Piramal Pharma Ltd — Jul 2026 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

Result: Strong Beat **One-line:** The thesis transitions from "Execution Uncertainty" to "Margin Expansion Confirmation" as the 17% top-line growth and 400bps margin expansion prove that the leading indicators (RFPs/Audits) of FY26 have finally translated into financial performance.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Guidance / Prior Quarter	Strong Beat	Revenue +17% YoY and EBITDA +72% YoY vs "early-to-mid teens" annual guidance.	□
Earnings Quality	High	Growth driven by volume execution and capacity utilization across all three segments.	□
Guidance Confidence	Strong	Management reaffirmed FY27 guidance despite a strong Q1, suggesting a conservative buffer for H2.	□
Management Credibility	Strong	Successfully delivered on the "CDMO recovery" promise made during the FY26 "transitional year."	□
Business Quality Signal	Improving	CDMO growth is broad-based (India & Overseas); CHG is diversifying into ROW successfully.	□
Key Q&A Exchange	Q13 (Tariffs)	Mgmt clarified that Sevoflurane API/Product is made in the US, de-risking against potential China/India tariffs.	□
The Street's Primary Anxiety	Tax Inefficiency	High tax incidence on low PBT at overseas sites; mgmt expects normalization only at higher scale.	□
Capital Cycle Stage	Investment	$90M ADC expansion (Riverview/Lexington) ongoing; Riverview Linker site now operational.	□
Margin Trajectory	Improving	EBITDA margins rose to 12.5% from 8.5% YoY; structural shift toward 25% FY30 target.	□
Pricing Power	Stable	PCH price hikes mitigated inflation; CDMO "pricing discipline" mentioned as a growth driver.	□
FCF Conversion & Quality	Strong	Continued focus on operational excellence; capex being funded by internal accruals/debt.	□
Competitive Moat Signals	Widening	USFDA EIR for Sellersville and "Delivery to Delight" (NPS 60) driving new logo wins.	□
Balance Sheet Strength	Adequate	Net Debt stable; high tax outflows are the only immediate liquidity drag.	□
Working Capital Efficiency	Improving	Inventory optimization mentioned in PCH; broader discipline in CDMO.	□
Mgmt Guidance Track Record	Reliable	Followed through on the H2-heavy order book pipeline discussed in Q4.	□
Key Vulnerability / Red Flag	Geographic Mix	Profitability concentrated in India; overseas sites still diluting consol. PBT and inflating ETR.	□
Management Tone	Confident	Shift from defensive "transition" language to offensive "execution" and "growth" focus.	□

Sentiment: □Positive

Key Takeaways: * **Positives:** All three business units (CDMO, CHG, PCH) are now firing simultaneously, growing at 17-19%. The CDMO recovery is broad-based, with significant RFP interest in "near-shore" (US/UK) assets which carry higher gross margins (75-85%). The Consumer (PCH) business continues to outpace the market, with Power Brands growing 23% and E-commerce reaching 28% of sales. * **Negatives:** The consolidated tax rate remains a significant headwind due to the lack of PBT scale at overseas sites, creating an "optical" tax drag. The "Large On-Patent Molecule" from FY26 remains at zero revenue with no near-term visibility. * **Street Concern:** Analysts are focused on the sustainability of the 17% CHG growth given historical volatility. Management's response: Growth was driven by market share gains in ROW and leadership in US Sevoflurane (48%); the Q2 start of Kenalog supplies provides a further organic cushion for the rest of FY27. * **Forward Watchpoint:** The commercialization of the 25 Phase III molecules and the successful ramp-up of the newly inaugurated Riverview linker-payload facility are the primary triggers for FY27-28 re-rating.

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2. BUSINESS PERFORMANCE

2A. KEY METRICS

DATA SOURCE: PPT not available — all numbers sourced from concall transcript.

Metric	Current Qtr (Q1FY27)	YoY Change	QoQ Change	Trend	Mgmt Commentary
Total Revenue (□ Cr)	2,270	↑ 17%	↓ 18%	↑	YoY growth driven by all 3 segments; QoQ drop is seasonal.
CDMO Revenue (□Cr)	~1,220*	↑ 19%	↓ 29%	↑	Broad-based growth across India and Overseas sites.
CHG Revenue (□ Cr)	743	↑ 17%	→	↑	Strong traction in ex-US markets; 48% US Sevoflurane share.
PCH Revenue (□ Cr)	~307*	↑ mid-teen	↑ 2%	↑	Power Brands grew 23%; E-commerce grew 40%.
EBITDA (□Cr)	285	↑ 72%	↓ 44%	↑	Driven by operating leverage and pricing discipline.
EBITDA Margin %	12.5%	↑ 400 bps	↓ 550 bps	↑	Expansion led by utilization; Q1 is historically a low margin qtr.
Gross Margin (%)	~65%	Not in doc	Not in doc	→	Overseas GMs at 75-85%; India GMs at 55-65%.
R&D Pipeline	155+ Mol.	→	→	→	25 molecules in Phase III; consistency maintained.
Net Debt (□Cr)	Not in doc	Not in doc	Not in doc	→	Reaffirmed management focus on financial discipline.
Capex (□Cr)	175 ($21M)	Not in doc	Not in doc	→	$120M-$135M annual guidance maintained.
Effective Tax Rate	Elevated	↑ YoY	—	↓	High due to geographic profit mix and overseas low PBT.
CFO / PAT Ratio	Not in doc	—	—	—	PAT figure not explicitly disclosed in Crore terms.

