Motilal Oswal Financial Services

29 July 2025

1QFY26 Result Update | Healthcare

Piramal Pharma

Estimate change	↓
TP change	↓
Rating change	↔

Bloomberg	PIRPHARM IN
Equity Shares (m)	1329
M.Cap.(INRb)/(USDb)	273.3 / 3.1
52-Week Range (INR)	308 / 164
1, 6, 12 Rel. Per (%)	5/-21/21
12M Avg Val (INR M)	1892
Free float (%)	65.1

Financials & Valuations (INR b)

Y/E MARCH	FY25	FY26E	FY27E
Sales	91.5	91.0	106.1
EBITDA	14.4	13.8	17.3
Adj. PAT	0.9	1.5	3.3
EBIT Margin (%)	6.9	6.1	8.4
Cons. Adj. EPS (INR)	0.7	1.1	2.5
EPS Gr. (%)	62.5	59.6	127.2
BV/Sh. (INR)	68.1	69.5	72.3
Ratios			
Net D:E	0.5	0.4	0.4
RoE (%)	1.1	1.8	3.9
RoCE (%)	1.3	1.9	3.1
Payout (%)	17.6	15.4	17.6
Valuations			
P/E (x)	299.4	187.7	82.6
EV/EBITDA (x)	21.9	22.5	18.0
Div. Yield (%)	0.1	0.1	0.2
FCF Yield (%)	0.0	0.0	0.0
EV/Sales (x)	3.5	3.4	2.9

Shareholding pattern (%)

As On	Jun-25	Mar-25	Jun-24
Promoter	34.9	35.0	35.0
DII	14.3	14.8	13.0
FII	31.4	31.8	31.9
Others	19.5	18.4	20.2

FII Includes depository receipts

CMP: INR206 TP: INR240 (+17%) Buy

Near-term weak due to the muted CHG business

Structural drivers intact; well-positioned to benefit from opportunities

- Piramal Pharma (PIRPHARM) exhibited lower-than-expected financial performance in 1QFY26. Lower CDMO and complex hospital generics (CHG) sales led to a considerable operating deleverage. This resulted in a 48% miss on EBITDA. However, the reduction in interest costs and lower tax rates capped the loss at INR1b for the quarter.
- Management, however, has kept its FY26 guidance intact, implying 1QFY26 to be an aberration. A pickup in business is anticipated in the coming quarters.
- PIRPHARM has started construction work at Lexington to integrate ADC development/manufacturing within CDMO over the medium to long term.
- New launches, better traction in the non-US market, and deferment of certain orders are expected to improve the outlook of the CHG business.
- PIRPHARM is sustaining superior execution in the consumer health segment through focused promotion of power brands and enhanced offerings.
- We retain our FY26/FY27 estimates. We value PIRPHARM on an SoTP basis (at 18x EV/EBITDA for the CDMO business, 12x EV/EBITDA for the CHG business, and 13x EV/EBITDA for the Consumer Health (ICH) business) to arrive at our TP of INR240.
- While there have been recent hiccups in the CDMO and CHG businesses, the structural growth drivers remain intact in each segment at the industry level. PIPRHARM is well-placed in the CDMO segment, and it is investing in high-end development and manufacturing of peptides/injectables/ADCs. It is also expanding its offerings as well as increasing its presence in the CHG segment. The improvement in revenue run rate, supported by operating costs incurred, is expected to drive strong operating leverage. **Reiterate BUY.**

Muted revenue and steady opex drag profitability YoY

- PIRPHARM delivered steady revenue YoY to INR19.3b (our est: INR21.4b) in 1QFY26. The CDMO segment's (52% of total sales) revenue declined 6% YoY to INR10b. The complex hospital generics' (CHG; 33% of total sales) revenue was almost flat YoY at INR6.4b. The India consumer healthcare segment's (ICH; 15% of total sales) revenue grew 14% YoY to INR3b.
- The gross margin contracted 130bp YoY to 64%, while the EBITDA margin dipped 500bp YoY to 5.5% (our est: 9.5%) largely due to lower operating leverage (employee costs/other expenses up 230/135bp as a % of sales).
- EBITDA declined 48% YoY to INR1.1b (our est: INR2b).
- Adj. loss came in at INR1b (our est: INR0.8b loss) for the quarter vs. a loss of INR890m in 1QFY25.

