

Booster dose for Piramal Pharma on growth hopes

JM Financial initiates coverage on the stock with a 'buy' rating

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Piramal Pharma's shares were buzzing in trade on Tuesday, as the scrip rallied up to 8.3 per cent to hit an intraday high of ₹272 apiece before settling 3.74 per cent higher at ₹260.55 per share, even as the BSE Sensex closed 1.30 per cent lower at 80,684.45.

The surge in Piramal Pharma shares came after domestic brokerage JM Financial initiated coverage with a 'buy' for a target price of ₹340. This reflects an upside of 30.5 per cent from Tuesday's close.

Analysts at JM Financial predict that by 2028, the Indian Contract Research, Development, and Manufacturing Organisation (CRDMO) industry will double compared to FY23 levels, solidifying India's position as a key emerging destination for innovator companies seeking partnerships.

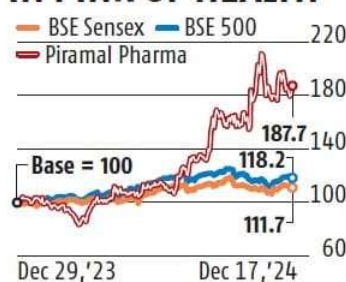
And, Piramal Pharma, analysts believe, stands out among its listed Indian CRDMO peers. This is due to its differentiated offerings, global manufacturing footprint, and comprehensive end-to-end capabilities.

"We build in a 23 per cent+ Ebitda compound annual growth rate (CAGR), which will result in steady cash generation and improve the net debt position, a key concern for investors. At the current market price, the stock is trading at a 21x/17x FY26/27 enterprise value (EV)/bitda, about 38 per cent discount to the average of listed peers. We value the company on a sum-of-the-parts (SoTP) basis to derive a target price of ₹340," said Amey Chalke, Raghav Vedanarayanan and Anushree Rustagi of JM Financial, in a note.

JM though is not the only brokerage bullish on the stock. According to *Bloomberg*, apart from JM, all the seven brokerages polled since October are bullish. The average one-year target price of these eight brokerages is ₹294. Meanwhile, here



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Source: Bloomberg, BSE

kare the top factors for JM initiating coverage.

CDMO — a core growth engine

Piramal's CRDMO business serves as its core growth engine, contributing 58 per cent of total revenue, analysts highlighted. The business stands out among Indian peers due to a healthy mix of contract research organisations (CRO) and contract development and manufacturing organisations (CDMO) services — with a 30:70 ratio. Piramal's manufacturing presence across the US, UK, and India, coupled with its commercial capabilities spanning intermediates, active pharmaceutical ingredients (APIs) and formulations, gives it a competitive edge.

The business also benefits from a diversified customer and geographic base and a healthy pipeline, providing strong revenue visibility.

Over the next three years, ana-

lysts believe, the CDMO segment is expected to grow at a CAGR exceeding 17 per cent. It will be driven by the anticipated turnaround of the CRO business, a robust pipeline of phase III projects, and recently commercialised assets.

Complex hospital generics

According to JM Financial, the complex hospital generics segment, which accounts for 30 per cent of the total revenue, acts as a cash cow for Piramal Pharma.

This business comprises complex and differentiated inhalation and injectable products with high entry barriers. The company holds a major market share in key products, including 40 per cent in Sevoflurane and a leadership position in Baclofen — with 70 per cent market share in the US. Limited competition and a differentiated channel make this a lucrative segment, offering margins in the range of 25-30 per cent.

Furthermore, the addition of new capacity in India for Sevoflurane and upcoming injectable product launches from a pipeline of 24 products, analysts reckon, are expected to drive an 11 per cent CAGR for the segment during FY24-27.

Beyond FY27, growth will likely be driven by 505(b)(2) products, which are drugs approved through the 505(b)(2) regulatory pathway. This enables manufacturers to obtain United States Food and Drug Administration (USFDA) approval for drugs that involve modifications to an already approved drug.

Here, there is no need to conduct research typically required for a new drug application (NDA).

Indian consumer healthcare

In the Indian consumer healthcare segment, which contributes 12 per cent to the overall revenue, Piramal Pharma has established a pan-Indian presence with a diverse portfolio of over 25 brands.