

Shubh Nivesh



CMP: ₹ 182

Target: ₹ 230(27%)

Target Period: 12 months

BUY

August 12, 2024

Decent Q1 numbers; improving outlook...

About the stock: Piramal Pharma Limited (PPL) is a carved-out Pharma entity from Piramal Enterprises limited and is a part of Piramal group of companies. The company operates in 3 major segments.

- Contract development and manufacturing organisations (CDMO) for both innovators and generics clients
- Complex hospital generics (critical care)
- India consumer healthcare (OTC).

PPL owns 17 manufacturing facilities across India, US and UK with capabilities in sterile, API, formulations and drug discovery & manufacturing of nutrition products.

The company holds 49% stake in AbbVie Therapeutics (JV with Allergan), and ~33% in Yapan Bio which operates in the biologics / bio-therapeutics / vaccine segments.

Investment Rationale

- Q1FY25 numbers- CDMO continues to provide strong momentum-** Revenues grew ~12% YoY to ₹ 1951 crore on the back of ~18% growth in the CDMO business (54% of sales) to ₹ 1057 crore and ~10% growth in India Consumer Business (13% of sales) to ₹ 264 crore. Complex Hospitals Generics (33% of sales) on the other hand grew just 2% to ₹ 631 crore. EBITDA grew ~55% YoY to ₹ 205 crore with 291 bps margin expansion to 10.5% driven by strong GPM performance (up 127 bps to 65.4%) and better operating leverage. CDMO business was driven by order inflows, especially for on-patent commercial manufacturing. In India Consumer Business, growth was driven by 7 new launches and 10 SKUs besides growth in E-Commerce sales. In Complex Hospitals Generics, the slowdown was mainly on account of pricing pressure in the US.
- CDMO growth emanating from high-value services:** The company over the years have been focusing on high value services- 1) more focus towards catering to innovators, 2) offering of differentiated services such as high potency APIs, antibody drug conjugates (ADC), peptides among others and 3) offering of integrated services platform leveraging on global manufacturing network. For PPL, fortunes of CDMO have a higher sensitivity towards investors sentiment vis-à-vis other two segments. We believe the emerging global tailwinds- positive (but gradual) implications from possible enactment of Biosecure Act, improving biotech funding in the US, are important external factors besides improving fundamentals.

Rating and Target price

- We now value PPL at ₹ 230 based on SoTP valuations, i.e. 20x FY26E CDMO EBITDA (earlier 18x), 15x FY26E CHG EBITDA, 1x FY26E Consumer Healthcare Sales and 10x PAT from AbbVie JV.



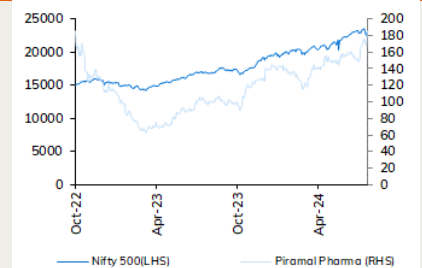
Particulars

Particular	Amount
Market Capitalisation	₹ 24014 crore
Debt (FY24)	₹ 4710 crore
Cash (FY24)	₹ 357 crore
EV	₹ 28368 crore
52 week H/L	191/87
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
FII	32.4	32.5	30.6	31.4
DII	8.0	9.7	12.1	13.0
Others	24.6	22.8	22.3	20.7

Price Chart



Key risks

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

Research Analyst

Siddhant Khandekar
siddhant.khandekar@icicisecurities.com

Shubh Mehta
Shubh.Mehta@icicisecurities.com

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)	63.7	-128.5	1344.6		187.8	46.1	
EV/EBITDA (x)	29.3	46.1	23.5		19.9	14.7	
RoCE (%)	5.9	1.4	5.0		5.4	8.7	
RoE (%)	5.8	-2.7	1.0		1.6	6.1	

Source: Company, ICICI Direct Research

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Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



Pankaj Pandey

Head – Research

pankaj.pandey@icicisecurities.com

ICICI Direct Research Desk,
ICICI Securities Limited,
Third Floor, Brillanto House,
Road No 13, MIDC,
Andheri (East)
Mumbai – 400 093
research@icicidirect.com

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Name of the Compliance officer (Research Analyst): Mr. Anoop Goyal

Contact number: 022-40701000 E-mail Address: complianceofficer@icicisecurities.com

For any queries or grievances: Mr. Atul Agarwal Email address: headservicequality@icicidirect.com Contact Number: 18601231122

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