



KEY HIGHLIGHTS

1. RESULTS OVERVIEW:

- Piramal Pharma Q4FY24 consolidated revenues came in at ₹2,552 Cr, up +17.97% YoY and up +30.27% QoQ.
- Operating Profit for Q4FY24 stood at ₹530 Cr, up +50.99% YoY and up +97.76% QoQ.
- Operating margin for Q4FY24 came at 20.76%, +455 bps YoY and +709 bps QoQ.
- PAT for Q4FY24 stood at ₹101 Cr, up +102% YoY and +910% QoQ.
- PAT Margin for Q4FY24 came at 3.96%, +165 bps YoY and +345 bps QoQ.

2. MANAGEMENT COMMENTARY:

- Management aims to achieve Mid-teens growth in topline for next 3 to 5 years with substantial improvement in EBITDA margin.
- Primary focus of the company remains at growing topline, margin improvement, and reduction in debt.
- According to the management, the topline as well as the EBITDA is expected to grow at early teens in FY25, given some moderation of growth in the CHG segment due to pricing pressure, expansions planned in Dahej and Digwal and some one-time technology transfer expenses in CHG division.

3. SEGMENTAL ANALYSIS:

- CDMO segment accounted for 64.62% of the total revenue in Q4FY24. It grew 28.73% YoY in Q4FY24.
- CDMO segment has witnessed strong order inflows despite a challenging biotech funding environment.
- Share of innovations related work in CDMO has increased from 45% in FY23 to 50% in FY24.
- Revenue from manufacturing of on-patent molecules more than doubled from USD 52 million in FY23 to USD 116 million in FY24.
- CHG segment de-grew by 5% YoY in Q4FY24 despite of a strong volume growth due to higher generic price erosion.
- Company has a product pipeline of more than 24 products in CHG segment with the current addressable market size of more than USD 2 billion.
- ICH division reported a 14% YoY growth in Q4FY24. Company launched 27 new products and 24 new SKUs during FY24.

4. CONCALL SUMMARY

- Company witnessed good inflow of new orders, especially for commercial manufacturing of on-patent molecules.
- Demand for differentiated offerings also remained healthy.
- Recent capacity expansions in the area of ADCs, HPAPI, and peptides are seeing good customer interest.
- During the year, company also received its first integrated ADC order involving monoclonal antibodies.
- Setting up a new manufacturing line for Sevoflurane in India facility at Digwal to serve increasing Sevoflurane demand in ROW markets.

5. OTHER DEVELOPMENTS:

- During Q4FY24 USFDA carried out inspections at Riverview and Lexington facilities in the U.S. of which the company has already received an EIR for Riverview while the observations at Lexington have been classified as VAI.

6. VALUATION AND OUTLOOK:

We are optimistic on Piramal pharma's performance over the long term and projects a 17% revenue and 29.74% EBITDA CAGR respectively over FY24-26. We reiterate a "BUY" rating on the stock and value the stock at 28 times the FY26 projected EPS to arrive at a price target of 176.

RECOMMENDATION - BUY

CMP – 149

TARGET – 176 (18%)

Industry	Pharmaceuticals
NSE CODE	PPLPHARMA
BSE CODE	543635
Market Cap (₹ Cr)	19,824
Shares Outstanding (in Cr)	132
52 Week High/Low (₹)	167 / 71.8
P/E	NA
P/BV	2.48
Face Value (₹)	10.00
Book Value (₹)	59.8
EPS (FY24) (₹)	0.13
Dividend Yield (%)	0.00
Debt / Equity	0.60
Interest Coverage	1.54

SHAREHOLDING PATTERN

	Mar 24	Dec 23	Sep 23
Promoters	35.02%	35.02%	35.02%
MF/ DII	8.01%	9.68%	12.12%
FII/FPI	32.37%	32.51%	30.58%
Retail & Others	24.59%	22.79%	22.26%
Promoter Pledging	0.00%	0.00%	0.00%

FINANCIAL SNAPSHOT (₹ Cr)

Y/E March	2024A	2025E	2026E
Crore			
Sales	8171	9478	11184
Sales Gr. (%)	15.40	16%	18%
EBITDA	1196	1517	2013
EBITDA %	14.64	16%	18%
PAT	18	459	827
EPS (₹)	0.13	3.48	6.27
EPS Gr. (%)	NA	2452%	80%
Ratios			
RoE (%)	0.20%	2.80%	6.20%
RoCE (%)	3.60%	3.30%	5.70%
Valuation			
P/E (x)	1258	42.82	23.80