**Derived from total revenue minus CHG and segment growth commentary.*

2B. SEGMENT BREAKDOWN

Segment	Revenue (□ Cr)	YoY Growth	Margin	Trend	vs Co. Avg	Key Development
CDMO	~1,220	19%	Improving	↑	Inline	Inaugurated Riverview Linker-Payload site ($5M capex).
CHG	743	17%	Stable	↑	Above	Kenalog supplies starting Q2 FY27; ROW share gains.
PCH	~307	~15%	Improving	↑	Below	Launched 'i-choose' brand; E-commerce now 28% 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 ~13-15% for rem. qtrs; Q1 17% makes this highly achievable.	Delivered (Q1)	Low
Guidance	FY27 EBITDA	"Sustained expansion"	Implies hitting 14-15% average for FY27; Q1 12.5% is a strong start.	Delivered (Q1)	Low
Guidance	FY30 EBITDA	25% Margin	Long-term target; requires filling overseas capacity to scale.	Ongoing	Moderate
Strategy	CDMO RFPs	"Significant increase"	Conversion depends on customer funding (which is recovering).	Improving	Moderate
Strategy	CHG Growth	Kenalog integration	Expected to add $35M+ revenue starting Q2 FY27.	On Track	Low
Capex Plan	Lexington Exp.	Completion CY27	Critical for integrated ADC offering (conjugation + fill-finish).	On Track	Low
Macro	Bio-Pharma	US Funding Recovery	Rebounding funding is translating to RFP quality/breadth.	Confirmed	Low
Balance	Tax Rate	Normalize to 24-25%	Requires overseas sites to turn PBT positive (scale-dependent).	Lagging	High

4. ANALYST Q&A

Q#	Relevance	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility	Verdict
1	4.5	Amey Chalke, JM Financial	Seasonality	Financials	"Do you expect that [Q1 growth] trend to continue... do you intend to upgrade your top-line guidance?"	Management maintained the annual guidance despite the strong start, noting that H2 is typically stronger but it is too early to revise. This suggests hidden upside if Q2/Q3 maintain the 17% run-rate.	None	5.0	Specific and quantified
3	4.0	Amey Chalke, JM Financial	CHG Competition	Business Overview	"Should we assume that [Chinese competition] has subsided?"	Management stated that Chinese competition remains, but their strategic actions and ROW market share gains are now bearing fruit. This proves the CHG business is resilient even without a "moat" against low-cost producers.	None	4.0	Directional evidence
4	4.5	Sajal Kapoor, Antifragile	Customer Depth	Business Overview	"Is the average customer spending meaningfully more with Piramal every 3 to 5 years?"	Management confirmed their "land and expand" strategy is working, with Top 20 customers growing faster and using multiple sites (East-West mix). This indicates high switching	None	5.0	Specific and quantified

Q#	Relevance	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility	Verdict
						costs and deep technical integration.			
6	4.0	Raj, Kotak AMC	Gross Margins	Financials	"Can we put a target of, say, 80% gross margin [in subsidiaries]?"	Management clarified that overseas gross margins are already in the 75-85% range, but consol margins are lower due to the India mix (55-65%). Margin expansion for the group will come from operating leverage at the high-GM overseas sites.	None	4.0	Clear and quantified
8	4.5	Vinod Jain, WF Advisors	Tax Overhang	Financials	"The position continues to be adverse in this quarter too of taxation... how will it pan out?"	Management explained the high tax is due to geographic mix (tax-paying India) and lack of scale at overseas units (inflating the ratio). This remains a structural earnings drag until Lexington/ Riverview scale up.	None	3.0	Vague but consistent
10	4.0	Bharat Sheth, Quest	Differentiated CDMO	Strategy	"How do we see this differentiated offering really start	Management expects differentiated offerings (ADCs, etc.) to grow faster	None	4.0	Directional evidence

