Personnel Cost	20,295	23,075	25,109	28,971	32,326
Other Expenses	19,914	21,672	22,652	27,402	30,306
EBITDA	11,963	14,448	13,928	22,694	25,592
EBITDA Margin	14.6%	15.8%	14.5%	18.8%	19.0%
EBITDA Growth	90.4%	20.8%	-3.6%	62.9%	12.8%
Depn. & Amort.	7,406	8,163	8,575	9,247	9,791
EBIT	4,557	6,285	5,353	13,447	15,800
Other Income	1,754	1,348	1,375	1,403	1,431
Finance Cost	4,485	4,216	4,226	4,181	4,136
PBT before Excep. & Forex	1,826	3,417	2,502	10,668	13,095
Excep. & Forex Inc./Loss(-)	-628	0	0	0	0
PBT	1,198	3,417	2,502	10,668	13,095
Taxes	1,615	3,235	1,627	3,734	4,321
Extraordinary Inc./Loss(-)	0	0	0	0	0
Assoc. Profit/Min. Int.(-)	595	729	766	804	844
Reported Net Profit	178	911	1,642	7,738	9,618
Adjusted Net Profit	178	911	1,642	7,738	9,618
Net Margin	0.2%	1.0%	1.7%	6.4%	7.1%
Diluted Share Cap. (mn)	1,325.7	1,325.7	1,325.7	1,325.7	1,325.7
Diluted EPS (INR)	0.1	0.7	1.2	5.8	7.3
Diluted EPS Growth	0.0%	411.4%	80.1%	371.4%	24.3%
Total Dividend + Tax	0	0	0	0	0
Dividend Per Share (INR)	0.0	0.0	0.0	0.0	0.0

Source: Company, JM Financial

Cash Flow Statement (INR mn)					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Profit before Tax	1,826	3,417	2,502	10,668	13,095
Depn. & Amort.	7,406	8,163	8,575	9,247	9,791
Net Interest Exp. / Inc. (-)	4,366	4,112	2,851	2,778	2,705
Inc (-) / Dec in WCap.	-2,343	-4,877	-1,356	-7,621	-5,617
Others	360	1,451	0	0	0
Taxes Paid	-1,568	-3,344	-1,627	-3,734	-4,321
Operating Cash Flow	10,046	8,923	10,946	11,339	15,653
Capex	-7,120	-6,644	-8,000	-8,000	-8,000
Free Cash Flow	2,925	2,279	2,946	3,339	7,653
Inc (-) / Dec in Investments	2,807	1,654	0	0	0
Others	-27	216	1,375	1,403	1,431
Investing Cash Flow	-4,340	-4,775	-6,625	-6,597	-6,569
Inc / Dec (-) in Capital	10,359	0	0	0	0
Dividend + Tax thereon	0	-145	0	0	0
Inc / Dec (-) in Loans	-9,715	487	-500	-500	-500
Others	-4,867	-4,751	-4,226	-4,181	-4,136
Financing Cash Flow	-4,224	-4,408	-4,726	-4,681	-4,636
Inc / Dec (-) in Cash	1,482	-260	-405	61	4,448
Opening Cash Balance	710	2,083	5,015	4,610	4,670
Closing Cash Balance	2,192	1,823	4,610	4,670	9,118