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Highlights from the management commentary

- Management maintained its FY26 revenue and margin guidance. It remains confident in achieving mid-single-digit YoY growth in revenue and mid-teens EBITDA margin for FY26.
- The company highlighted that growth will be back-ended, with 1HFY26 remaining soft and a pickup expected only in 2H. CDMO growth to be driven by investments in ADC and overseas facilities, especially the UK.
- PIRPHARM's gross margin is likely to remain in the 62–65% range in the mid-term, with future improvement driven by innovation, commercial production, and patented products.
- Management expects the CHG business to experience strong growth from injectable and pain management segments, particularly in 2HFY26. Double-digit growth is expected for the full year.
- In addition to the GBP45m investment at Grangemouth, PIRPHARM broke ground in Lexington for a further investment of USD90m to integrate its ADC development and manufacturing program.
- Lower sales in the CHG segment for the quarter were due to the timing of the shipment at the end of Jun’25.

Quarterly Performance **(INR m)**

	FY25				FY26E				FY25	FY26E	FY26E	% var
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			1Q	
Revenues	**19,511**	**22,418**	**22,042**	**27,541**	**19,337**	**21,553**	**23,900**	**26,233**	**91,511**	**91,023**	**21,397**	**-10%**
growth YoY(%)	11.6	17.3	12.5	7.9	-0.9	-3.9	8.4	-4.7	12.0	-0.5	9.7	
CDMO	10,570	13,240	12,780	17,880	9,970	11,254	13,419	15,198	54,470	49,841	11,416	
CHG	6,310	6,430	6,540	7,050	6,370	7,266	7,423	7,967	26,330	29,025	7,099	
ICH	2,640	2,770	2,780	2,740	3,020	3,033	3,058	3,069	10,930	12,180	2,883	
EBITDA*	**2,044**	**3,416**	**3,377**	**5,610**	**1,067**	**2,910**	**4,111**	**5,693**	**14,447**	**13,780**	**2,033**	**-48%**
margin (%)	10.5	15.2	15.3	20.4	5.5	13.5	17.2	21.7	15.8	15.1	9.5	
growth YoY(%)	54.5	28.6	25.8	5.9	-47.8	-14.8	21.7	1.5	20.8	-4.6	-0.5	
Depreciation	1,846	1,922	1,968	2,428	1,973	2,045	2,089	2,100	8,163	8,207	2,020	
EBIT	**198**	**1,494**	**1,409**	**3,182**	**-906**	**865**	**2,022**	**3,593**	**6,284**	**5,573**	**13**	
Other income	195	611	121	420	584	590	585	610	1,348	2,369	410	
Interest expense	1,070	1,076	1,033	1,037	862	870	860	855	4,216	3,447	1,040	
Share from Asso. Co	224	173	171	162	186	180	195	210	729	771	175	
PBT	**-452**	**1,201**	**668**	**2,728**	**-998**	**765**	**1,942**	**3,558**	**4,145**	**5,266**	**-442**	
EO Expenses/(gain)	-	-	-	-	(207)	-	-	-	-	(207)	-	
Taxes	**436**	**975**	**631**	**1,193**	**27**	**497**	**1,184**	**2,099**	**3,235**	**3,807**	**354**	
Tax Rate (%)	-96.4	81.2	94.5	43.7	-3.4	65.0	61.0	59.0	78.0	69.6	-80.0	
Reported PAT	**-888**	**226**	**37**	**1,535**	**-817**	**268**	**757**	**1,459**	**910**	**1,667**	**-796**	**3%**
Adj. PAT	**-888**	**226**	**37**	**1,535**	**-1,031**	**268**	**757**	**1,459**	**910**	**1,452**	**-796**	**30%**
Change (%)	NA	348.2	-89.5	34.0	16.2	18.5	1,957.9	-5.0	62.5	59.6	-10.3	

E: MOFSL Estimates

Key takeaways from the management commentary

- PIRPHARM is working on measures to resolve supply constraints related to inhalation anesthesia (IA) and pain management. The benefit is expected to accrue FY27 onwards.
- The USFDA approval for Sevoflurane API/finished product for both human and animal use at Digwal would enhance prospects to supply Sevoflurane over the medium term.
- Biotech funding is yet to witness consistent improvement. This is leading to prolonged decision-making by customers and thus slowing the scope of business for CDMO companies such as PIRPHARM.
- PIRPHARM saw improved traction in the nutrition supplement and generic API business within the CDMO segment.
- PIRPHARM has a plan of incurring USD135m in capex focused on organic growth, including CDMO facility expansion and product development. Capex will support the path to its FY30 revenue guidance.
- Management guided a lower effective tax rate in FY26, driven by improved profitability in low-tax overseas markets and upfront R&D benefits in the US and Canadian subsidiaries. However, the rates will vary depending on the revenue mix across geographies.