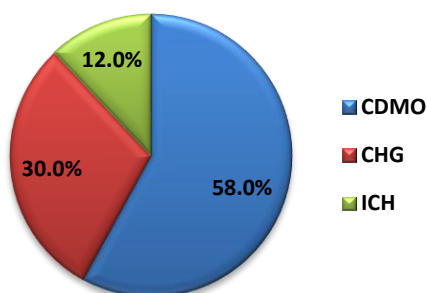
Historical & Industrial Val Ratios

Historical P/E	NA
Industry P/E	38
Historical P/B	2.0
Industry P/B	3.6

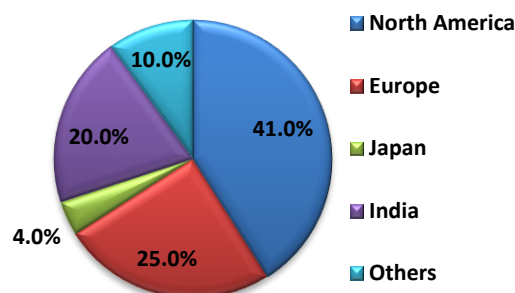


REVENUE SPLIT (FY24)

Revenue Mix (FY24)



Geographic Mix (F24)



QUARTERLY PERFORMANCE (CONSOLIDATED)

(₹ Cr)

Y/E March	FY23			FY24				Q1FY25E*	FY24	FY25E*
	Q2	Q3	Q4	Q1	Q2	Q3	Q4			
Net sales	1,720	1,716	2,164	1,749	1,911	1,959	2,552	1990	8,171	9,478
YoY change (%)	9.0%	11.5%	1.5%	18.0%	11.1%	14.1%	17.9%	13.8%	15.3%	16%
Total Expenditures	1,547	1,629	1,812	1,617	1,646	1,690	2,022	1682	6,975	7,962
EBITDA	173	87	351	132	266	268	530	309	1,196	1,517
Margins (%)	10%	5%	16%	8%	14%	14%	21%	16%	15%	16%
Other income	50	98	32	53	68	43	8	50	172	250
Interest	83	95	104	119	110	106	114	70	448	350
Depreciation	166	164	184	174	185	186	196	164	741	820
PBT	-26	-74	95	-107	40	19	227	125	179	597
Rate (%)	-42%	-22%	47%	8%	87%	48%	55%	23%	90%	23%
Adjusted PAT	-37	-90	50	-99	5	10	101	96	18	459
EPS in Rs	-0.28	-0.68	0.38	-0.75	0.04	0.08	0.77	0.73	0.13	3.48

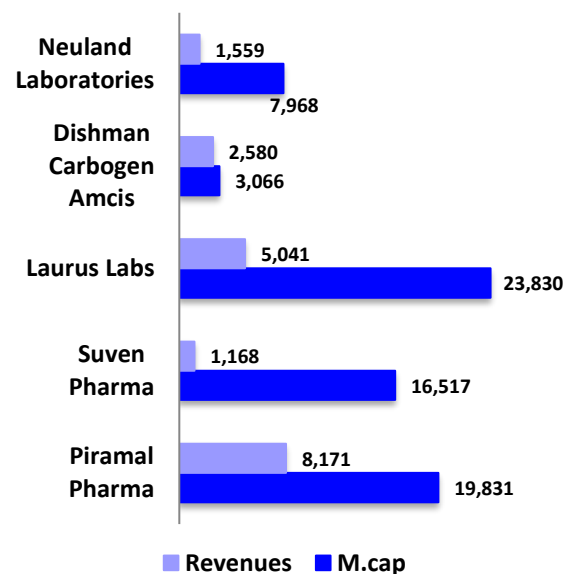
Source: Company, Hem Securities Research.



