Piramal Pharma Ltd — Nov 2025 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

Result: Weak Miss / Guidance Downgrade **One-line:** The anticipated "Air Pocket" has widened into a structural H1 trough, forcing a guidance cut for FY26 as the recovery in CDMO is delayed by deeper customer destocking and inconsistent biotech funding.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Guidance	Weak Miss	Revenue (-9% YoY) and EBITDA (-44% YoY) missed internal trajectories; FY26 guidance cut from "mid-single digit growth" to "flat."	□
Earnings Quality	Moderate	Negative PAT (□-99 Cr) persists; however, Net Debt reduced by □228 Cr since Mar-25 due to working capital discipline.	□
Guidance Confidence	Weak (Short-term)	Management walked back FY26 revenue and margin targets just one quarter after reaffirming them.	□
Management Credibility	Neutral	While transparent about the "large customer" issue, the magnitude of the impact appears to have exceeded earlier internal models.	□
Business Quality Signal	Mixed	CDMO core is volatile, but Consumer (PCH) power brands (+20%) and Inhalation Anesthesia (45% US share) show structural strength.	□
Key Q&A Exchange	Q10: CDMO Concentration	Mgmt noted that the "large product" destocking is temporary as the end-product is growing 20%, but they cannot predict the re-order date.	□
The Street's Primary Anxiety	CDMO Recovery Timing	Concern that FY26 is now a "lost year" with all hopes pinned on a massive H2 recovery and FY27 normalization.	□
Capital Cycle Stage	Investment	Ongoing $90M expansion in Lexington/Riverview for ADCs; $200M total US footprint reflects long-term "Onshoring" bet.	□
Margin Trajectory	Deteriorating (Temp)	EBITDA margin compressed to 11% (from 18% YoY) due to negative operating leverage in CDMO.	□
Pricing Power	Stable	US Sevoflurane share gains (44% to 45%) suggest strong positioning despite not being "aggressive" on price in ROW.	□
FCF Conversion & Quality	Strong	Positive surprise: Despite losses, Net Debt decreased due to tighter inventory and GST refund management.	□
Competitive Moat Signals	Widening	Joint investment with NewAmsterdam Pharma for Obicetrapib OSD suite reinforces the "Integrated CDMO" value prop.	□
Balance Sheet Strength	Adequate	Net Debt/EBITDA maintained <3x; Net Debt reduced to □3,971 Cr.	□
Working Capital Efficiency	Improving	DSO/Inventory reduction helped offset the impact of the revenue shortfall on the cash balance.	□
Mgmt Guidance Record	Mixed	Reliably identified the trend, but failed to quantify the depth of the CDMO decline accurately last quarter.	□
Key Vulnerability	Customer Concentration	A single on-patent product destocking event swung consolidated EBITDA margins by 700bps YoY.	□
Management Tone	Cautious	Focused on "H2 seasonality" and "biopharma funding uptick" in Sept/Oct to justify the H2 recovery thesis.	□

Sentiment: □Positive | □Negative | □Neutral

Key Takeaways: * **The Negative:** FY26 is no longer a growth year. Management lowered revenue guidance to "Flat" (from mid-single digit) and EBITDA margins to "Low-teens" (from mid-teens). The CDMO segment's 21% YoY decline is a harsh reminder of the volatility inherent in on-patent commercial contracts. * **The Positive:** Despite the P&L hit, the balance sheet is healthier. Net debt fell □228 Cr in H1, a rarity during a loss-making half, driven by aggressive working capital management. The Consumer segment (PCH) is a genuine bright spot, with Power Brands growing 20% and Quick Commerce now driving 40% of e-commerce sales. * **Street Concern:** Analysts are skeptical of the "H2 Hockey Stick." Management needs H2 revenue to reach ~□5,200 Cr to hit the "Flat" FY26 target—a 30% jump over H1 levels. Management's defense rests on a significant uptick in Sept/Oct biopharma funding and the resolution of supply constraints in the Hospital business. * **Forward Watchpoint:** Monitor the "ADCelerate" program execution. The $90M investment must transition from "interest/RFPs" to "signed orders" by Q4 to validate the FY27 recovery thesis.