Source: Company, JM Financial

Balance Sheet (INR mn)					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Shareholders' Fund	79,114	81,255	82,896	90,635	1,00,253
Share Capital	13,230	13,244	13,244	13,244	13,244
Reserves & Surplus	65,884	68,011	69,653	77,391	87,009
Preference Share Capital	0	0	0	0	0
Minority Interest	0	0	0	0	0
Total Loans	45,589	47,203	46,703	46,203	45,703
Def. Tax Liab. / Assets (-)	-1,573	-1,448	-1,448	-1,448	-1,448
Total - Equity & Liab.	1,23,129	1,27,010	1,28,151	1,35,390	1,44,508
Net Fixed Assets	79,953	79,621	79,046	77,799	76,007
Gross Fixed Assets	66,139	74,857	82,857	90,857	98,857
Intangible Assets	49,132	49,132	49,132	49,132	49,132
Less: Depn. & Amort.	41,096	49,259	57,834	67,082	76,873
Capital WIP	5,778	4,891	4,891	4,891	4,891
Investments	15,075	14,389	15,154	15,958	16,803
Current Assets	54,226	58,835	61,085	71,526	85,111
Inventories	21,759	23,127	24,718	29,893	33,738
Sundry Debtors	21,344	23,495	24,560	29,764	35,057
Cash & Bank Balances	4,826	5,015	4,610	4,670	9,118
Loans & Advances	0	0	0	0	0
Other Current Assets	6,297	7,198	7,198	7,198	7,198
Current Liab. & Prov.	26,124	25,835	27,134	29,894	33,413
Current Liabilities	18,243	18,085	19,385	22,144	25,664
Provisions & Others	7,881	7,750	7,750	7,750	7,750
Net Current Assets	28,102	33,000	33,951	41,633	51,698
Total - Assets	1,23,129	1,27,010	1,28,151	1,35,390	1,44,508

Source: Company, JM Financial

Dupont Analysis					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Margin	0.2%	1.0%	1.7%	6.4%	7.1%
Asset Turnover (x)	0.6	0.7	0.7	0.9	0.9
Leverage Factor (x)	1.8	1.6	1.6	1.6	1.5
RoE	0.2%	1.1%	2.0%	8.9%	10.1%

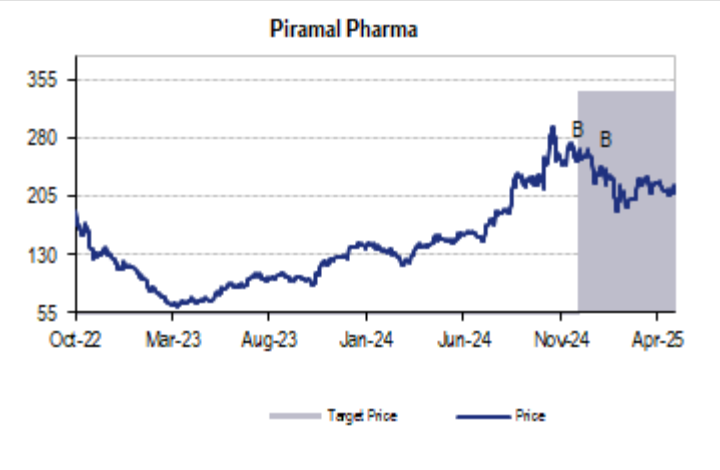
Key Ratios					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
BV/Share (INR)	59.7	61.3	62.5	68.4	75.6
ROIC	-1.5%	0.3%	1.7%	7.7%	9.0%
ROE	0.2%	1.1%	2.0%	8.9%	10.1%
Net Debt/Equity (x)	0.5	0.5	0.5	0.5	0.4
P/E (x)	1,554.9	304.1	168.8	35.8	28.8
P/B (x)	3.5	3.4	3.3	3.1	2.8
EV/EBITDA (x)	26.5	22.1	22.9	14.0	12.3
EV/Sales (x)	3.9	3.5	3.3	2.6	2.3
Debtor days	95	94	93	90	95
Inventory days	97	92	94	90	91
Creditor days	81	73	74	72	77

Source: Company, JM Financial

History of Recommendation and Target Price

Date	Recommendation	Target Price	% Chg.
16-Dec-24	Buy	340	
29-Jan-25	Buy	340	0.0

Recommendation History



APPENDIX I

JM Financial Institutional Securities Limited

Corporate Identity Number: U67100MH2017PLC296081

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Hold	Price expected to move in the range of 10% downside to 10% upside from the current market price for stocks with market capitalisation in excess of INR 200 billion and REITs* and in the range of 10% downside to 15% upside from the current market price for all other stocks, over the next twelve months.
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