Outlook remains intact in CHG; it is building specific capacities in the CDMO segment

CDMO: minor setback in the near term, sustained momentum ahead

- The CDMO segment's revenue declined 6% YoY to INR10b in 1QFY26, primarily affected by inventory destocking of a key on-patent commercial product.
- Adjusting for this one-off, the underlying business momentum remains healthy, with the segment delivering mid-teen YoY growth.
- This performance follows a strong FY25, where the CDMO segment benefited from a sharp ramp-up in on-patent commercial manufacturing orders.
- The future growth in the CDMO segment would be driven by investments in ADC and an overseas facility in the UK.
- While the segment continues to scale, customer concentration remains a monitored risk. However, management has indicated that ongoing efforts will broaden the client base and diversify the order book.
- On a higher base of FY25 due to the on-patent product contract, we expect a 5% sales CAGR in this segment to reach INR60b over FY25-27.

CHG: Transitory softness; traction in new launches and increased reach

- The CHG segment's revenue delivered stable sales YoY at INR10b in Q1FY26.
- In FY25, CHG sales grew mainly due to volume expansion in the IA portfolio, partially offset by pricing pressure in the US because of order wins for Sevoflurane and Isoflurane.
- In particular, IA witnessed slower growth due to the phasing of institutional orders coupled with a softer US market, offset by growth in ex-US geographies.
- Intrathecal therapy witnessed lower sales due to the timing of shipments, with recovery anticipated in 2QFY26. Similarly, the IA and Pain management portfolio was constrained by supply-side issues, with benefits to accrue from FY27.
- On the positive side, differentiated and specialty products saw traction with the launch of Neoatricon® in select EU markets during Q1FY26, with a broader rollout expected in Q2FY26.
- Looking ahead, the segment performance is likely to improve meaningfully from 2Q, with double-digit growth guided for the rest of the year, primarily driven by the RoW market demand. The segment is also on track to achieve its FY30 targets, supported by volume expansion and broader market penetration.
- We expect an 11% sales CAGR in this segment to INR32.6b over FY25-27.

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

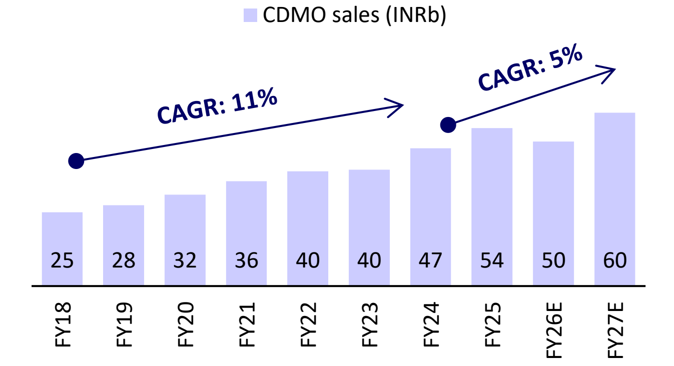
- In 1QFY26, ICH sales increased 14% YoY to INR3b. This was driven by strong growth in power brands (up 18% YoY), like Little's, i-range, and CIR.
- PIRPHARM added seven new products in 1QFY26.
- We expect the ICH segment to post a 12% sales CAGR to reach INR13.6b over FY25-27.

Reiterate BUY

- We maintain our estimates for FY26/FY27, factoring in 1) focused promotion of power brands, 2) new launches and better traction in the US market, and 3) integration of ADC development and manufacturing within CDMO. We value PIRPHARM on an SoTP basis (at 18x EV/EBITDA for CDMO business, 12x EV/EBITDA for CHG business, and 13x EV/EBITDA for consumer health (ICH) business) to arrive at our TP of INR240.
- While there have been recent hiccups in the CDMO and CHG businesses, the structural growth drivers remain intact in each segment at the industry level. PIPRHARM is well-placed in the CDMO segment, and it is investing in high-end development and manufacturing of peptides/injectables/ADCs. It is also expanding its offerings as well as increasing its presence in the CHG segment. The improvement in revenue run rate, supported by operating costs incurred, is expected to drive strong operating leverage. **Reiterate BUY**.