INDUSTRY OVERVIEW

- The CDMO industry provides research, drug developments, clinical trials, as well as large scale commercial manufacturing services to big pharma companies as well as small biotech firms.
- The Indian CDMO industry is experiencing significant growth driven by the "China+1" strategy, which results in global companies diversifying supply chains from China due to concentration risks and geo-political concerns. Additionally, India's abundance of US FDA-approved manufacturing plants and cost-effective manufacturing capabilities compared to western countries strengthens its case.
- However industry is facing some challenges currently such as high channel inventory, high interest rate environment globally, increasing geo-political concerns, and slower recovery in biotech funding.
- The future outlook of the Indian CDMO industry remains extremely positive given India's cost-effective production, China+1 working in India's favor, superior production quality and good track record as far as regulatory inspections are concerned.
- Apart from CDMO, Piramal pharma is also present in US generics market as well as Indian OTC drugs market. Pricing erosion in US has been stable for the last few quarters and it is expected to remain stable in the foreseeable future as well.
- Now moving onto the Indian OTC drugs market, the OTC market in India is growing quite strongly given increased self-care post Covid-19.

Peer Group



PEER PERFORMANCE

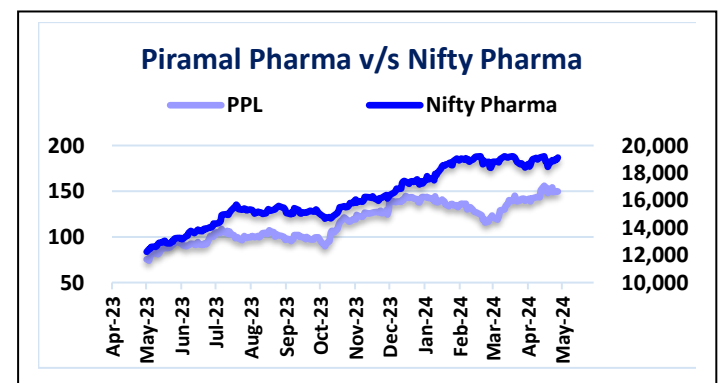
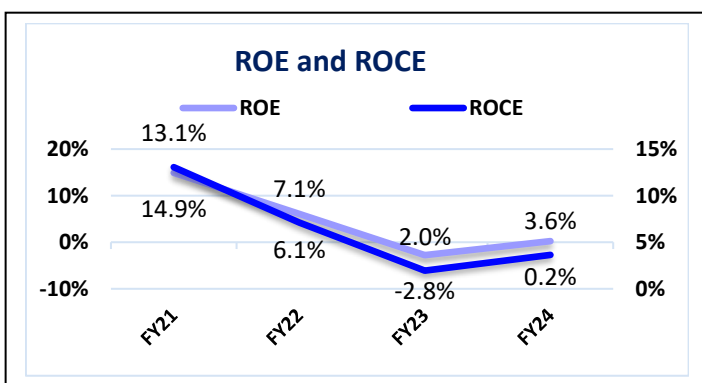
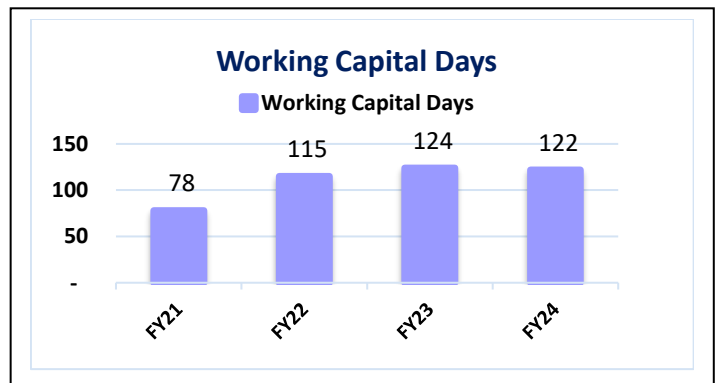
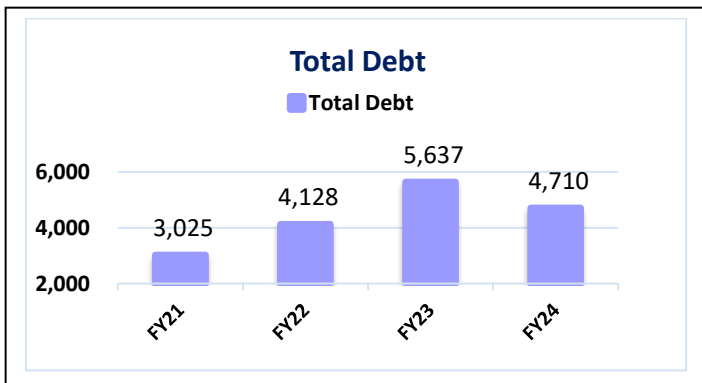
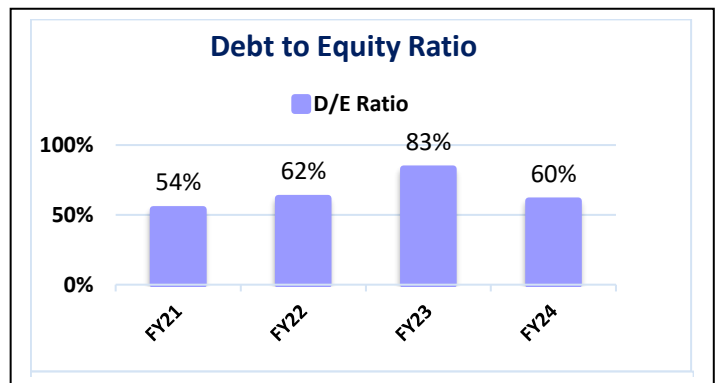
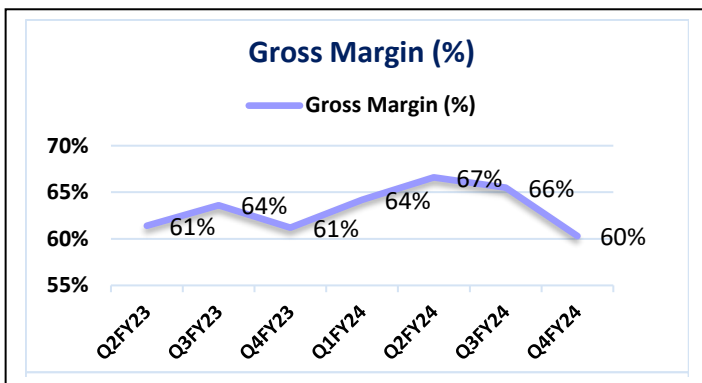
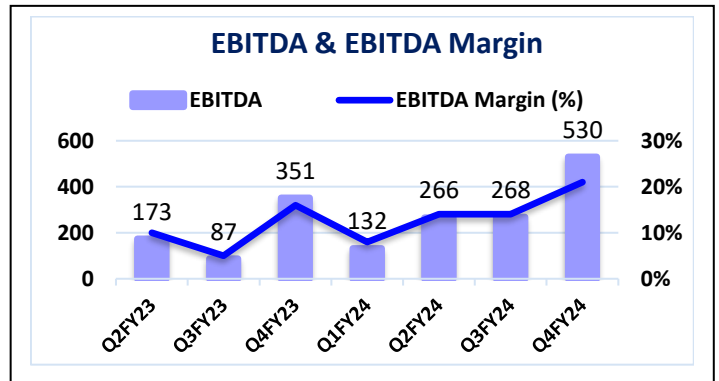
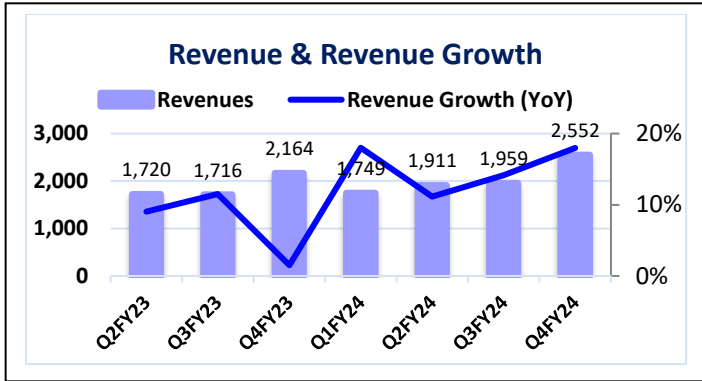
(₹ Cr)