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					contributing... in CDMO?"	than the core, but emphasized that operating leverage is the primary EBITDA driver. This prioritizes "filling the plants" over "improving the mix" in the short term.			
12	4.0	Abdulkader, ICICI Sec	Ajinomoto Partnership	Strategy	"What are the kind of investments we're planning into this partnership?"	Management clarified this is a technology/ collaboration partnership requiring no direct capital investment but signaling compatibility to the market. This adds "virtual" capabilities without balance sheet risk.	None	4.0	Specific and quantified
13	4.0	Shyam Srinivasan, Goldman	Capacity & Pricing	Financials	"Utilization levels... pricing discipline... what have we effected?"	Management confirmed price hikes in PCH to combat inflation and "pricing discipline" in CDMO as key growth drivers. This suggests PPL is no longer purely a price-taker in the services market.	Specific utilization %	3.0	Hedged
14	4.0						None	5.0	

Q#	Relevance	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility	Verdict
		Shyam Srinivasan, Goldman	Capex Update	Capex and Allocation	"How much was the capex for the quarter... what's the update on Lexington?"	Management spent $21M in Q1 against $120M-$135M annual guidance, with Lexington on track for CY27 completion. This confirms the heavy investment phase is peaking this year.			Specific and quantified
15	4.5	Tushar, Motilal Oswal	Riverview Potential	Business Overview	"What kind of revenue potential one can think [for the new ADC facility]?"	Management described the Linker-Payload expansion as a small $5M investment with "single to low double digit" ($ Mn) revenue potential that was already "sold out." This illustrates the high IRR of specialized "de-bottlenecking" capex.	None	4.0	Specific and quantified
19	4.5	Alankar, Kotak	Near-shoring	Strategy	"Are you seeing a clear preference by Big Pharma towards near-shoring?"	Management noted a "spike in interest" in near-shore offerings, but attributed growth to a larger BD team and biopharma funding recovery. This	None	4.0	Directional evidence

Q#	Relevance	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility	Verdict
						suggests "China+1" is a tailwind but not the sole driver of growth.			
21	4.5	Parikshit, Fair Value	US Tariffs	Governance	"Is Sevoflurane completely manufactured from scratch in the US... any risks?"	Management confirmed that while inputs come from India (Digwal/ Dahej), the API and Drug Product are made in Bethlehem, PA. This effectively insulates their lead product from potential 100% US tariffs on Indian generics.	None	5.0	Clear and quantified

PATTERN FLAGS & SENTIMENT

- **The Overseas Scaling Paradox:** Analysts remain concerned that Piramal's best assets (high gross-margin overseas sites) are the biggest drag on the consolidated P&L due to low utilization and high tax incidence. Management's posture is one of "patient scaling," insisting that the high tax is an optical anomaly that only revenue growth can solve. This remains a live friction point that will only be resolved when the "Net Profit" line catches up to EBITDA growth.
- **CDMO Leading Indicators to Laggards:** The focus has shifted from "where are the orders" to "how fast can you execute." The successful EIR for Sellersville and the inaugurations at Riverview have boosted management confidence. The anxiety over the "Large Molecule" loss from FY26 has largely dissipated as the broad-based 19% CDMO growth suggests the business has successfully diversified.

Analyst Sentiment Verdict: Analysts were **optimistic but cautious**, heartened by the strong double-digit growth across segments but seeking clarity on the tax rate and the long-term ROI of the $90M expansion. Management's credibility has significantly improved this quarter as they delivered on the "recovery" narrative they set in FY26.

GUIDANCE GAPS REVEALED IN Q&A

Topic	What Mgmt Claimed (Opening / Prior Q)	What Q&A Revealed	Gap / Walk-back	Risk to Thesis
Lexington Completion	Prior: FY26/27	Current: "Calendar Year 2027"	Delay of ~6 months in completion timeline.	Low (ADC demand is long-cycle).
Tax Rate	"Normalized 24-25%"	"ETR will look inflated"	Admission that tax drag persists as long as overseas sites are sub-scale.	Moderate (EPS dilution).

5. WHAT CHANGED vs PRIOR QUARTER

What Changed	Prior Quarter (Q4FY26)	This Quarter (Q1FY27)	Direction
Revenue Growth	-3% (FY26)	+17% (YoY)	↑
EBITDA Growth	-16% (Q4)	+72% (YoY)	↑
CDMO Growth	-4% (Q4)	+19% (YoY)	↑
CHG Growth	+7% (Q4)	+17% (YoY)	↑
ADC Capacity	Under construction	Riverview Linker site operational	↑
USFDA Status	Pending Sellersville EIR	Sellersville EIR received	↑
Management Tone	Cautious / Transitional	Execution-focused / Confident	↑
Leading Indicator Focus	Audits / RFPs	Revenue / EBITDA scale	↑
Currency Benefit	Not highlighted	9-10% benefit to revenue	↓ (Optical)

STOP HERE.