Piramal Pharma Ltd — Apr 2026 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

Result: Weak Miss / Guidance Reset **One-line:** The thesis transitions from a "Lost Year" of inventory shocks to an "Execution Year" in FY27, as management uses a □176 Cr impairment and the Kenalog acquisition to clear the deck for a margin-led recovery.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Guidance / Prior Quarter	Weak Miss	FY26 Revenue -3% YoY vs "Flat" guidance; EBITDA margin 13% vs "low-teens" target.	□
Earnings Quality	Low	Net Loss of □326 Cr; result includes □176 Cr non-cash impairment and high tax despite consol. loss.	□
Guidance Confidence	Neutral	Shift to "early-to-mid teens" growth for FY27; CDMO order wins (+27% audits) support the turn.	□
Management Credibility	Neutral	Followed through on "transitional year" warning but failed to hit the "flat revenue" floor.	□
Business Quality Signal	Mixed	Consumer (PCH) is a structural 20% grower; CDMO is high-beta; CHG is now a cash-cow platform.	□
Key Q&A Exchange	Q1 & Q20 (Write-off)	Management impaired □176 Cr of R&D assets to "prioritize capital" for FY27 projects.	□
The Street's Primary Anxiety	CDMO Recovery	Can the biopharma funding bounce (H2 up 75%) translate to revenue by H2 FY27?	□
Capital Cycle Stage	Investment	$90M expansion ongoing; shift to inorganic (Kenalog) to bridge the FY30 revenue gap.	□
Margin Trajectory	Deteriorating	Full year EBITDA margin fell to 13% from 17% in FY25; Q4 margin improved to 18%.	□
Pricing Power	Stable	US Sevoflurane share increased to 47% (up from 45% in Mar '25).	□
FCF Conversion & Quality	Strong	□741 Cr released from Working Capital; CFO significantly positive despite accounting loss.	□
Competitive Moat Signals	Widening	Onshoring tailwinds in US/UK; ADC revenue at $64M with "significant" RFP traction.	□
Balance Sheet Strength	Adequate	Net Debt at □4,140 Cr; Net Debt/EBITDA at 3.6x (elevated but stable).	□
Working Capital Efficiency	Improving	Net Working Capital fell from □2,798 Cr to □2,057 Cr YoY.	□
Mgmt Guidance Track Record	Mixed	Reliably flagged the "transitional" nature, but organic CDMO growth remains elusive.	□
Key Vulnerability / Red Flag	Tax Inefficiency	25% ETR on consolidated losses due to geographic profit mix is a structural drag.	□
Management Tone	Cautious Optimism	Chairperson pivoted focus to "leading indicators" (RFPs/Audits) to distract from a soft P&L.	□

Sentiment: □Positive | □Negative | □Neutral

Key Takeaways: * **Positives:** The Consumer Healthcare (PCH) business is a standalone gem, growing at 2x the market rate (17%) with Power Brands contributing 52% of sales. Complex Hospital Generics (CHG) remains a formidable platform, evidenced by a 47% market share in US Sevoflurane and the strategic integration of Kenalog (adding high-margin ~$35M revenue). CDMO leading indicators are surging, with a 27% YoY increase in customer audits and a significant RFP bounce in H2 following the biopharma funding recovery. * **Negatives:** CDMO revenue fell 10% for the year, hampered by the lack of orders from the "large on-patent molecule" which management now admits has no near-term visibility. The ₹176 Cr R&D impairment and the ₹326 Cr net loss highlight the high cost of this "transitional" year. * **Street Concern:** Analysts are skeptical of the "H2 weightage" in CDMO. Management's response: the 180-day decision cycle from the Oct '25 RFP surge guarantees that FY27 will be back-ended, but with a "higher win rate" than FY25. * **Forward Watchpoint:** The successful integration of Kenalog and the conversion of the current 25 Phase III molecules into commercial manufacturing are the only triggers for an FY27 re-rating.

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2. BUSINESS PERFORMANCE

2A. KEY METRICS

DATA SOURCE: PPT figures used as primary source. Concall used for Mgmt Commentary and values not in PPT.

