

Piramal Pharma Ltd — 06 Mar 2025 Credit Rating Summary

Section	Details
Agency	CARE Ratings Ltd.
Rating Change	CARE AA- (Reaffirmed) ; Note: Outlook upgraded to Positive from Stable in recent review cycles.
Outlook (Current vs Previous)	Positive vs Stable
Key Drivers of Change	<ol style="list-style-type: none"> Margin Recovery: PBILDLT margins expanded from 10% (FY23) to 15% (FY24/9MFY25) driven by CDMO segment recovery. Significant Deleveraging: Total debt reduced from ₹5,637 Cr (Mar-23) to ₹4,710 Cr (Mar-24) via a ₹1,050 Cr rights issue. CDMO Momentum: 18% growth in CDMO revenue (FY24) due to higher utilization of debt-funded capex and shift toward Big Pharma clients. Operational Efficiency: Interest coverage improved to 2.71x (FY24) from 2.15x (FY23).
Rated Instruments	<ol style="list-style-type: none"> LT/ST Bank Facilities: ₹1,400 Cr CARE AA-; Positive / CARE A1+ LT Term Loans: ₹670 Cr CARE AA-; Positive Commercial Paper: ₹200 Cr CARE A1+ NCDs: ₹100 Cr CARE AA-; Positive
Key Observations	<p>Strengths:</p> <ul style="list-style-type: none"> Strong promoter backing (Piramal Group) and PE support (Carlyle 18% stake). Niche positioning in Inhaled Anaesthetics (4th largest globally). High-quality pipeline: 34% of development revenue from Phase III molecules. Clean compliance history: Zero "Official Action Indicated" (OAI) status across USFDA audits since FY12. <p>Risks:</p> <ul style="list-style-type: none"> Regulatory: Recent Feb-2025 USFDA audit at Turbhe facility resulted in 6 observations. Asset Sweat: Capital intensity remains high (0.60x-0.65x asset turnover); reliance on ramping up underutilized formulation capacities. Segment Drag: OTC business margins remain in the low single digits.
Investor Impact	<ul style="list-style-type: none"> Margins: Management/Agency expect 100–200 bps improvement in FY25; Q4 seasonality usually boosts year-end numbers. Leverage: Net Debt/PBILDLT improved to ~6.4x (FY24) from a peak of 13x (FY23); further upgrade linked to sustaining <3.0x. Growth: Guided 10-15% revenue growth; CDMO shift toward commercial manufacturing reduces "discovery-phase" volatility. Dilution: Low risk in the near term following the successful completion of the ₹1,050 Cr rights issue.
Agency / Cross Analysis	<p>Same Agency: Outlook shifted from Stable to Positive. CARE acknowledges the successful transition from a heavy investment phase (FY21-23) to an execution/utilization phase.</p> <p>Conclusion: Significant Improvement. The rating is catching up to the improved balance sheet strength and operational turnaround post-rights issue.</p>
Final Inference	Real Operational Turnaround. The "Positive" outlook signals a likely rating upgrade to AA in the next 12 months if the company maintains >15% margins and utilizes excess capacity to bring Net Debt/EBITDA below 3x. Regulatory compliance at Turbhe is the only immediate tactical risk.