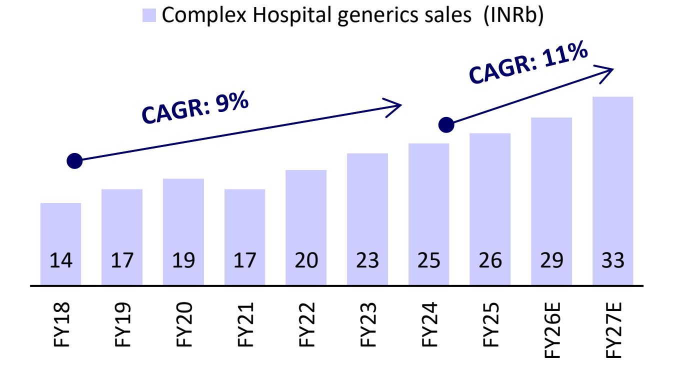
Story in charts

Exhibit 1: Expect 5% sales CAGR in CDMO over FY25-27



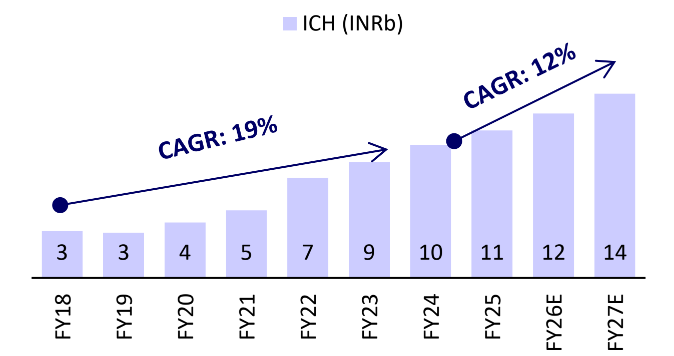
Source: MOFSL, Company

Exhibit 2: Expect 11% sales CAGR in CHG over FY25-27



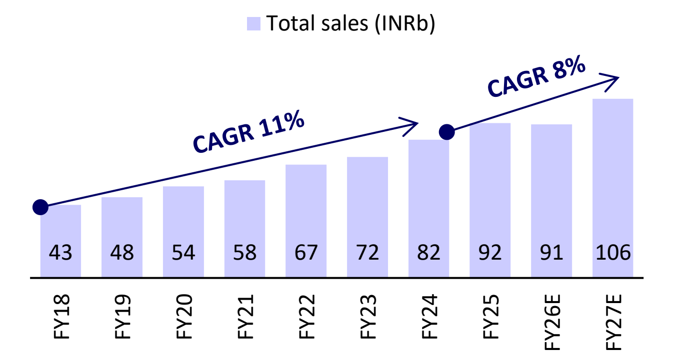
Source: MOFSL, Company

Exhibit 3: Expect 12% sales CAGR in ICH over FY25-27



Source: MOFSL, Company

Exhibit 4: Expect 8% 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**	**91,023**	**106,104**
Change (%)	NA	8.0	15.4	12.0	-0.5	16.6
EBITDA	**9,497**	**7,286**	**11,963**	**14,447**	**13,780**	**17,308**
Margin (%)	14.5	10.3	14.6	15.8	15.1	16.3
Depreciation	5,862	6,767	7,406	8,163	8,207	8,371
EBIT	**3,635**	**520**	**4,557**	**6,284**	**5,573**	**8,937**
Int. and Finance Charges	1,983	3,442	4,485	4,216	3,447	2,925
Other Income	2,758	2,251	1,754	1,348	2,369	1,850
Share of net profit of associates	590	543	595	729	771	821
PBT bef. EO Exp.	**5,001**	**-128**	**2,421**	**4,145**	**5,266**	**8,683**
EO Items	151	1,074	633	0	-207	0
PBT after EO Exp.	**4,850**	**-1,202**	**1,788**	**4,145**	**5,474**	**8,683**
Total Tax	1,090	663	1,615	3,235	3,807	5,383
Tax Rate (%)	22.5	-55.2	90.3	78.0	69.6	62.0
Minority Interest	0	0	0	0	0	0
Reported PAT	**3,760**	**-1,865**	**173**	**910**	**1,667**	**3,300**
Adjusted PAT	**3,879**	**-798**	**560**	**910**	**1,452**	**3,300**
Change (%)	NA	NA	NA	62.5	59.6	127.2
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	69,678	72,977
Net Worth	**66,966**	**67,735**	**79,114**	**81,255**	**82,921**	**86,221**
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	**110,169**	**126,349**	**128,507**	**132,303**	**133,969**	**137,269**
Gross Block	36,288	42,652	49,908	53,507	51,715	51,997
Less: Accum. Deprn.	5,862	6,767	7,406	8,163	8,207	8,371
Net Fixed Assets	**30,426**	**35,885**	**42,503**	**45,344**	**43,509**	**43,626**
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**	**55,771**	**61,772**
Inventory	13,888	16,814	21,759	23,127	21,729	25,889
Account Receivables	17,853	17,993	21,344	23,495	21,945	25,000
Cash and Bank Balance	3,290	3,076	4,826	5,015	11,345	10,131
Loans and Advances	1,013	5,195	1,606	752	752	752
Curr. Liability & Prov.	**13,172**	**13,600**	**19,501**	**18,891**	**18,772**	**21,591**
Account Payables	10,264	11,927	15,384	15,338	15,219	18,038
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**	**36,999**	**40,181**
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	**110,169**	**126,349**	**128,507**	**132,303**	**133,969**	**137,269**