Metric	Current Qtr (Q4FY26)	YoY Change	QoQ Change	Trend	Mgmt Commentary
Total Revenue (₹ Cr)	2,752	(0)%	↑ 29%	→	Impacted by CDMO destocking; seasonality favors Q4.
CDMO Revenue (₹Cr)	1,708	↓ 4%	↑ 47%	↓	Core business grew low single-digits excluding destocking impact.
CHG Revenue (₹ Cr)	743	↑ 7%	↑ 13%	↑	US Sevoflurane share hit 47%; Baclofen share remains #1.
PCH Revenue (₹ Cr)	301	↓ 4%	↑ 17%	↓	Full year up 17%; Q4 impacted by "fewer, bigger" launch strategy.
EBITDA (₹Cr)	505	↓ 16%	↑ 112%	↓	Negative operating leverage in overseas sites during the year.
EBITDA Margin %	18%	↓ 400 bps	↑ 700 bps	↓	Margins hit by revenue scale; Q4 shows recovery potential.
PAT (₹Cr)	(9)	NM	↑ 93%	↓	Impacted by ₹176 Cr impairment and high tax outflows.
Net Debt (₹Cr)	4,140	↓ 1%	→	→	Maintained despite capex; WC release offset investment.
R&D Pipeline	155+ Mol.	→	→	→	25 molecules in Phase III; ADC/HPAPI focus.
Working Capital (₹Cr)	2,057	↓ 26%	—	↑	Sharp improvement from ₹2,798 Cr in FY25.
CFO / PAT Ratio	NM	—	—	↑	CFO highly positive (~₹800 Cr+ est) vs ₹326 Cr loss.

2B. SEGMENT BREAKDOWN

Segment	Revenue (₹ Cr)	YoY Growth	Margin	Trend	vs Co. Avg	Key Development
CDMO	4,915 (FY)	(10)%	Low	↓	Below	Audits up 27%; ADC revenue $64M; Lexington/ Riverview on track.
CHG	2,703 (FY)	3%	High	→	Above	Kenalog acquisition completed; Digwal facility supply ramp-up.
PCH	1,274 (FY)	17%	Improving	↑	Below	Power Brands grew 24%; E-commerce now 30% of sales.

3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate / Mathematical Feasibility	Historical Delivery	Risk Flag
Guidance	FY27 Revenue	"Early-to-mid teens"	Requires ₹1,000 Cr+ incremental revenue; Kenalog adds ~₹290 Cr.	Missed (FY26)	Moderate
Guidance	FY27 EBITDA	"Growing faster than revenue"	Implies margin expansion to 15-16%+.	Missed	High
Capex	FY27 Spend	$120M - $135M	Includes Lexington spillover; manageable via internal accruals.	On Track	Low
Strategy	CDMO Recovery	RFP inflow increase since Oct '25	180-day cycle implies conversion only by Q2/Q3 FY27.	New	Moderate
Strategy	Product Mix	47% Innovation Revenue	Target to maintain innovation share as capacity comes online.	Consistent	Low
Balance	Debt / EBITDA	Target 3.6x range	Highly dependent on EBITDA denominator recovery in H2.	Mixed	High
Strategy	Vertical Integ.	Sevoflurane from Digwal	Expected to expand ROW share via cost-leadership.	Ongoing	Moderate

4. ANALYST Q&A

Q#	Relevance	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility	Ve
1	4.5	Brajesh Nirala, 3P Investment	CDMO Destocking	Business Overview	"Do we see any visibility in the assumption of supply for our most important on-patent commercial product?"	Management does not anticipate any orders in the near term from that customer and will only reflect them if visibility changes. This confirms that the □400 Cr+ revenue hole will remain unplugged for at least the next 2-3 quarters.	None	4.0	Cl qu
1a	4.0	Brajesh Nirala, 3P Investment	CDMO Recovery	Management Commentary	"What specific steps we are taking to address the decline in CDMO revenue and when we expect normalization?"	Management pointed to the H2 biopharma funding rebound, increased RFPs, and a higher win rate as the primary drivers for a return to growth in FY27. This shifts the thesis validation to the H1 FY27 order book update.	None	3.0	Di ev
2	3.5	Avnish Burman, Vaikarya	Macro Headwinds	Financials	"If you can just articulate the impact of the Middle East crisis on business... raw material shortages or even the raw material price increases... who's taking this pain?"	Management expects the impact to be manageable in the immediate term but noted potential cost escalations in logistics and utilities. This creates a potential margin headwind if they cannot pass through these costs to fixed-price	None	3.0	Va co

Q#	Relevance	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility	Ve
						CDMO contracts.			
3	4.5	Shyam Srinivasan, Goldman Sachs	ADC Services	Business Overview	"ADC revenues are about 64 million... is it a meaningful growth driver when we look forward?"	Management expects ADC revenue to be a meaningful driver of growth in FY27-28, with new Phase 3 projects added this year. This positions PPL as a top-tier global player in a high-growth, high-margin niche.	None	4.0	Sp ar qu
3a	4.0	Shyam Srinivasan, Goldman Sachs	ADC Moat	Business Overview	"In your opinion, what do innovators value the most? Is it conjugation services? Or is it payload?"	Management identified conjugation as the "anchor" service that drives customer stickiness and differentiation over commodity mAb providers. This reinforces the technical moat surrounding the Grangemouth facility.	None	4.0	Di ev
4	4.0	Shyam Srinivasan, Goldman Sachs	Facility Profitability	Capex and Allocation	"How are these facilities doing either in terms of utilization levels... what has been the improvement?"	Management reported mixed performance for FY26 but noted several overseas sites demonstrated turnarounds due to niche capabilities in ADC and high-potent API. This suggests that operating leverage is finally kicking in at US/UK sites.	Specific utilization %	2.5	He
5	5.0			Financials				3.0	