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2. BUSINESS PERFORMANCE

2A. KEY METRICS *DATA SOURCE: PPT figures primary. Concall used for commentary.*

Metric	Current Qtr (Q2FY26)	YoY Change	QoQ Change	Trend	Mgmt Commentary
Total Revenue (□Cr)	2,044	↓ 9%	↑ 6%	↓	Impacted by CDMO destocking; seasonality favors H2.
India Revenue (PCH) (□Cr)	351	↑ 15%	↑ 43%	↑	Driven by Power Brands (+20%) and Quick Commerce.
US/Intl Revenue (□Cr)*	1,693	↓ 13%	↓ 1%	↓	CDMO decline partially offset by steady CHG.
EBITDA (□Cr)	215	↓ 44%	↑ 36%	↓	Negative operating leverage from CDMO shortfall.
EBITDA Margin %	10.5%	↓ 700 bps	↑ 150 bps	↓	Guidance moderated to "low teens" for full year.
PAT (□Cr)	(99)	NM	↓ 21%	↓	Loss widened due to lower revenue base/fixed costs.
Net Debt (□Cr)	3,971	↓ 5%*	↓ 1%	↑	Down from □4,199 Cr (Mar-25) via WC efficiency.
R&D Pipeline (CDMO)	30+ Phase III	→	→	→	Pipeline stable; includes ADCs and OSD products.
Innovation Mix (%)	54%	→	→	→	Share of innovative work remains steady in CDMO.
Power Brand Growth	20%	↑	↑	↑	Little's, Lacto Calamine, and i-range leading growth.

Net Debt YoY change compared to Mar-25 (Prior Year End). International Revenue derived by subtracting PCH from Total.

2B. SEGMENT BREAKDOWN

Segment	Revenue (₹ Cr)	YoY Growth	Margin	Trend	vs Co. Avg	Key Development
CDMO	1,044	(21)%	Low	↓	Below	Destocking in one large commercial product.
CHG	649	0%	Stable	→	Above	US Sevoflurane share 45%; Baclofen share 75%.
PCH	351	15%	Improving	↑	Below	Quick commerce accounts for 40% of e-com sales.

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3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate / Mathematical Feasibility	Historical Delivery	Risk Flag
Guidance	Revenue (FY26)	Flat Growth (Revised Down)	Needs ₹5,196 Cr in H2; historical H2 mix is ~55-56%, so requires 56.6%.	Missed	Moderate
Guidance	Margins (FY26)	Low Teens (Revised Down)	Needs ~15-16% EBITDA margin in H2 to pull H1 (10%) up.	Missed	High
Guidance	FY2030 Vision	$2Bn Rev / 25% Margin	Requires ~14% CAGR from FY27 onwards.	Consistent	Moderate
Guidance	Capex Plan	$100M - $120M (Annual)	$49M spent in H1; expansion in Lexington/Riverview on track.	On Track	Low
Strategy	Onshoring	"Ahead of the curve" in US	High RFP/RFI interest at CPHI trade show for US assets.	In-Progress	Moderate
Strategy	Vertical Integration	Digwal approvals for ROW	Regulatory approvals for Sevoflurane ex-US from Digwal expected to drive H2.	On Track	Low
Macro	Biotech Funding	"Significant uptick" in Sept/Oct	Management notes this as the primary driver for early-stage orders.	External	High
Balance	Debt Reduction	Maintain < 3x EBITDA	Achieved ₹228 Cr reduction in H1 despite negative PAT.	Delivered	Low