Particulars	Piramal Pharma	Dishman Carbogen	Laurus Labs	Neuland Labs.	Suven Pharma
Market Cap	19871	3066	23830	7968	16517
Net Sales	8171	2580	5041	1559	1168
EBITDA	1196	275	778	463	499
PAT	18	-154	162	300	371
EPS(₹)	0.13	-9.84	2.98	233.89	14.57
EBITDA MARGIN %	14.64%	10.67%	15.42%	29.68%	42.74%
PAT MARGIN %	0.22%	-5.98%	3.22%	19.25%	31.76%
ROCE %	5.52%	1.03%	6.57%	33.23%	32.47%
ROE %	0.21%	-0.15%	3.94%	26.36%	24.51%
P/E TTM	1265.66	NA	148.43	26.57	44.53
P/B TTM	2.53	0.53	5.81	6.2	8.54
EV/EBITDA	16.84	16.42	32.68	16.72	29.72
Dividend Yield %	0.00%	0.00%	0.44%	0.16%	0.16%
Market Cap/ Sales TTM	2.43	1.19	4.73	5.11	14.14

Source: Company, Hem Securities Research.



STORY IN CHARTS





INVESTMENT RATIONALE:

- Piramal pharma's strong capabilities in the CDMO space with integrated services right from drug discovery, clinical trials commercial manufacturing and its differentiated offerings such as peptides, Anti-body conjugates, etc. and rising contribution of innovation related work in total CDMO revenue is expected to deliver strong performance going forward with less competition intensity. It can be a huge beneficiary of the fast-growing Indian CDMO space driven by India's cost-effective manufacturing, diversification in the global supply chains, and an expected revival in the biotech funding.
- The CDMO space in India has started witnessing increased fresh order inflows with normalization in channel inventory and with interest rate cycle peaking, biotech funding is expected to recover in coming quarters. Higher order inflows and rising plant utilization rate will help operating leverage to kick in and drive margin expansion in the company.
- For the CHG segment company already has a strong presence in the regulated markets and now it is building capacities to expand in the emerging market countries as well. We believe there is a strong probability of company replicating its success of the regulated markets in these emerging markets as well.
- CHG segment has a product pipeline of more than 24 products with the current addressable market size of more than USD 2 billion.
- The ICH segment is expected to continue its growth momentum with margin expansion given that Piramal pharma has invested heavily in marketing and advertising in the past few years and they have a strong distribution channel on ground and their e-commerce platforms is also aiding well for this segment.
- Overall, we believe that current valuations of 16.8 times FY24 EV/EBITDA is quite attractive given the scale of its business, a large opportunity size for Indian CDMO players, its long-standing customer relationships in regulated markets, rising order inflows in the CDMO segment with expected revival in the biotech funding, visible growth levers in the CHG segment over the long term and fast-growing ICH revenues. Piramal pharma deserves a significant re-rating.

RISK / NEGATIVE FACTORS:

- Any significant delay in the biotech funding revival carries a risk of downward revision in estimated earnings.
- Higher than expected price erosion in regulated markets can result in lower margins in the CHG segment.
- Regulatory risks.

COMPANY RECAP

- Piramal pharma has a very strong presence in the pharma space. It is 13th largest CDMO company globally and stands at 3rd position in India.
- In the CDMO space, company provides integrated services right from drug discovery, clinical trials and commercial manufacturing. Its innovation related work share has been increasing continuously. Apart from this, it has differentiated offerings such as peptides, Anti-body conjugates, etc.
- In the Complex hospital generics (CHG) segment, company has ~44% share in Sevoflurane market in US. Piramal's brand Fentanyl (ampoules) is No.1 brand in the Japan, South Africa, and Indonesia markets. Company has strong pipeline for CHG segment.
- In the India consumer healthcare (ICH) division, company has some popular brands such as Lacto Calamine, Little's, Polycrol, Tetmosol and I-range, etc. These brands are growing at a good pace. Company is putting lots of opex on marketing and distribution. Company has a good track record of successful new launches, over 100 new products have been launched in the last three years.
- PPL has a joint venture with Allergan (now AbbVie), one of the market leaders in ophthalmology in the Indian formulations market. Also, it has a minority investment of 33.33% in Yapan Bio that operates in the biologics/ bio-therapeutics and vaccine segments.