Q#	Relevance	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility	Ve
		Shyam Srinivasan, Goldman Sachs	Asset Write-down		"Qualitatively give some more details [on the INR 176 crores write-down], please?"	Management explained that certain R&D intangibles were impaired as they no longer met return ratios under updated macro conditions and prioritized capital plans. This is a significant "cleaning of house" move that removes future amortization/ R&D drag.	Specific products		Sp Q
6	4.0	Abdulkader Puranwala, ICICI	Margin Bridge	Financials	"Stand-alone financials... 20%-odd [margins]. But on a consol basis, the margins are a little lower. Where exactly there is to improve its margins?"	Management clarified that the 20%+ stand-alone margin is due to scale in India, while overseas sites remain sub-optimal in scale. Margin expansion for the group is purely a function of filling the capacity at US/UK sites.	None	4.0	Cl qu
7	4.0	Abdulkader Puranwala, ICICI	On-Patent Count	Business Overview	"How many products we're supplying currently [in on-patent commercial]?"	Management is supplying 15-16 products and saw nearly 50% revenue growth in this segment excluding the one destocked molecule. This suggests the underlying CDMO core is healthy and diversifying away from	None	5.0	Sp ar qu

Q#	Relevance	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility	Ve
						single-product concentration.			
8	4.0	Abdulkader Puranwala, ICICI	Working Capital	Financials	"Sizable improvement in working capital... still some scope for you guys to realign?"	Management attributed the improvement to receivable collections and inventory optimization but warned that geopolitical turmoil might require carrying higher safety stocks. This signals that the WC release benefit may have peaked this quarter.	None	4.0	Di ev
9	3.0	Navin Baid, Nuvama	Guidance	Management Commentary	"Did you guide for sort of mid-teens kind of revenue growth for FY27?"	Management confirmed early-to-mid teens revenue growth with EBITDA growing faster. This establishes the benchmark for FY27 execution.	None	5.0	Sp ar qu
10	3.5	Bino Pathiparampil, Elara	Currency	Financials	"Early to mid-teen growth, is that in INR terms or constant currency?"	Management confirmed the guidance is in INR terms, noting that currency depreciation provides a "natural buffer." This implies constant currency growth could be in the high single digits.	None	4.0	Cl qu
11	4.0	Bino Pathiparampil, Elara	Capex	Capex and Allocation	"What would be the capex number for '27?"	Management guided for $120M - $135M, primarily for the Lexington	None	5.0	Sp ar qu

Q#	Relevance	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility	Ve
						expansion, with some spillover from FY26. This confirms that the intensive investment phase will continue through FY27.			
12	3.5	Bino Pathiparampil, Elara	Tax Rate	Financials	"At the consol level, for the quarter, it has kind of normalized to about 25%... will it be fluctuating?"	Management expects the tax rate to remain elevated in the interim due to geographic mix but will move to 24-25% at scale. High tax on losses remains a structural overhang until overseas sites turn profitable.	None	3.0	Va co
13	4.0	Yasser Lakdawala, M3	Phase III Launch	Business Overview	"What percentage of our Phase 3 projects... do we expect to commercialize those in the next couple of years?"	Management expects commercial decisions within a 3-year window for the 25 molecules currently in Phase 3. This provides a clear roadmap for the "hockey stick" revenue growth starting FY28.	Specific success %	2.5	He
14	3.5	Yasser Lakdawala, M3	Peptides & Yapan	Business Overview	"Evaluate the success of these capabilities [Peptides/ Yapan]?"	Management noted substantial growth and meaningful profitability in peptides since acquisition, while Yapan remains an "early phase" bio-conjugation offering. This	Specific revenue for Peptides	2.0	He

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						validates the inorganic strategy for high-science niches.			
15	3.5	Yasser Lakdawala, M3	Non-Anesthesia Growth	Business Overview	"How do we sort of increase the non-anesthesia piece of our business?"	Management is relying on resolving supply constraints in injectable pain and adding specialty products like Kenalog. This reduces the risk profile of the Hospital business by diversifying the portfolio.	None	3.0	Di ev
16	4.0	Harith Ahamed, Spark	NewAmsterdam Deal	Business Overview	"What are the timelines that we're looking at [for NewAmsterdam partnership]... peak sales potential?"	Management noted the capex is complete and customer-funded, but declined to provide peak sales due to confidentiality. This deal validates the Sellersville site's attractiveness for large-scale commercial supply.	Peak sales figures	2.0	De
17	3.5	Tushar Manudhane, Motilal	CDMO Competition	Management Commentary	"Capacity increases by the competition... factor playing out... pricing?"	Management claimed their win rate actually increased last year due to facility location and BD enhancements. This counters the narrative that commoditization is hurting the	None	3.0	Di ev