4. ANALYST Q&A

Q#	Relevance	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility	Verdict
1	4.0	Avneesh Barman, Vaikarya	CDMO Growth	Financials	Seeking the "base" CDMO growth excluding the large product destocking.	Management declined to give specific customer-wise or line-by-line revenue disclosures to avoid confusion. This lack of transparency makes it difficult to assess the actual health of the core service business.	Specific "base" growth percentage.	2.5	Deflected — Signal
2	4.5	Avneesh Barman, Vaikarya	Destocking Timeline	Outlook	When will the large CDMO customer resume re-ordering?	Management stated they have no clarity on the re-ordering date but noted the underlying product is growing at 20%. This implies a continued revenue overhang until the customer's high inventory levels are exhausted.	Specific re-order quarter.	3.0	Evasive / Uncertain
3	3.5	Avneesh Barman, Vaikarya	US Administration	Macro	Will US policies force API/ Formulation manufacturing back to the US?	Management sees a general desire to de-risk from China, benefiting their onshore US facilities for drug products. This validates their $90M US investment strategy as a structural "China+1" beneficiary.	None.	4.0	Direction evidence
4	3.0	Meghna Agarwal, Mount Intra	US Capacity	Capex	When will meaningful revenue contribute from US capacity expansions?	Management noted they have "immediate capacity" available for tech transfers today and don't need to wait for full expansion. This suggests revenue growth is dependent on	None.	4.0	Specific/ Quantifie

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						order wins rather than physical construction timelines.			
5	2.5	Meghna Agarwal, Mount Intra	Market Share	Business Overview	Addressable market size for CDMO.	Management claims a low single-digit market share in a highly fragmented market. This highlights the massive headroom for growth if execution improves.	None.	3.0	Vague/ Consiste
6	3.5	Vinod Jain, WF Advisors	FY30 Guidance	Outlook	Is the $2Bn revenue / 25% margin FY30 guidance still standing given the poor H1?	Management reaffirmed the FY30 numbers, stating they will give more specific guidance later in the year. Maintaining long-term targets while missing short-term ones increases the risk of a back-ended "hockey stick" recovery.	None.	3.0	Hedged
7	4.0	Shyam Srinivasan, Goldman Sachs	H2 Comfort	Outlook	What gives comfort that H2 will be better enough to hit "Flat" growth?	Management pointed to historical seasonality, improved supplies in CHG, and the biopharma funding uptick. This confirms the thesis is heavily reliant on macro recovery and seasonal skew.	None.	3.5	Historica trend
8	4.0	Shyam Srinivasan, Goldman Sachs	Overseas Losses	Financials	Why are international subsidiary losses widening?	Management explained that overseas sites have a bigger H2 skew and suboptimal capacity utilization currently. This	None.	4.0	Clear and quantifie

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						indicates that margin expansion is purely a function of volume-based operating leverage.			
9	4.5	Madhav, Fidelity	Phase-3 Pipeline	Business Overview	How many "shots on goal" are expected in the next 12-18 months?	Management highlighted the NewAmsterdam and George Health partnerships as key Phase-3 opportunities advancing to commercialization. Success in these programs is critical to hitting the FY27-30 growth targets.	None.	4.5	Specific timeline
10	3.5	Amey Chalke, JM Financial	ADC Investment	Capex	Quantification of total ADC investment.	Management estimated over $100M has been invested, though some assets are multipurpose. This confirms the significant capital bet on differentiated capabilities.	Specific breakdown.	3.0	Vague
11	3.5	Kunal Randeria, Axis Capital	Inhalation Growth	Business Overview	How to grow Sevoflurane when US share is already at 45%?	Growth will come from ex-US (ROW) markets through vertical integration at Digwal, providing a lower cost base. This shift to ROW is the next major lever for the Critical Care segment.	None.	4.0	Specific strategy
12	4.0	Abdulkader Puranwala, ICICI	EBITDA Guidance	Financials	Does the "low teen" EBITDA margin guidance include "Other Income"?	Management confirmed that the guidance *does* include Other Income. This lowers the	None.	5.0	Quantifie