ANNUAL PERFORMANCE

Financials & Valuations

Income Statement

	(₹ Cr)					
Y/E March	2021	2022	2023	2024	2025E	2026E
Revenue from operations	6,315	6,559	7,082	8,171	9,478	11,184
Growth YoY (%)	NA	3.87%	7.97%	15.39%	16%	18%
Total Expenditure	4,887	5,609	6,453	6,975	7,962	9,171
(%) of sales	77.39%	85.52%	91.12%	85.36%	84.00%	82.00%
EBITDA	1,428	950	629	1,196	1,517	2,013
EBITDA Growth (%)	NA	-33.47%	-33.79%	90.14%	27%	33%
EBITDA Margin (%)	22.61%	14.48%	8.88%	14.64%	16%	18%
Depreciation	545	586	677	741	820	885
EBIT	883	364	-48	455	697	1,128
EBIT Growth (%)	NA	-58.78%	-113.19%	NA	53.09%	61.97%
Net Interest Expenses	163	198	344	448	350	320
Other Income	230	319	272	172	250	280
Earnings before Taxes	949	485	-120	179	597	1,088
EBT Margin (%)	15.03%	7.39%	-1.69%	2.19%	6.29%	9.73%
Tax-Total	114	109	66	161	137	261
Rate of tax (%)	12.01%	22.47%	-55.00%	89.94%	23%	24%
Net Profit	835	376	-186	18	459	827
PAT Growth (%)	NA	-54.97%	-149.47%	NA	2452%	80%
PAT Margin (%)	NA	5.73%	-2.63%	0.22%	4.85%	7.39%
Minority Interest	0	0	0	0	0	0
Adjusted PAT	835	376	-186	18	459	827
EPS	6.33	2.85	-1.41	0.14	3.48	6.27
EPS Growth (%)	NA	-54.97%	-149.47%	NA	2452%	80%

Balance Sheet

Y/E March	2021	2022	2023	2024
Equity Capital	995	1,186	1,193	1,323
Reserves	4,610	5,511	5,580	6,588
Borrowings	3,025	4,128	5,637	4,710
Other Liabilities	2,047	1,781	1,893	2,690
Total Liabilities & Equity	10,677	12,605	14,303	15,312
Fixed Assets	6,105	6,879	7,469	8,540
CWIP	627	1,172	1,419	566
Investments	123	267	639	385
Other Assets	3,822	4,286	4,777	5,821
Total Assets	10,677	12,605	14,303	15,312

Source: Company, Hem Securities Research.



Ratios				
Y/E March (Basic (INR))	2021	2022	2023	2024
Profitability and return ratios				
Net profit margin (%)	11.92%	5.15%	-2.30%	0.22%
EBITDA margin (%)	22.73%	16.77%	10.53%	14.64%
EBIT margin (%)	15.89%	9.35%	2.76%	5.57%
ROE (%)	14.90%	6.11%	-2.77%	0.2%
ROCE (%)	13.06%	7.10%	1.95%	3.6%
Working Capital & liquidity ratios				
Payables (Days)	163	153	161	190
Inventory (Days)	218	207	227	269
Receivables (Days)	91	99	93	95
Current Ratio (x)	1.45	1.33	1.26	1.25
Valuations Ratios				
EV/sales (x)	1.89	0.74	0.55	2.94
EV/EBITDA (x)	15.66	3.98	2.2	16.8
P/E (x)	NA	NA	NA	1258
P/BV (x)	NA	NA	NA	2.48
Return on Assets (%)	7.76%	3.20%	-1.37%	0.12%
Leverage Ratio				
Debt/Equity (x)	0.52	0.60	0.81	0.60

Cash Flow Statement				
Y/E March	2021	2022	2023	2024
CF from Operating activities (A)	598	766	484	1,005
CF from Investing Activities (B)	-4,464	-1,737	-1,334	-434
CF from Financing Activities (C)	3,977	794	818	-422
Net Cash Flow	110	-177	-32	148
Add: Opening Bal.	152	262	85	53
Closing Balance	262	85	53	219

Source: Company, Hem Securities Research.



RATING CRITERIA

INVESTMENT RATING	EXPECTED RETURN
BUY	>=15%
ACCUMULATE	5% to 15%
HOLD	0 to 5%
REDUCE	-5% to 0
SELL	<-5%

RECOMMENDATION SUMMARY

DATE	RATING	TARGET
20 May 2024	Buy	176

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Name of the Research Analyst: **Akshat Vijay**

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