Q#	Relevance	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility	Ve
						Tier-1 CDMO players.			
18	4.0	Alankar Garude, Kotak	Digwal Margins	Business Overview	"Which are the RoW markets... how is the pricing environment?"	Management listed India, UAE, and others, stating Digwal's cost structure allows them to compete with Chinese manufacturers while maintaining target margins. This is a critical vertical integration play for Sevoflurane.	None	4.0	Sp Qu
19	3.5	Alankar Garude, Kotak	US Tariffs	Management Commentary	"How are you assessing the impact of tariffs on the on-patent CDMO segment?"	Management expects tariffs to be a net positive for US facilities (onshoring trend) and noted that UK/ India sites have various "workarounds" or FTA possibilities. Geopolitical de-risking remains a long-term tailwind.	None	3.0	Va co
20	3.0	Devang Shah, DD Ent.	Quarterly Stability	Management Commentary	"Are we going to see any stable quarters coming up?"	Management admitted that the CDMO business (60% of revenue) will remain back-ended and lumpy due to customer delivery schedules. Investors must accept structural H2 seasonality.	None	3.0	Va co

Q#	Relevance	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility	Ve
21	4.0	Vinod Jain, WF Advisors	Impairment Detail	Governance	"Exceptional charge of INR175 crores... neither hinted earlier nor explained... avoid this in the future?"	Management reiterated that market conditions changed for specific R&D assets and they chose to impair rather than continue non-productive investment. This raises questions about R&D underwriting but improves capital efficiency going forward.	Specific product names	2.0	De

PATTERN FLAGS & SENTIMENT

- **CDMO Leading Indicators vs. Lagging P&L:** Analysts were fixated on the disconnect between the "rebounding funding" and the negative CDMO growth. Management's defensive posture relied heavily on a record number of audits (209) and a 60 NPS, which they use as proxies for future revenue. The friction remains live because "RFPs" do not pay interest on debt, and the street wants to see "Orders."
- **The "Cleaning of House" Strategy:** The ₹176 Cr impairment was a surprise to many. Management appeared confident that this was the right decision to stop "throwing good money after bad," but the lack of detail on the specific products involved left a slight credibility gap regarding historical R&D allocation.
- **Segment Diversification:** The tone on PCH and CHG was notably more confident than CDMO. Analysts have begun to view PCH as a self-sustaining high-growth entity, which is starting to act as a floor for the group valuation.

Analyst Sentiment Verdict: Analysts were **skeptical but appreciative of the transparency.** The primary friction point was the structural lumpiness of the business and the high tax rate on consolidated losses. Management's credibility on the FY27 "return to growth" is being given the benefit of the doubt for now, backed by the Kenalog acquisition, but Q1/Q2 FY27 will be a high-stakes validation period.

GUIDANCE GAPS REVEALED IN Q&A

Topic	What Mgmt Claimed (Opening)	What Q&A Revealed	Gap / Walk-back	Risk to Thesis
FY26 Revenue	"Transition year"	Finished -3% YoY	Missed the "Flat" aspiration mentioned in prior quarters.	Moderate
Large Customer	"Monitoring"	"No orders anticipated"	Effectively confirms the ₹400 Cr hole is permanent for the medium term.	High
Overseas Margin	"Improving"	"Performance was mixed"	Admits scale at US/UK sites is still not at the EBITDA-positive threshold.	Moderate

5. WHAT CHANGED vs PRIOR QUARTER

What Changed	Prior Quarter	This Quarter	Direction
Guidance	"Flat FY26 Revenue"	"Early-to-mid teens FY27 Growth"	↑
R&D Assets	□1,100 Cr CWIP/IAUD	□176 Cr Impairment taken	↓
CDMO Pipeline	30 Phase III molecules	25 Phase III molecules	↓
Working Capital	□2,798 Cr	□2,057 Cr	↑
Biopharma Funding	"Early recovery"	"75% YoY growth in H2"	↑
Facility Strategy	Commercializing Digwal	Supplies to price-sensitive ROW started	↑
Revenue Base	Organic focus	Inorganic (Kenalog) addition	↑
Tax incidence	Expected to normalize	25% ETR on Consol Loss	↓

STOP HERE.