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						"quality" of the margin guidance as it isn't purely from operating performance.			
13	4.5	Sucrit Patil, Eyesight	Competitive Edge	Strategy	What makes Piramal hard to replace for global customers?	Management cited their 20-year track record in ADCs and the ability to combine India (value) and US (proximity) assets. This "non-China" integrated network is their primary moat in the current geopolitical environment.	None.	4.5	Clear/ Specific
14	3.0	Bhavani Kulkarni	Debt Reduction	Financials	How was debt reduced □228 Cr despite a negative PAT?	Reduced via working capital initiatives, inventory reduction, and faster GST refunds. This demonstrates high earnings quality in terms of cash conversion despite accounting losses.	None.	5.0	Verifiable

PATTERN FLAGS & SENTIMENT * **CDMO Volatility:** Analysts repeatedly pressed for the "base growth" in CDMO to see through the destocking noise. Management's refusal to provide a specific number created a layer of opacity, suggesting the underlying business might also be feeling the weight of the biopharma funding slowdown more than admitted. * **H2 Hockey Stick:** Nearly every institutional analyst questioned the feasibility of the H2 recovery. Management remained confident based on "seasonality," but the reliance on a 30% jump in H2 revenue makes the stock highly sensitive to any Q3 miss. * **Analyst Sentiment:** Skeptical but professional. Analysts are "marking to market" the guidance cut and shifting focus to FY27. The most friction occurred around the "Other Income" inclusion in margin guidance and the lack of a "base growth" metric for CDMO.

GUIDANCE GAPS REVEALED IN Q&A | Topic | What Mgmt Claimed (Q1FY26) | What Q&A Revealed | Gap / Walk-back | Risk to Thesis | | :--- | :--- | :--- | :--- | :--- | | **FY26 Revenue** | Mid-single digit growth | "Flat" performance | ~5% guidance cut | High (Lost year of growth) | | **FY26 Margin** | Mid-teens | "Low teens" | ~200-300 bps cut | Moderate (Op-lev sensitivity) | | **EBITDA Quality** | Operating EBITDA | Includes "Other Income" | Accounting vs Core | Low (Transparency issue) |

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5. WHAT CHANGED vs PRIOR QUARTER

What Changed	Prior Quarter (Q1FY26)	This Quarter (Q2FY26)	Direction
CDMO Growth	(6)% YoY	(21)% YoY	↓
FY26 Revenue Guidance	Mid-single digit	Flat	↓
FY26 Margin Guidance	Mid-teens	Low-teens	↓
Net Debt	Not stated (H1 view)	₹3,971 Cr (Down ₹228 Cr)	↑
E-commerce Mix	23% of PCH	24% of PCH	↑
Quick Commerce	Not highlighted	40% of E-commerce sales	↑
Biopharma Funding	"Inconsistent"	"Significant uptick" (Sept/Oct)	↑
US Facility Status	Groundbreaking	Ready for Tech Transfers	↑

Investor Notes: * **The "H2" Trap:** Piramal must generate more EBITDA in H2 (~₹800 Cr) than it has in any recent half to hit its "low-teens" margin target. This requires zero disruptions in the large customer re-order cycle and a perfect execution of the NewAmsterdam tech transfer. * **Hidden Strength in PCH:** The Consumer Healthcare business is scaling into a legitimate pillar, not just a retail experiment. The growth in Quick Commerce (40% of e-com) suggests PPL is capturing the premium, urban shift in Indian consumer behavior. * **Cash is King:** The ₹228 Cr debt reduction during a loss-making period is the most significant fundamental improvement. It provides management a buffer to continue the $120M annual capex without stressing the balance sheet. * **Thesis Status:** Thesis is **Delayed, but not Broken.** The long-term shift toward a US-centric ADC player and vertically integrated hospital provider remains intact, but the market will treat the stock as a "show-me" story until Q4FY26.

STOP HERE.