Piramal Pharma Ltd — 18 Jul 2025 Credit Rating Summary

Section	Details
Agency	CARE Ratings Ltd.
Rating Change	**CARE AA-** → **CARE AA** (Upgraded by 1 notch)
Outlook	**Stable** (Revised from Positive)
Key Drivers of Change	1. **Revenue Scale-up:** 12% YoY growth in TOI to **₹9,183.76 Cr**, led by a 15% surge in high-margin CDMO business. 2. **Margin Expansion:** PBILDT margins improved to **16%** (FY25) from ~14.7% (FY24), driven by innovation-driven projects (54% of CDMO revenue). 3. **De-leveraging:** Total Debt/GCA sharply reduced from **13x (FY23) to 5x (FY25)**, supported by a ₹1,050 Cr rights issue and higher cash accruals. 4. **Operational Strength:** 145 projects in CDMO pipeline (28% in Phase III) and market leadership in niche generics (e.g., 44% share in US Sevoflurane).
Rated Instruments	• **LT/ST Bank Facilities:** ₹1,500 Cr | CARE AA; Stable / CARE A1+ • **LT Term Loan:** ₹970 Cr | CARE AA; Stable • **ST Line of Credit:** ₹430 Cr | CARE A1+ • **NCDs:** ₹100 Cr | CARE AA; Stable • **Commercial Paper:** ₹200 Cr | CARE A1+
Key Observations	**Positives:** • **Compliance Gold Standard:** Zero "Official Action Indicated" (OAI) status across all sites since 2011. • **Segment Diversification:** Balanced mix of CDMO (solutions), CHG (hospital generics), and PCH (consumer health). • **Liquidity:** Strong, with **₹501 Cr** unencumbered cash and ~₹600 Cr unutilised bank limits. **Risks:** • **Asset Underutilisation:** Low fixed asset turnover (**0.72x**) as overseas sites are still in ramp-up phase. • **Capex Intensity: $90M (~₹775 Cr)** brownfield expansion in the US planned for FY26 will increase debt levels. • **Forex/Regulatory:** 81% of revenue from exports; high sensitivity to global regulatory shifts.
Investor Impact	• **Growth:** Sustained double-digit growth likely as Phase III molecules commercialize. • **Margins:** Positive trajectory; expected to improve as capacity utilization (currently low for formulations) hits 80%+. • **Leverage:** Gearing stable at **0.60x**; however, expect a temporary dip in credit metrics in FY26 due to debt-funded US capex. • **Dilution Risk:** Low in the near term following the Q2FY24 rights issue.
Agency / Cross Analysis	**Same Agency:** CARE moved from "Positive Outlook" to a formal "Upgrade," validating that the post-demerger recovery is structural. **Key Drivers vs Last Review:** Significant improvement in PBILDT interest coverage (**3.51x vs 2.71x**) and a 5.1x jump in PAT (₹91.13 Cr vs ₹17.81 Cr). **Conclusion: Improvement.** The upgrade confirms the business has successfully absorbed previous debt-funded expansions.
Final Inference	**Real improvement signal.** The upgrade confirms the transition from a "high-debt/expansion" phase to a "cash-generation/utilization" phase. While FY26 capex adds debt, the shift toward innovation-led CDMO projects (54% of segment) provides a higher quality of earnings for equity holders.