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**	**1.1**	**2.5**
Cash EPS	8.2	5.0	6.7	7.6	8.1	9.8
BV/Share	56.1	56.8	66.3	68.1	69.5	72.3
DPS	0.4	0.5	0.1	0.1	0.2	0.4
Payout (%)	15.6	NA	57.0	17.6	15.4	17.6
Valuation (x)						
P/E	70.3	-341.7	486.5	299.4	187.7	82.6
Cash P/E	25.2	41.2	30.9	27.1	25.5	21.1
P/BV	3.7	3.6	3.1	3.0	3.0	2.9
EV/Sales	4.7	4.6	3.9	3.5	3.4	2.9
EV/EBITDA	32.7	44.7	26.3	21.9	22.5	18.0
Dividend Yield (%)	0.2	0.2	0.0	0.1	0.1	0.2
FCF per share	0.0	0.0	0.0	0.0	0.0	0.0
Return Ratios (%)						
RoE	5.8	-1.2	0.8	1.1	1.8	3.9
RoCE	9.2	3.7	0.5	1.3	1.9	3.1
RoIC	5.8	1.4	0.8	2.3	3.0	5.7
Working Capital Ratios						
Asset Turnover (x)	0.6	0.6	0.6	0.7	0.7	0.8
Inventory (Days)	77	87	97	92	87	89
Debtor (Days)	99	93	95	94	88	86
Creditor (Days)	57	61	69	61	61	62
Leverage Ratio (x)						
Net Debt/Equity	0.5	0.8	0.5	0.5	0.4	0.4

Cons Cash flow statement (INR m)

Y/E March	FY22	FY23	FY24	FY25	FY26E	FY27E
OP/(Loss) before Tax	4,410	-1,675	1,198	3,417	5,266	8,683
Depreciation	5,862	6,767	7,406	8,163	8,207	8,371
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	2,829	-4,396
CF from Operations	**7,664**	**4,839**	**10,046**	**8,923**	**16,149**	**10,199**
Others	0	0	0	0	0	0
CF from Operating incl EO	**7,664**	**4,839**	**10,046**	**8,923**	**16,149**	**10,199**
(Inc)/Dec in FA	-8,571	-9,451	-7,104	-6,591	-6,372	-8,488
Free Cash Flow	**-907**	**-4,612**	**2,941**	**2,332**	**9,777**	**1,711**
(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**	**-6,372**	**-8,488**
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	-3,447	-2,925
Dividend Paid	-500	-670	0	-145	0	0
CF from Fin. Activity	**7,942**	**8,178**	**-4,224**	**-4,408**	**-3,447**	**-2,925**
Inc/Dec of Cash	**-2,515**	**-371**	**1,482**	**-260**	**6,331**	**-1,214**
Opening Balance	2,620	3,290	3,076	4,825	5,014	11,345
Closing Balance	**105**	**2,919**	**4,557**	**4,565**	**11,345**	**10,131**
Unrealized 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**	**11,345**	**10,131**

Investment in securities market are subject to market risks. Read all the related documents carefully before investing

Explanation of Investment Rating	
Investment Rating	**Expected return (over 12-month)**
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

*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall be within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

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